

PRESENTATION TO:
Council on Health Care Economics and Policy
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by

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on

SPECIALTY HOSPITALS, AMBULATORY
SURGERY CENTERS, & GENERAL
HOSPITALS: Charting a Wise Public Policy



Introduction:

- AMA preparing a report for HOD in December 2004
- Resolution 707 asked the AMA to comprehensively study issue:
 - Impact on provision of health care
 - Competitive pressures to oppose
 - Known and potential benefits
 - Financial impact on community hospitals
 - Appropriateness of physician referral patterns
 - Issues that may impact quality of care



Introduction:

- Controversial issue among physicians
- Medicare Modernization Act:
 - Support for Congressional studies
 - HHS/MedPAC Studies
- Clarification of AMA Ethical Position:
 - Two scenarios:
 - Direct provision of care in such a facility
 - Demonstrated need in the community



Presentation:

- Why Physicians are Investing in Specialty Hospitals?
- Leveling the Playing Field
- Quality of Care and Severity of Illness Data
- Essential Community Services
- Closing



Why Physicians Are Investing in Specialty Hospitals:

- “Focused Factories”
 - High Volumes
 - Improve Quality
 - Reduce Costs
- Failure of General Hospitals:
 - Meet increased demand for cardiac, orthopedic and surgical services
 - Provide state-of-the-art care and equipment



Why Physicians Are Investing in Specialty Hospitals (cont.):

- Lack of Physician Involvement:
 - Management Decisions
 - Investment Decisions
- Professional Fees Decrease/Costs of Practice Increase:
 - Spending targets for Medicare
 - Chronically low Medicaid rates
 - Quasi-price control in private sector



Why Physicians Are Investing in Specialty Hospitals (cont.):

- Availability of Business Partners
 - Access to capital and management expertise
- Provision of care in less acute settings:
 - Minimally invasive surgery
 - Miniaturization
 - Diagnostic Imaging
- Greater Patient Satisfaction, Convenience and Access



Level Playing Field

- AMA Supports Competition
 - Promotes delivery of high-quality, cost-effective health care
- AMA Ethical Opinion:
 - Physicians may refer ... if they directly provide care or services at the facility or a demonstrated need in the community
 - Requirements:
 - Disclose to patients investment interest
 - Return should be tied to equity in the facility
 - Internal UR to ensure that patients are not exploited



Level Playing Field (cont.)

- GAO April 2003 Report:
 - Half of specialty hospitals with physician ownership – average share owned by an individual physician was <2%
- Many General Hospitals Channel Patients:
 - Integrated delivery systems – primary care practices
 - Exclusive credentialing/medical staff development plans
 - Same disclosure requirements should apply



Level Playing Field (cont.)

- AMA Opposes Efforts to Stifle Competition by terminating medical staff or clinical privileges because of direct or indirect financial interest in a competing entity
- Nonprofit Hospitals Competitive Advantages:
 - Exempt from state & federal income taxes
 - Exempt from sales, use, franchise & property taxes
 - Raise capital through tax-exempt bonds



Quality of Care and Severity of Illness Data:

- April 2003 GAO:
 - 21/25 specialty hospitals treat a lower percentage of patients with severe illness when compared to same diagnosis at general hospitals
- Lewin Group Study of MedCath Hospitals:
 - Higher case mix severity
 - Lower in-hospital mortality
 - Shorter lengths of stay



Essential Community Services:

- Higher Paying Services Subsidize Uncompensated and Essential Community Services
- FTC/DOJ July 2004:
 - “Governments should reexamine the role of subsidies in health care markets in light of their inefficiencies and the potential to distort competition”
- 100 Largest Metro Area Public Hospitals
 - 2% of hospitals, but 20% of uncompensated care



Essential Community Services (cont.):

- AMA:
 - Focus Medicare and Medicaid DSH funds from 40% to these 20%
 - Realign hospital payment to better compensate for essential services
- Congress Should Change Medicare Hospital PPS:
 - Minimize need for cross-subsidization
 - Accurately reflect relative costs of hospital care
 - Correct methodology for allocating Medicare/Medicaid to ensure safety-net hospitals receive this funding



Closing:

- Rather than adopting legislation prohibiting physician ownership of health care facilities, Congress needs to enact health system reform that will improve access to health care for the uninsured and underinsured patients



Closing:

- AMA will continue to support health delivery innovations for physicians, hospitals and other providers that enhance the quality and value of health care.

