

Why America Needs Physician-Owned Hospitals

Introduction

America is aging quickly. In fact, the number of people over age 65 will double by the year 2011. As the first of the roughly 78 million Baby Boomers reach retirement and become eligible for Medicare, access to quality, affordable, and innovative health care must capture the national debate. While the politicians will try to place an ever-greater emphasis on cost, older Americans must insist on quality health care that meets their individual needs.

Individual choice and personal responsibility must be the cornerstones of a modernized health care system designed to meet the challenges of our aging population. Health care decisions are best made between doctors and patients and should never be dictated by bureaucrats or mandated by politicians. Nowhere is this more apparent than in making the decision over which hospital best suits the needs of individual patients.

What is a Physician-Owned Hospital?

Physician-owned hospitals can be general hospitals, offering a full range of services, or specialty hospitals specializing in one line of care such as surgery, cardiac care, or orthopedics. Some are fully or partially physician owned, and some are partnerships between larger hospitals and doctors. Most importantly, physician-owned hospitals offer patients and doctors choices beyond those offered at large community hospitals and often provide a higher quality of personalized care.

Physician ownership of hospitals has a long and distinguished history in the United States. Virtually all of the great medical clinics in this country were started by physicians who owned them and set a standard of excellence that carries on today. The Mayo clinic is a good example. The resurgence of interest in physician ownership comes from the medical community's realization that medical care was no longer under the control of the people who provided the care, but dominated by administrators, bureaucrats, and medical conglomerates who had lost sight of the real task – taking care of people who are sick or injured. Physician ownership puts control back where it belongs – with doctors and their patients.

Specialty hospitals are often short-stay facilities that specialize in one line of care such as surgery, cardiac care, or orthopedics. These too may be fully or partially physician owned, and again, some are partnerships between larger hospitals and doctors. Critically, specialty hospitals often offer patients and doctors better choices than those offered at the nearest large community or chain hospital, and often provide a much higher quality of personalized care. For patients, these differences are of the utmost importance.

A number of specialty hospitals are now in service – about 200 or so compared to about 6,000 community hospitals. Those that are run by physicians have often been shown to run more efficiently and have higher-quality patient outcomes than those run by administrators. When physician-owned specialty hospitals first began popping up – about 10 years ago – there was little empirical evidence on the value they provide. Over the last decade there has been much misinformation widely disseminated by the large hospital lobby designed to defeat competition.

Remember, hospitals are the heart of America's health care industry, consuming almost one-third of the nation's \$2 trillion annual health care bill. Recently, there have been many studies – both private and government – that dispel the misinformation provided by community hospitals. Recent studies done on quality, costs, patient care, and community benefit all show that physician-owned specialty hospitals:

- Provide good quality care;
- Do not significantly increase health care expenditures;
- Contribute to cost-reducing competition;
- Provide community benefits; and
- Do not greatly harm neighboring full-service hospitals.

For example, a federally mandated quality study done by the Centers for Medicare and Medicaid Services (CMS) showed that patients rated physician-owned specialty hospitals 37 points higher than the national average. On important quality measurements – like how carefully nurses and doctors listened to them and how well their pain was controlled – patients overwhelmingly told CMS that physician-owned hospitals were better.

One reason patient satisfaction may be greater is that according to March 2005 MedPAC study of physician-owned hospitals, the length of stay was anywhere from 17 percent to 31 percent shorter at specialty hospitals than their community counterparts. This can be attributed to many factors including a higher nurse to patient ratio at specialty hospitals, more physician control of hospital operations, and minimal patient disruption during recovery. Physician-owners argue that the smaller scale of their hospitals leads to a more patient and patient family friendly environment.

According to the American Medical Association (AMA), “a study of Medicare patients undergoing joint replacement surgery in specialty orthopedic hospitals had a 50 percent lower risk of adverse outcomes than patients in a comparison group of hospitals.” The AMA also stated recently, “Government studies have found fewer complications, like infections and hip fractures at specialty cardiac hospitals.”

HealthGrades, a quality review firm that ranks hospitals by complication and mortality rates, regularly shows that specialty hospitals are over represented in their top-tier rankings. For example, three of the nation's top ten cardiac programs are at specialty hospitals, and three of the top ten hospitals for total joint replacement surgery are specialty centers.

