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December 28, 2006

Dear Editor:

We read your article "The Hospital Wars" and are compelled to respond because it characterizes for-profit healthcare ventures as the reason healthcare costs are rising and that this "war", as your article termed it, isn't "necessarily improving" healthcare in this country. The article does not bother to factor quality of care and patient satisfaction into the equation, and it falsely accuses for-profit healthcare ventures of being the problem.

As President and Executive Director of Physician Hospitals of America (PHA), the association that represents physician-owned hospitals in the U.S., we are concerned that Time did not contact us for comment. Nor, apparently, were the associations that represent ambulatory surgery centers contacted.

We at PHA believe that physician-owned hospitals provide superior patient care. These for-profit hospitals also contribute to the local economy by providing jobs and paying taxes. Several studies by government agencies agree with PHA.

When the former head of The Center for Medicaid Services (CMS), Mark McLellan, presented his agency's report on specialty hospitals, he said "specialty hospitals generally provide a more uniform set of services and have fewer competing pressures than community hospitals and thus are able to provide more predictable scheduling and patient care." The CMS report, and others, has maintained that these hospitals have fewer complications and lower mortality rates--and higher patient satisfaction.

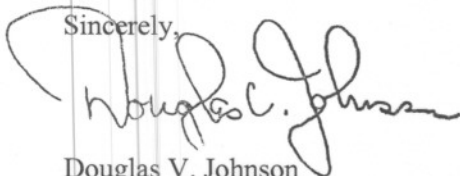
A letter from the U.S. Department of Justice (December 8, 2006) to the South Carolina State Health Planning Committee says "During hearings conducted jointly by the Department of Justice and the Federal Trade Commission in 2003, we obtained substantial evidence that vigorous competition among healthcare providers 'promotes the delivery of high-quality, cost-effective healthcare.'"

The report by Health and Human Services (HHS) in 2005 found that specialty hospitals "provide a high level of care" and that the "total proportion of net revenue that specialty hospitals devoted to uncompensated care and taxes combined exceeded the proportion of net revenues that community hospitals devoted to uncompensated care."

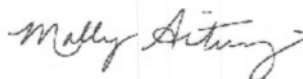
As to whether physician-owned hospitals are *lowering* healthcare costs, more time and additional studies are needed. The MEDPAC study, presented to the Committee on Finance in the U.S. Senate, indicates the costs at physician-owned hospitals versus community hospitals were approximately the same in 2002. (The report was made public in 2005.) The report went on to say "lengths of stay in specialty hospitals were shorter, in some cases significantly so, than those in comparison hospitals. Other things being equal, shorter stays should lead to lower costs."

In short, physician-owned hospitals are good for healthcare, and we believe competition is good for America. Consumers do too. Apparently Time does not.

Sincerely,



Douglas V. Johnson
President



Molly Gutierrez
Executive Director