

Federal Healthcare Reform Physician Self Referral

Issue

Physician self-referral – when physicians own the facilities to which they refer patients – has long been a concern in health care because of the potential for conflicts to arise between the needs of the patient and the financial interests of the physician. Though banned in most instances, physician ownership and self-referral has been an increasing trend in the hospital setting.

Physician-owned hospitals tend to be smaller and newer, and focus on select services such as cardiac, orthopedic and surgical care. As a result they are often referred to as “limited-service,” “niche” or “specialty” hospitals. Research has found that physician ownership may be influencing referral decisions. Physician-owned hospitals are associated with increased referral rates and higher utilization. Physician-owners seem inclined to shift patient referrals to their own facilities. It also is well documented that physician-owned hospitals focus on the more profitable services and/or less complex, higher income and better insured patients. These behaviors may damage the health care system at large by adding costs and by weakening the health care safety net as community hospitals see their mix of patients becoming more complex and less well financed.

Evidence on quality of care has been mixed, with concerns emerging about the ability of these facilities to deal with complications requiring emergency care.

Current Status

Current proposals include language that addresses the issue of physician self referral. The proposed language specifies that effective Jan. 1, 2009, hospitals owned by physicians that do not yet have Medicare Provider Numbers, would not receive their certification if the physician-owners refer patients to their hospitals and thus be ineligible for Medicare reimbursement. Existing specialty hospitals already serving patients would be “grandfathered”. However, they would have to comply with additional parameters aimed at further restricting the number of allowable self referrals.

S.JHS Position

St. Joseph Health System supports the inclusion of a ban on physician self referral. We agree with concerns stated above regarding the undue burden these specialty facilities place on the existing safety net and community hospital system that must take all patients regardless of condition or ability to pay. We also have grave concerns that these facilities typically function without adequate Emergency Departments as part of their operations.