



NEWS RELEASE

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PHYSICIAN HOSPITALS OF AMERICA RESPONDS TO TIME MAGAZINE ARTICLE FILLED WITH "INCORRECT ASSUMPTION AND INNUENDO"

(Washington, D.C) -- The TIME Magazine article "How Healthcare Reform Could Hurt Doctor-Owned Hospitals" (7/13/09) correctly states that physician owned hospitals would be hurt by pending health reform legislation; however, there is little else in the article that can pass as anything more than incorrect assumption and innuendo says Physician Hospitals of America (PHA).

Physician ownership of hospitals is not new and they are not "upstart competitors" as portrayed in the magazine. Physician ownership of hospitals has a long and distinguished history in the United States. Physicians and surgeons often opened and owned the first hospitals in their communities. Some of these evolved into important medical centers that set new standards of excellence, just as they continue to do today.

Physicians' current interest in hospital ownership comes from the realization that medical care is no longer controlled by the providers, but is dominated by administrators and medical conglomerates that have lost sight of the real task – taking care of people who are sick or injured. Physicians have also been the buyers of last resort of hospitals abandoned by their corporate owners even though they were still needed by their communities.

The TIME article focuses on "facilities owned by doctors that perform some of the most lucrative medical procedures in fields like orthopedics and cardiology", however, pending legislation affects any hospital that has any amount of physician investment, regardless of the kinds of services provided, notes PHA Executive Director Molly Sandvig.

"Currently, there are over 220 physician owned hospitals in 33 states and only 32 are "single specialty hospitals", such as those referred to in the TIME article," said Sandvig. "Of these, many are among the best hospitals in the state in their field. The remainder include 18 general acute care facilities, 153

multispecialty facilities (children's, women's and multi-specialty surgical hospitals), and 19 rehabilitation/long term care hospitals. Over half are joint ventures with community hospitals and other third parties and are located in rural areas, inner cities, and fast growing suburbs that have shortages of hospital beds and specialty physicians. Together they employ nearly 60,000 Americans.”

In addition, there are 104 new hospitals under development that would not be able to open and more than 20,000 future jobs would be lost.

Sandvig provided an example that shows the positive impact of physician owned hospitals and the problem with the sweeping ban on physician ownership. Bellevue Hospital in Bellevue, Nebraska is scheduled to open next year. It will be the only hospital in town and is a joint venture between the University of Nebraska Medical Center and local physicians.

Notes Sandvig, “It will serve 180,000 people in Eastern Nebraska and Western Iowa. Most importantly the hospital will serve the 10,000 men and women stationed at Offutt Air Force Base, 20,000 military dependents and 11,000 military retirees living in the immediate area. The base hospital closed in 2005. The proposed legislation would keep Bellevue from opening.”

The authors of the TIME article suggest that physician owned hospitals are hurting other hospital facilities. However, studies by the Government Accountability Office (GAO), Medicare Payment Advisory Commission (MedPAC), and Centers for Medicare and Medicaid Services (CMS) confirm that general hospitals are largely unaffected by competition from physician owned hospitals. According to an April 22, 2009 study by the Center for Studying Health System Change (HSC), general hospitals are able to respond to the presence of physician owned hospitals with few, if any, changes to the terms of care for their patients. The HSC study also points to the patient centered care offered at hospitals owned and operated by physicians, acknowledging that such ownership results in higher patient satisfaction, greater control over management decisions by physicians as well as better quality at lower cost.

Additionally, the TIME article references the report by the Office of the Inspector General (OIG) at the Department of Health and Human Services in an attempt to discredit the ability of physician owned hospitals to respond to emergency situations. However, the hospitals referenced in the report have been surveyed and were found to be in full compliance with state and federal laws and regulations. Moreover, the OIG rebuked the corporate hospital industry for misrepresenting its findings stating, “We did not conclude that there were ‘widespread risks to patient safety in physician-owned specialty hospitals’ or that ‘most physician-owned hospitals are ill-equipped to provide emergency care to their communities...’”.

Further, the conflict of interest or “physician self-referral/over-utilization” issue is a thinly veiled tactic being used by the opposition to restrict competition and patient choice.

“The ultimate conflict of interest is not physician ownership of hospitals, but hospital ownership of physicians,” said Sandvig. “Large hospitals, especially in the past 10 years, have been buying medical groups and clinics. They have insisted on referrals to “loyal” physicians and restricted admissions to their own facilities.”

Physician Hospitals of America (PHA), the national trade association representing physician owned and operated hospitals around the country, believes that patients should have access to a variety of high-quality options when choosing their medical care.

Speaking for the 220 American hospitals owned and operated by physicians, Sandvig urged TIME to, “Examine the complete body of evidence regarding physician owned hospitals and the impact of this legislation. Many highly rated hospitals, including those that provide care to medically under-served communities, would have no choice but to close or stop taking Medicare patients if the ban on physician ownership becomes law. Congress and the health care community are focused on improving access and quality care. Imposing limits on physician owned hospitals is illogical and antithetical to this goal.”

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