On the other side of the ledger, general hospital care continues to provide horror stories. According to the Agency for Health Care Research and Quality (AHRQ), the number of hospital patients stricken by serious infections increased by 200 percent between 2000 and 2005. AHRQ's analysis also found that most of those sickened by infection – two out of three – were elderly patients. Those who don't get life-threatening infections could still suffer from hospital errors. A HealthGrades Patient Safety study found that from 2003 to 2005 there were 1.16 million patient safety incidents among Medicare patients. They estimate that there were 247,662 potentially preventable deaths in U.S. hospitals during those three years. Those patient safety incidents cost Medicare \$8.6 billion.

Some recent studies even raise security concerns at large hospitals. A recent Business Wire story (April 8, 2008) highlights a study reporting that identity theft is three times more likely to happen at a larger facility (more than 100 beds) than a smaller specialty facility. Making it out of the hospital alive with their identity intact is not the last hurdle patients' face. They then have to survive the incredible billing practices that some hospitals have become famous for. AMBR, a

medical bill auditor reports that as many as 85 percent of hospital bills contain errors. The billing process lacks transparency and is filled with inexplicable pricing codes, impenetrable rules, and confusing insurance requirements. Sorting out hospital billing errors becomes a nightmare for patients and caregivers, one that is often compounded by inflexible hospital administrators and bureaucrats who are quick to unleash collection agents on suffering patients.

Why Choose Physician-Owned Hospitals?

Physician-owned hospitals came into being to provide doctors and patients with better facilities than they would otherwise have access to. As three Texas Congressmen (Pete Sessions, Sam Johnson, and Michael Burgess) stated in a May 5 letter to their colleagues, “Physician-owned facilities have often been shown to run more efficiently and have higher-quality outcomes than their community hospital counterparts. They have higher rates of patient satisfaction and lower mortality rates.” The three also note, “America’s health care system has continually led the world in innovation. This innovation has given patients unprecedented access to specialized care in all different fields of medicine. Both physician-owned facilities and specialty hospitals provide many choices beyond just the large community hospitals. This increase in choice allows competition and free market principles to enter into our health care delivery system, giving patients more participation in their health care decision.”

Quoting Dr. John Gill, an orthopedic surgeon from Dallas and an investor in the Texas Institute for Surgery in a Modern Healthcare editorial (March 31, 2008), “Physicians have driven innovation in America’s health care system starting with the very first hospitals built and funded by physicians such as the Mayo brothers.” He goes on to point out that, “nearly every industry has recognized the benefits of specialization, and medicine is no different.”

Most Americans would agree – specialization in health care is a good thing. If you have heart trouble, you see a cardiologist, if you have joint problems, an orthopedist, and if you have cancer, you see an oncologist. Thankfully we currently have those choices – and safeguarding them becomes all the more important as we age.

The Case for Specialization

How important is the choice of specialty services, cardiac care for example? Today some 1.2 million Americans are diagnosed with coronary heart disease, and another 700,000 will suffer a stroke. In all, coronary heart disease and stroke were responsible for 602,000 deaths in 2004. That’s 25 percent of all deaths in the U.S. that year. Heart disease kills more Americans annually than all cancer’s combined. Treating coronary heart disease costs \$156.4 billion annually, and for stroke the estimated annual treatment cost is \$65.5 billion. Those numbers are set to grow, parallel to our aging population.

Specialty hospitals focused on cardiac care are critically important now, and will only become more vital as our nation ages. Why would we want to limit the availability of these crucial facilities? Remember, HealthGrades ranked three specialty hospitals in their top ten cardiac programs in the nation.

And why would we want to impede the growth in specialty orthopedic facilities? The numbers regarding this specialty are staggering, and growing expeditiously into the future. A July 2007 Agency for Healthcare Research and Quality (AHRQ) Healthcare Cost and Utilization Project (H-CUP) Statistical Brief (#34) noted hospital stays connected with musculoskeletal procedures (including knee arthroplasty, hip replacement, and spinal fusion) numbered 3.4 million in 2005. The three procedures listed accounted for 1.2 million of those hospital stays. According to the

report, patients hospitalized for musculoskeletal procedures were about 13 years older than the typical hospitalized patient (mean patient age of 60 years old versus 47 years old).

