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## **WA doctors fight proposal to limit physician-owned hospitals**

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WENATCHEE, Wash. -- As rural areas cry out for more doctors, a hospital that serves workers and their families in Eastern Washington farm country could fall victim to a crackdown on boutique hospitals that cater to the urban rich.

Doctors at the Wenatchee Valley Medical Center have spent 67 years mending broken bones, patching up injured farm workers and delivering babies at their rural clinic. Also owners of the hospital, the doctors steer policy and patient care.

But Wenatchee Valley is one of a handful of doctor-owned hospitals nationally that face a substantial loss in money to treat their poorest patients amid a push to curb Medicare payments to such hospitals with specialized services only.

"We have a good network here, and someone wants to come along and tip over the Lego stack without knowing who we are," said Dr. David Weber, a radiologist and hospital chairman. "It's discouraging."

Traditional hospitals have long complained that so-called boutique hospitals, which generally offer specialty services such as cardiac care or orthopedic surgery, cherry-pick the best patients and skimp on charity care. Supporters, meanwhile, contend they offer patients a choice and beef up competition, thereby improving the quality of care all around.

Congress has been debating the tricky question for years: Should doctors be allowed to have ownership in the hospitals they send their patients to?

In 2003, Congress approved a moratorium on Medicare payments to physician-owned hospitals while the government analyzed their impact on health care. The moratorium has since expired.

But earlier this year, House lawmakers included in a children's health insurance bill a provision that would limit physician ownership of a hospital at 40 percent. The Congressional Budget Office estimated it would reduce Medicare spending by \$2.9 billion over 10 years.

The provision eventually was stripped from the bill, but the idea is resurfacing amid the year-end fight over Medicare payments to physicians. Both sides have lobbied the presidential candidates about their case, but remain uncertain whether lawmakers will raise the issue this week or carry it over to next year.

Of about 180 physician-owned hospitals nationally, only about 30 are general hospitals, while the others specialize in services such as cardiac or orthopedic care, according to the South Dakota-based trade group, Physician Hospitals of America.

Among them: the 100 percent doctor-owned Wenatchee Valley Medical Center, whose doctors find themselves in the role of Western mavericks bucking more powerful metropolitan hospitals.

The only physician-owned hospital in Washington state, Wenatchee Valley employs 1,200 people at its hospital and eight clinics, most in outlying communities. Medicare and Medicaid patients comprise 52 percent of its business, which is comparable to the other local hospital, and Wenatchee Valley gave away \$2.4 million in care last year.

"Is there an element where we don't want to be told what to do? Sure there is. These doctors don't want to be employees. They want to influence decisions, influence the direction of the organization, and have influence over their practice," Weber said. "It's why they're here."

Supporters of specialty hospitals contend that traditional hospitals simply want to outlaw competition.

"This is really a turf dispute, where they would like to be able to say how care is delivered and control it," said Dr. Blake Curd, orthopedic surgeon at the Sioux Falls Surgical Center, a specialty surgical clinic in South Dakota. "We want to put the control of how health care is delivered back in the hands of the doctors."

Fifty-five of the hospital's 300 physicians have a 49 percent ownership stake in the hospital, where about a third of its patients are on Medicare.

The American Hospital Association for years has been fighting to stem the growth of specialty hospitals, arguing that those physicians face an inherent conflict of interest and tend to focus on profitable services.

"There are no limited-service burn hospitals, limited-service neonatal care hospitals or limited-service pneumonia hospitals," the trade group said in a statement to Congress.

U.S. Sen. Charles Grassley of Iowa, ranking Republican on the Senate Finance Committee, also has been a critic.

"The fundamental problem with physician-owned specialty hospitals is that decision-making is more likely to be driven by financial interest rather than what is best for the patient," Grassley said earlier this year.

Critics also have long complained that specialty hospitals are ill-equipped to handle emergencies. Two patients at physician-owned hospitals in Oregon and Texas died after suffering complications from surgery, forcing medical personnel to transfer them to community hospitals.

Weber conceded his hospital has had to transfer patients to the community hospital, calling it a shortcoming, but said Wenatchee Valley hopes to have state certification for an emergency room in 2008.

Washington state law requires all hospitals to provide charity care and community benefits, making it a generally less attractive place for specialty hospitals to open up shop, said Cassie Sauer, spokeswoman for the Washington State Hospital Association, which has fought against boutique hospitals.

But Wenatchee Valley is different, she said.

"They have done just amazing things all through central Washington and brought a lot of access to a rural area."

The provision, as it was previously proposed, also would bar physician-owned hospitals from expanding or adding beds. That troubles those in north-central Washington who see a booming population, particularly among retirees who rely on Medicare.

Weber said Wenatchee Valley is considering its options and hopes to not have to cut services or close clinics. The options include a buyout or converting to nonprofit status, but Weber estimates the latter would cost as much as \$65 million in a lump-sum tax payment.

U.S. Reps. Doc Hastings and Cathy McMorris Rodgers, both Washington Republicans, have been fighting to get an exemption for Wenatchee Valley. And in an unusual twist, the hospital has support from its competition.

Rural hospitals already have a difficult time recruiting doctors, said John Evans Jr., president and CEO of neighboring Central Washington Hospital, which shares doctors with Wenatchee Valley.

"I understand very clearly what the problem is, but we don't see that as the problem here," Evans said. "The bottom line is if the clinic is weakened financially by this, which I believe it would be, it would be very damaging to all of us."

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On the Net:

Wenatchee Valley Medical Center: <http://www.wvclinic.com/>

American Hospital Association: <http://www.aha.org>

Washington State Hospital Association: <http://www.wsha.org>

Physician Hospitals of America: <http://www.physicianhospitals.org/index.php>