



July 15, 2009

Dear Representative:

The Coalition of Full-Service Community Hospitals, a broad coalition of hospitals around the country, strongly supports the language in the draft legislation called “America’s Affordable Health Choices Act” that limits physician self-referral to physician-owned hospitals. We urge the House of Representatives to pass legislation which includes this proposal before the August district work period.

While the vast majority of physicians put their patients’ best interests first, our everyday experience demonstrates that the conflict of interest generated by self-referral to physician-owned hospitals is having an adverse impact on our communities. Peer-reviewed, independent research has shown that the financial incentives involved in physician ownership influence utilization of services. This influence exists regardless of whether the hospital focuses on one type of procedure (like a surgical hospital) or calls itself a full-service hospital. The influence can exist in rural, suburban and urban areas alike.

Simply put, a physician is the only person who can admit a patient to a hospital. When physicians can gain financially by admitting a patient to a facility they own, there exists a conflict of interest that cannot be ignored by policymakers. Since even current law prevents physicians from ordering a \$200 test from a lab they own, why should it be okay for physicians to refer a patient to a physician-owned hospital for a \$30,000 procedure?

Physician self-referral to hospitals in which there is an ownership interest is increasing health care costs at a time when the government is seeking ways to reduce the rate of growth in health care spending. Indeed, in its July 8, 2009 analysis, the Congressional Budget Office determined limiting physician self-referral to physician-owned hospitals as is proposed in Section 1156 of this health reform legislation saves \$1.0 billion over ten years.

Beyond overutilization, a number of safety concerns exist at physician-owned hospitals that have led to tragic outcomes. In highly publicized stories, patients of all ages and conditions have died in Oregon, Texas, and most recently in Colorado, in physician-owned hospitals which were not adequately equipped to handle health care emergencies. The Department of Health and Human Services Office of the Inspector General has issued a report regarding the ability of physician-owned specialty hospitals to manage medical emergencies finding, in part, that “[t]wo-thirds of physician-owned specialty

hospitals use 9-1-1 as part of their emergency response procedures,” and “[m]ost notably, 34 percent of [specialty] hospitals use 9-1-1 to obtain medical assistance to stabilize patients, a practice that may violate Medicare requirements.”

Leaders in the House, Senate and White House agree that now is the time to fix this problem. The Medicare program cannot afford to, and should not continue to, reward the cherry picking, increased utilization, and safety concerns that are inherently tied to these financial arrangements. Each delay in enacting such a ban allows this problem to continue to increase in magnitude and its ultimate impact on Medicare spending.

The members of the Coalition support Section 1156 of the House Tri-Committee discussion draft and urge you to oppose any efforts to strike or alter this permanent ban on physician self-referral.

Sincerely,

A handwritten signature in cursive script that reads "Cindy Morrison". The signature is written in black ink and is positioned below the word "Sincerely,".

Cindy Morrison
Executive Director