



For Immediate Release

Contact:
Molly Gutierrez
Executive Director, Physician Hospitals of America
605.275.5349

PHYSICIAN HOSPITALS OF AMERICA RESPONDS TO LETTER SENT BY MEMBERS OF CONGRESS TO CENTER FOR MEDICARE AND MEDICAID SERVICES

February 9, 2007, Sioux Falls, South Dakota—Physician Hospitals of America, a trade association that provides support, advocacy and educational services to hospitals owned by physicians, today responded to a letter sent by U.S. Senators Max Baucus (D-Montana) and Chuck Grassley (R-Iowa) and U.S. Representative Pete Stark (D-California) to Leslie Norwalk, acting administrator for the Centers for Medicare and Medicaid Services (CMS). The letter, sent in reaction to a death after a transfer from a physician owned hospital in Abilene, Texas on January 23, 2007, “asked officials to account for any Medicare dollars that may have gone to a physician-owned specialty hospital in West Texas during a congressionally imposed 18-month moratorium on Medicare payments to these hospitals,” according to the letter.

“We are very concerned when a patient dies, and our thoughts go out to the family,” said Molly Gutierrez, Executive Director for Physician Hospitals of America. “Safety and patient care are always the first priority in healthcare, and we take this news very seriously.”

“However, the death of a patient is by no means an indication that physician-owned hospitals should be ‘shut down’, as Representative Stark suggests,” said Gutierrez. “Each day thousands of patients are treated at physician-owned hospitals with very positive results. Time and again studies have shown that physician owned hospitals provide a high level of quality care and measurably lower complication and mortality rates.”

Patient deaths in community hospitals are a daily occurrence. Adds Gutierrez: “According to a study by the Institute of Medicine, between 44,000 and 98,000 U.S. residents die annually due to mistakes from care received in (community) hospitals.”

Another study by HealthGrades, a healthcare quality company, found that in years 2000, 2001 and 2002, an average of 195,000 people in the U.S. died from potentially preventable, in-hospital medical errors. This study, known as the HealthGrades Patient Safety in American Hospitals study, was based on 37 million patient records in all 50 states. "We believe that when physicians are directly involved in all aspects of care, patients benefit, and patient satisfaction at our members' hospitals bears this out," says Gutierrez.

Congressional members also raised concern regarding a hospital "Calling 911." However, this is by no means an uncommon practice. Gutierrez notes, "This is a typical written and accepted part of emergency care policy in many circumstances and for many different types of hospitals."

Finally, in the letter to CMS, Representative Stark says that physician-owned hospitals "suck money out of already cash-strapped community hospitals." However, according to the American Hospital Association, aggregate profits at community hospitals reached an all-time high in 2005 at \$28.9 billion, up from \$26.3 billion in 2004. The October 20, 2006 report also reported that aggregate profit margin at the nation's 4,956 registered community hospitals -- defined as all nonfederal, short-term, general and specialty hospitals -- was 5.3%, the highest margin in seven years. Revenue also increased to \$505 billion in 2005, up from \$470 billion in 2004. Says Gutierrez: "The mere fact that profits at community hospitals are at an all-time high, is clear indication that community hospitals are not in peril as Representative Stark suggests."

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