NEWS RELEASE

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NEW ANALYSIS OF HEALTH REFORM BILLS REVEALS ARTIFICAL CRITERIA MEANT TO SHUT DOWN PHYSICIAN OWNED HOSPITALS.

Projected loss of over 70,000 jobs, more than $5 billion lost in state and local economic activity.

(Washington, D.C.) – Both the U.S. House passed health care reform bill and the new bill under consideration in the U.S. Senate spell economic trouble for nearly all of the state and local economies where hospitals owned by physicians are located.

A new analysis (attached) of the health reform bill prepared by John Schneider, PhD, shows that not one hospital owned and operated by physicians would be allowed to grow in response to the needs of its local community, if the legislation were to be enacted.

"This provision would destroy over 200 of America's best and safest hospitals," said Molly Sandvig, Executive Director of Physician Hospitals of America (PHA), "resulting in the loss of thousands of health care jobs and more economic hardship in communities across America that are already suffering the effects of the recession." The high quality of care provided in hospitals with physician ownership has been independently validated by organizations such as the Centers for Medicare and Medicaid Services, Health Grades and Consumer Reports.

Physician hospitals are projected to employ over 70,000 Americans by next year. Those jobs, a national payroll of over $2.4 billion and over $1.9 billion per year on trade payables would be lost if the attack on physician owned hospitals remains in the health reform bills.

Of equal concern to states and cities still trying to mount economic recovery activities is the loss of an average $2,575,000 a year in taxes.

According to Sandvig, the acid test showing that the growth criteria being applied to hospitals owned by physicians are artificial comes when the same criteria are applied to hospitals that do not have physician investors.

“Dr. Schneider’s analysis is clear,” said Sandvig,” only 2% of hospitals not owned by physicians would be able to meet the criteria for growth in the health reform bills. If that doesn’t confirm that the purpose of this provision is the destruction of the physician owned hospital sector, I’m not sure what does. If these provisions represent real health policy then they should be applied to every hospital in America. Since they are only targeted at one type of hospital, it is clear that their only purpose is punitive”

PHA is asking House and Senate members to take a second look at the effort to undermine physician owned hospitals. "When the members of Congress understand the chaos these provisions will cause in many communities in 35 states, we are confident they will be changed", added Sandvig.

Oxford Outcomes

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Restrictions on Physician-Owned Hospital Growth: Medicaid Participation

The recent health reform bill passed by the U.S. House[1] and the new bill under consideration by the U.S. Senate include language that places limits on the growth of physician-owned hospitals (POH). A summary of these growth restrictions are shown in the left-hand column of Table 1. Under the Senate rules, a hospital would be allowed to grow only if it met *all of the first* four criteria (i.e., above the dashed line).

Table 1 also shows the percentage of U.S. hospitals—both physician owned (POHs) and non-POHs—that qualify under each criterion. If the first four growth restrictions were applied to non-POH community hospitals, only 2% of non-POHs qualify and *not a single POH would qualify for growth*.

The House bill adds a fifth provision that bypasses the first four requirements. This provision provides an "exception" for POHs that are the highest Medicaid provider in their county. Specifically, the added House criterion (#5) allows hospitals that have "the most Medicaid admissions for the previous three cost reporting periods" to apply for growth permission. This criterion assists only 14 physician-owned hospitals, or about 7% of POHs. Each of the POHs that are assisted is a rural hospital and is the only provider in that county.

It is important to emphasize that meeting these criteria only allow POHs to *apply* to CMS for permission to expand, and is by no means equivalent to permission to grow.

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TABLE 1 - Allowable Growth Criteria: Percent Qualifying

Allowable Growth Criteria	Non-POH	POH
1) Hospital that is located in a county where the population increased during the most recent five-year period at a rate that is at least 150 percent of the State's population increase	24%	40%
2) Hospital whose Medicaid inpatient admission percentage is equal to or greater than average percentage for all hospitals located in the county	35%	9%
3) Hospital that is located in a state with a state average bed capacity less than the national average	51%	53%
4) Hospital that has an average bed occupancy rate that is greater than the state average bed occupancy rate	36%	64%
5) Hospital that has the most Medicaid admissions for the previous three cost reporting periods[1]	NA[2]	7%
MEETING ALL FOUR CRITERIA	2%	0%

Note: Based on analysis of data from AHA Annual Survey, Medicare Cost Reports, US Bureau of the Census, and the Area Resource File. Resource

[1] Criteria #5 was added in the House version of the health reform bill.
[2] Not calculated for this analysis