

New Medicare Rule on Specialty Hospitals Will Hurt Patients, Doctors, Experts Say

By Karla Dial

A stringent new Medicare rule barring doctors from referring patients to specialty hospitals in which they have a financial stake has some experts crying foul. The federal Centers for Medicare & Medicaid Services (CMS) plans to put the rule into effect next January.

CMS said the self-referral practice—usually by doctors who own interests in diagnostic, surgical, or MRI facilities—creates “incentives for overutilization and corrupting medical decision-making,” and Medicare will no longer pay for self-referred procedures come January. Self-referrals currently cost Medicare about \$8 billion a year.

Many experts say patients should be insulated from doctors who prioritize their own financial interests over patients’ needs, but they say the CMS rule is excessive government intrusion.

“This obsessive focus on physician conflict of interest is silly,” said Linda Gorman, a health policy analyst at the Independence Institute in Colorado. “There are all kinds of conflicts of interest, the

most serious of which at the moment is the one in which medical decisions are controlled by an HMO. In that case, the person recommending or not recommending treatment stands to gain from giving bad advice. Medicare encourages these conflicts.”

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Suppressing Competition

John R. Graham, director of health care studies at the Pacific Research Institute in San Francisco, agrees.

“In America, it should be a basic principle that a professional who has invested years improving his skills should have the same right to own and operate

his own business as someone with fewer skills who opens one,” Graham said. “The cause of supplier-induced demand is that Medicare patients don’t control the money. Government bureaucrats do, so they restrict the freedom of physicians and surgeons to make up for [the bureaucrats’] own inability to control costs.”

Self-referral can help protect patients’ health, said Greg Scandlen, president of Consumers for Health Care Choices in Maryland, because it ensures doctors get the best care for their patients.

“Historically, some of the best hospitals in the country have been known as ‘Doctors Hospital’ because physicians organized and owned them,” Scandlen explained. “[The CMS rule] is nothing more than an anti-competitive attempt by existing hospitals to monopolize the delivery of hospital care.

“I am shocked that this administration would be colluding with fat-cat special interests to prevent physicians from improving patient care,” Scandlen con-



tinued. “The lack of a competitive hospital industry only hurts patients.”

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