HEALTH CARE LEGISLATION

Battle against doctor-owned hospitals could have ...

Photos by JIM MAHONEY/Staff Photographer

Physical therapist Ying Guo works in the outpatient therapy area of Reliant Rehabilitation Hospital in Richardson. Reliant says up to six of its hospitals might not go forward without physician investment, which the bill would halt.

Sideline effects

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WASHINGTON — With a booming health care market and no check on hospital growth, Texas looked ripe for more rehabilitation hospitals.

But Dallas-based Reliant Healthcare Partners' plan to build 13 of the niche hospitals in Texas might turn out to have one major problem: It recruited physicians as investors.

Health care legislation that soon may be passed by Congress would halt the growth of physician-owned hospitals and prevent any more from opening after Aug. 1. Reliant says as many as six of its 13 hospitals might not go forward without physician investment.

Critics of the facilities — including the American Hospital Association and Reliant Healthcare Partners' chief executive Emmett E. Moore says there is still a shortage of rehabilitation hospitals, which will be needed to care for the large number of baby boomers entering Medicare.

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Bill could stop doctor-owned Texas hospitals

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powerful Democrats in Congress — say the practice of physicians referring patients to their own hospitals is a conflict of interest that results in unnecessary, more expensive care.

Supporters say the model improves efficiencies and produces better results because doctors are more likely to be involved with the patient during and after a hospital stay. Doctors also are important generators of business — about 25 percent of Reliant’s patients are referred by physicians with an investment in the hospital, said chief executive Emmett E. Moore.

“When we first started the company four or five years ago, we felt like there was room for seven or eight of these” in North Texas, Moore said. “The American public does not want their older loved ones convoysing in a nursing home. They want them rehabbed and brought home with functionality.”

Rehabilitation hospitals mostly treat older patients recovering from strokes, brain injuries and joint replacements. The number of standalone rehab hospitals operated by companies like Reliant has grown as federal regulations limited the number of rehab patients who could be handled by acute-care hospitals.

Texas has more rehabilitation hospitals than any other state, according to Medicare. And the booming health care sector in North Texas has a higher concentration of physician-owned hospitals than any other area in the country.

Projects in doubt

Yet operators like Moore say there is still a shortage of rehab hospitals, which will be needed to care for the large number of baby boomers entering Medicare. Their fate is closely tied to Medicare, which pays them more per case than it does to skilled nursing homes or home health care agencies. At Reliant Rehabilitation Hospital in Richardson, Medicare paid for 86 percent of in-patient days in 2008, according to data from American Hospital Directory.

Reliant has built its facilities near acute-care hospitals where older patients have been treated, Moore said. One of its hospitals under construction is just south of Medical City Dallas Hospital near Central Expressway and Forest Lane in North Dallas. Another, planned for Bedford, is near Texas Health Harris Methodist Hospital Hurst-Euless-Bedford.

Reliant also has three hospitals under construction in Texas that it says would open even without physician ownership (the doctor-investors would have to be bought out).

Six others planned for Austin, Corpus Christi, Fort Worth, Houston, Mesquite and San Antonio would have to be reassessed because banks may view the hospitals as riskier projects, he said.

“The banks are not going to be as comfortable without physician ownership,” said Moore, a veteran health care executive whose previous companies included physicians as investors. “We would have to reassess how we structure those and capitalize them.”

The Physician Hospitals of America, a trade group, has said about 75 physician-owned hospitals under development across the country won’t meet the Aug. 1 deadline. The group says 25 of those are in Texas, including eight in Dallas and Tarrant counties.

A ban on physician ownership would be the culmination of an effort by key Democrats who have been fighting with the organizations for nearly 20 years.

Sensing the momentum in Congress to extend the restrictions, Reliant hired its own federal lobbyist for the first time in September. Moore and other Texas hospital executives targeted lawmakers with a large number of physician-owned hospitals in their districts, including Democratic Rep. Eddie Bernice Johnson of Dallas.

They want lawmakers to delay the deadline at least a year. Under that scenario, physician-owned hospitals that earn Medicare certification by Aug. 1, 2011, would be permitted to receive payment from Medicare and Medicaid.

A spokeswoman said Johnson has asked House leaders to consider a 2011 deadline. Yet the August deadline appears likely to stick, partly because it was included in a compromise with moderate Senate Democrats that allowed the health bill to pass in December.

“I am pushing for more protections for them in the final health care bill,” Johnson said in a prepared statement. “The compromise language won’t be perfect, but it is my belief that physician-owned hospitals will be better off.” Moore isn’t betting on it.

Possible legal challenge

While physician-owned hospitals enjoy support from some moderate Democrats, most of their allies are Republicans. Moore said his talks with them have often ended with him being told to cozy up to Democrats.

Molly Sandvig, executive director of Physician Hospitals of America, said her association is lobbying to change the bill and is exploring whether to sue to block it from becoming law. If the group pursues a legal challenge, Sandvig said that may be filed in federal court in Texas.

Sandvig said some planned physician-owned hospitals won’t get built if the proposal becomes law.

The facilities would have to forgo income from Medicare and Medicaid if they opened with physician investment.

“In order to make ends meet or to stay in the black, most of our hospitals really need to take Medicare and Medicaid,” she said.

Methodist Health System, which has built hospitals as joint ventures with physicians, says it will complete a 383 million dollar surgical hospital in McKinney by the 2010 deadline.

A $60 million surgical hospital in Addison won’t be complete by then, but Methodist still plans to find a way to open the project, said Stephen L. Mansfield, Methodist’s president and chief executive.

“There is a need, hospitals will continue to be built, and they will be built without having physicians in ownership,” Mansfield said.