



NEWS RELEASE

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US Department of Justice Confirms Large Corporate Owned Hospitals Involved in Illegal Contracting Schemes in McAllen Texas, Not Physician Owned Hospitals

(Washington, D.C.) Over the last few months, concern over healthcare costs in McAllen, Texas has been incorrectly aimed by a few in Congress toward physician ownership. However, current federal action in McAllen, Texas has uncovered the real problem - large, corporate hospitals who now owe millions for their illegal contracting schemes.

Last week, the Department of Justice (DOJ) announced that its McAllen, Texas investigation of violations of the "False Claims Act, the Anti-Kickback Statute and the Stark Statute" has resulted in a \$27.5 million settlement with Universal Health Services Inc., a company based in Pennsylvania that owns South Texas Health System and other hospitals around the country. [Source: USDOJ 10/30/09]

The one physician owned hospital in McAllen, Texas, Doctors Hospital at Renaissance, was never part of the DOJ investigation and no allegations have ever been brought against the facility.

"Our opposition has attempted to pass the blame to physician owned hospitals for cost concerns brought to light by a June 2009 article published in the New Yorker. As the DOJ settlement demonstrates, that is simply not the case. The problem has never been physician ownership. The real problem lies with big corporate hospital chains," said Molly Sandvig, JD Executive Director of Physician Hospitals of America (PHA).

Despite this and other convincing evidence that points away from physician ownership as a concern, language that attacks physician ownership has been

inserted by corporate hospital lobbyists in both the House and Senate versions of health care reform bills.

“Congress is about to be railroaded into punishing innocent physicians who have been trying to bring reform to hospitals by the same type of big hospital corporations that were finally caught in McAllen, Texas,” says Sandvig.

The Justice Department announcement specifically noted that the settlement, “...involved allegations that the defendants had entered into financial relationships with several doctors in McAllen in order to induce them to refer patients to the defendants' hospitals. The government alleged that these payments were disguised through a series of sham contracts, including medical directorships and lease agreements.”

Sandvig commented that PHA is pleased to see that the real problem has been identified. “We have said for many years that we share concerns about illegal kickback schemes and that enforcement must be targeted to protect Medicare and tax money,” commented Sandvig.”

"At PHA, the patient and his or her medical needs are our top priority," stated Sandvig. "Therefore, it is truly disheartening to see such inappropriate self-referral stemming from employment incentives created between employed physicians and hospitals systems. We fear the employment relationship leads to this behavior far too often".

Physician Hospitals of America (PHA) represents over 220 American hospitals owned and operated by physicians themselves. PHA is on the web at: www.physicianhospitals.org