The University of Iowa studied tens of thousands of Medicare patients and found that complication rates were 40 percent lower for hip and knee surgeries at facilities specializing in orthopedics than for community hospitals. Also, a Medicare study showed that patients of all types are four times more likely to die in a full-service hospital after orthopedic surgery as they would at a specialty hospital. Those are pretty startling statistics.

Competition: A Life or Death Decision

Choosing the correct hospital can be a life or death decision. While most hospitals may be good, some clearly are not. If the hospital industry continues to do all it can to thwart competition in the form of physician-owned specialty hospitals, many patients and communities will be denied their choice of quality care. Some startling facts to consider when making the choice are:

- One in 200 patients who spend a night or more in the hospital will die from a medical error
- One in 16 will pick up an infection
- Deaths from preventable hospital infections each year exceed 100,000 (more than those from AIDS, breast cancer, and auto accidents combined)

While the political health care debate often centers around covering the uninsured, according to the Committee to Reduce Infection Deaths, you are five times more likely to die from visiting a hospital than being uninsured.

Take, for example, the case of an Ohio knee-surgery patient as reported in the Forbes Magazine cover story "Bad Medicine" (3/10/08):

"Robert Besse's painful odyssey began when he checked himself into Good Samaritan Hospital in Cincinnati a year ago to get his right knee replaced. The 60-year-old retired pharmacist had worn down the joint skiing and hiking and working on his feet for years. After the surgery Besse recovered for four days in a room he shared with another gentleman who'd had stomach surgery. His roommate's four youngsters would visit for hours, creating a racket, while up to 20 hospital staff a day would come in the room to examine him, bring food or change a light bulb. A student nurse would wake Besse up to ask if he needed a new pillow. The physical therapist would peel back a bit too far the blue brace on his knee and expose the bloody gauze."

"Ten days after leaving the hospital his knee was still oozing lots of fluid." The pain was off the scale," he says. One of his surgeons took a look and immediately had him admitted to a different hospital, where he declined rapidly. Twice during the first night he was given last rites. But he survived until the morning when the surgeon opened up his knee again and found a raging staph infection that took two rounds of surgery to clean up. "I wanted out of there. I couldn't stand it," he says. He spent the next several months on infused antibiotics and pain medication. He was barely able to celebrate his sixtieth birthday with his family in Breckenridge, Colo. He already has a strategy to celebrate future birthdays: "My plan is stay the hell out of the hospital, period," he says."

The State of Play

Today, some misguided members of Congress are all too willing to sacrifice the quality care provided by physician-owned specialty hospitals to save a buck. Unfortunately, saving that buck may cost you your life.

As part of the 2003 Medicare Modernization Act, Congress passed a moratorium on Medicare payments to physician-owned specialty hospitals. That moratorium expired in 2006. Since then, these types of facilities have flourished, popping up in almost every state. Now, some politicians are willing to fall victim to the hospital industry in their effort to squash the competition by reinstating the ban on physician-owned hospitals.

All types of hospitals agree that participation with Medicare is vital to success. Efforts to ban Medicare payments to physician-owned hospitals don't serve patients well, expand quality care, or even save money in the long run. Our population is aging, and innovation in all sectors of the health care community is prolonging a better quality of life. Keeping patients healthy is ultimately the best way to lower our nation's health care bill.

America needs physician-owned hospitals to provide better, cleaner, safer care to millions of seniors, as well as to provide much-needed competition for many of the thousands of community hospitals now trying to ban their very existence.

America Needs More Physician-Owned Hospitals

Patients and physicians are fed up with out-of-date, dangerous, uncaring hospitals that present the worst in modern health care. Physician-owned hospitals came to fruition to address exactly those concerns. While physician-owned specialty hospitals represent a much-needed step forward in providing better health care for specific conditions, treatments and procedures, the trend towards more physician-owned general hospitals presents the greatest future hope for patients and caring physicians alike. The data is overwhelming, physician-owned health care provides better, more patient-centric care. Physician-controlled hospitals will benefit seniors the most, and we need more of them.

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