

Reconsider doc-ownership clause

ACA provision could lead to higher service costs, hinder reform's goals

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Having spent a few days in Austin, Texas, last week at the Physician Hospitals of America annual meeting, I'm reminded again of the Patient Protection and Affordable Care Act provision that restricts physician ownership of hospitals. At a time when cost-controlling and job-producing competition is needed most in healthcare and the overall economy, this provision stands out as special-interest legislation that needs to be reconsidered.

The provision limits the ability of existing physician-owned hospitals to expand and bars new ones from opening if they want to be eligible for the Medicare and Medicaid programs. With Medicare and Medicaid combining to represent more than 50% of a typical hospital's annual patient revenue, the provision is a lethal financial blow to physician ownership.

The PHA estimates that the number of physician-owned hospitals has declined from a high-water mark of about 275 before the ACA was passed to about 230 now.

Lawmakers need to rethink the provision given the growing concern over the viral consolidation in the industry and how that consolidation and loss of competition may ultimately lead to higher prices for healthcare services. As we've reported, a number of hospital-physician deals are under investigation by state and federal antitrust officials.

Hospitals argue that physicians who own their own hospitals will offer only services with high revenue potential like cardiac and orthopedic care at their facilities, leaving general acute-care services to carry the unfair financial burden of providing needed but low-margin services. Hospitals also argue that physicians who own their hospitals will admit only patients with private insurance and shunt their Medicare, Medicaid and self-pay patients to their local community hospitals, again giving them an unfair financial burden.

Seemingly disinterested lawmakers bought the arguments and added the provision to the ACA, preferring to concentrate on bigger and more politically charged issues like the individual insurance mandate and the public insurance option.

The hospital lobby's intent appears to have been to reduce competition from doctors by turning them into employees of their service networks rather than facility owners to be feared. The irony, of course, is no one, most notably organized medicine, stepped up to address the issue with hospitals and insurance companies.

We report on a near-daily basis of another medical practice being acquired by a hospital or hospital system. And growing more frequent is news of health insurers snapping up doctors and making them employees. If that's fair game in the marketplace, doctors should be allowed to compete on the same level.

The other irony is the ACA's physician ownership provision choking off a delivery model that's perfectly suited to follow the incentives and carry out the goals of healthcare reform. Under bundled payment reimbursement schemes, for example, payers want to contract with providers that offer specific types of treatment to patients with specific medical conditions. Physician-owned hospitals that offer specialized inpatient care are ideal provider partners in those arrangements.

They also would be an asset to any accountable care organization that needs cost-efficient high quality care in its network to generate savings under a private-sector, Medicare or Medicaid ACO contract. It's also quite possible that general acute-care hospitals could learn a thing or two from physician-owned hospitals about eliminating healthcare acquired infections, reducing 30-day readmission rates and improving patient satisfaction—all of which will soon carry financial penalties from Medicare for sub par results.

—David Burda, Editor