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The Battle Over Physician-Owned Hospitals Continues

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Over the past several years, I have written many articles on the battle between physician-owned hospitals and the more traditional hospital model supported by the American Hospital Association (AHA). The claims of an unfair playing field, cherry-picking and over-utilization incentives has led to a multitude of studies conducted by the federal government as well as several think tanks, and of course the "unbiased" association-financed studies. Interestingly enough, all of the studies came to the same basic conclusion on physician-owned hospitals and yet the battle continues. While the studies debunked the claims made by the AHA, their claims have remained the same. Could there be an ulterior motive for the attacks and for the time, effort and money they are spending trying to put physician-owned hospitals out of business? If so, what is the reason and will the battle stop here or will it move into the physician-owned, ambulatory surgery center arena next?

Several years ago, Physician Hospitals of America (PHA), the trade group representing physician-owned hospitals, launched its "Truth Campaign." The idea was to tell the truth about physician ownership of hospitals as represented by independent government studies. It is important to revisit these studies as we have a new Congress and President that are, without a doubt, going to weigh in on this debate. The first study was conducted by MedPAC in 2006. This report indicated that the inducement for physicians to refer more patients to hospitals they owned was not supported. While physician-owned hospitals did a higher percentage of surgery, it represented an equal amount of profitable and less profitable cases indicating the inducement effect is neutral.

CMS/RTI did a study in 2005 linking physician ownership shares to Medicare claims data. The study found that referral patterns were not significantly affected by the entry of physician-owned hospitals. They also found that on average, individual physicians owned a very low percentage of the facilities where they practiced. Once again the conclusion was that the inducement effect was neutral. Barro et al. conducted a study in 2006 examining Medicare claims. Their study found that cardiac specialty hospitals—physician owned—leads to a reduction in Medicare expenditures of at least 7 percent. The result is a strong indication of a negative inducement effect.

If there is no indication of an inducement for over-utilization, no indication that these facilities damage the traditional hospital model and a strong indication that the infection rate, complication rate and medication error rate are lower, why is Congress looking for a way to shut down these facilities? The answer is in the question! The traditional hospital model, supported by one of the nation's richest lobbying efforts, is trying to use the federal government to eliminate competition. Take a minute to consider this. The first hospitals in this country were started by physicians that needed a place for their sick, infectious patients to stay to prevent the spread of disease. Hospitals were driven by medical need not financial gains, and the financial burden was shouldered by the physician. As the population grew and with advances in technology and understanding of the infectious process, hospitals expanded to keep pace. It was only when hospitals began to make a profit that private industry began to get involved. This expanded into the "not-for-profit" community hospital. Take a look at this "not-for-profit" business and you will be shocked by the profit they make despite their charter. What you are really looking at is a business supported by not paying taxes like the physician-owned hospitals. So there you have it. An industry supported by the government's favorable tax treatment, making huge profits versus the upstart physician re-entering the market offering a better model with higher service levels, lower infection and complication rates, and lower costs.

It is very natural for the traditional hospital model to attack the physician hospital model in order to preserve market share. What is not natural is for the AHA to pump millions of dollars into Washington to gain favor from our representatives. We need to be outraged at this and to join in the fight for survival of the physician-owned hospital model. After more than 20 years of Capitol Hill visits, I can tell you this is not the end of the battle. Congress has been lobbied heavily, and the next battleground is the physician-owned ASC. If you are involved in the ASC industry, you need to keep a close eye to the physician-owned hospital battle and join in, because this is all that stands between you and a heavily lobbied Congress trying to put an end to what they believe is "the greedy physician ASC owner."

You need to get involved with the efforts of Kathy Bryant and the ASC Association. You need to get involved with the efforts of Molly Sandvig and the Physician Hospitals of America. You need to make sure your voice is heard in Washington and you need to invest real dollars in the fight for survival and in the fight for a better healthcare delivery system in America.

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