

Conflict of Interest Concerns Continue to Fuel Debate Over Physician-Owned Specialty Hospitals

Patient safety concerns linked to the increased use of advanced imaging is fueling debate among radiologists over possible conflicts of interest when physicians refer patients to imaging facilities they own. Instead of decreasing costs due to competition, the rise in the number of imaging machines is increasing the overall cost of medical care as physicians seek to recapture their investment in the equipment. A June 2008 Robert Wood Johnson Foundation policy brief entitled *Physician Self-Referral and Physician-Owned Specialty Facilities*, noted that “between 2000 and 2005 total Medicare charges for advanced imaging – CT, MRI and PET scans – nearly tripled.” During the period, costs associated with imaging increased from \$1.2 billion to almost \$3.5 billion with much of the increase attributable to patient referrals to facilities in which the referring physician had an ownership interest.

Radiologists are not the only ones concerned about the rapidly increasing number of physician-owned specialty facilities. In addition to patient safety, the proliferation of physician-owned medical facilities has raised serious questions regarding referral patterns, disclosure of ownership, and billing practices. Some of these concerns prompted an investigation by the federal government leading to a report by the Office of Inspector General that found only half of physician-owned hospitals have emergency departments, the majority of which had only one bed. Concerns regarding doctor referrals to surgical and testing facilities also have federal and state policymakers questioning whether physicians have a conflict of interest when ordering tests and procedures at facilities they own.

An additional concern for public hospitals involves what is referred to as “cherry picking.” This occurs when physicians select the healthiest individuals for their facilities or refer patients with health plans that have a higher reimbursement rate, or who are self-pay, to their facilities leaving the lower paying patients, including Medicare and Medicaid recipients, for the community hospital facilities.

In Congress, the House approved its version of the SCHIP bill with a provision added by Rep. Pete Stark (D-Ca.) that would prevent construction of new specialty hospitals; restrict expansion of current facilities; and limit Medicare payments to specialty hospitals approved to participate in the program prior to January 1, 2009. Stark said his amendment would “prevent the unethical kickbacks that physicians receive from ownership hospitals, most of which are of questionable safety and quality.” The Congressional Budget Office has projected that the Stark provision could save the Medicare program \$1.2 billion over 10 years.

In addressing the growth of doctor-owned hospitals, *The Wall Street Journal* reports that Rick Pollack, executive vice president of the American Hospital Association stated, “It’s a conflict of interest between the needs of the patient and the physician’s self-interest.”

California Supreme Court Upholds Ban on “Balance Billing”

The California Supreme Court has upheld two lower court rulings banning the controversial practice known as balance billing. Balance billing occurs when hospitals and physicians bill patients for the cost of services that are in excess of their insurance plan’s usual and customary rate of reimbursement. This most often happens in emergency care or other services provided in a hospital setting when the service providers are “out-of-network” and often have monopoly-like contracts with the hospital. The state of California has banned balance billing involving emergency room services. The ban had been challenged by the state’s physician and hospital trade associations.

Health Quiz

1. **Physician-owned medical facilities are illegal in Texas.**
(a) True
(b) False
2. **Texas physicians are required to disclose their ownership in medical facilities.**
(a) True
(b) False
3. **Smoking bans are playing an important role in reducing heart attacks.**
(a) True
(b) False
4. **Balance billing has been banned in California emergency rooms.**
(a) True
(b) False
5. **High-performance networks are designed to reduce costs and improve the quality of health care.**
(a) True
(b) False



Studies Indicate Smoking Bans are Working – Statewide Law Proposed for Texas

In the longest-running study of its kind, researchers from the U.S. Centers for Disease Control and Prevention found a 41 percent drop in the rate of hospitalizations for heart attacks in the three years since the city of Pueblo, Colorado banned workplace smoking.

Researchers with the Massachusetts Department of Public Health and the Harvard School of Public Health released a study showing that nearly 600 fewer people have died from heart attacks annually in that state since a ban went into effect four years ago, a 30 percent decrease.

Although no long-term study is available, one Beaumont, Texas physician was quoted in a recent KFDM television news story saying hospital records show a drop in the number of patients treated for heart problems since Beaumont passed its smoking ban in 2006.

Rep. Myra Crownover and joint authors Rep. Carol Alvarado and Rep. Ralph Sheffield have filed legislation for a statewide smoking ban for all Texas workplaces and public facilities.

Programs Aimed at Improving Quality, Reducing Costs Gaining Momentum

With an estimated one-third of health care spending attributed to waste, unnecessary treatments, duplicative procedures, and medical errors, health plans are stepping up their efforts to improve the efficiency of the system while increasing the quality of medical services patients receive.

In addition to the more familiar disease management initiatives, recent health plan efforts range from programs to reimburse physicians based on their outcomes to reducing prescription errors by facilitating e-prescribing. While health plans have faced some resistance from the medical community, the results of their actions to improve quality while decreasing costs are gaining momentum.

Pay-for-performance programs and the development of high-performance networks are strategies used to shift the health care system away from the traditional fee-for-service system that rewards volume over quality. Health plans are developing high-performance networks that offer individuals choices of doctors who practice more efficiently and provide higher-quality care, often through the use of evidence-based medicine. Lower co-pays for patients who select high-performance networks and increased reimbursement for physicians who meet quality standards are examples of how health plans are attempting to expand the use of the networks.

A 2006 Institute of Medicine report found that medication errors alone harm at least 1.5 million people every year. The price tag for treating drug related injuries occurring in hospitals was conservatively estimated at \$3.5 billion annually. In response, health plans are urging hospitals to adopt computerized physician order entry, or CPOE. This technology shows great promise in eliminating preventable adverse drug related events.

In 2005 the *New England Journal of Medicine* reported that 33 percent to 69 percent of all medication-related hospitalizations are due to medicine not being taken as prescribed. These hospital admissions are estimated to cost about \$100 billion a year. Health plans are instituting Drug Therapy Management programs to ensure that medication is being taken properly. These plans include nurses who communicate to patients how and when to take their medication as well as tracking prescription refills as an indicator of proper adherence to medication regimens.

Trivia answers: 1. b (False) 2. b (False) 3. a (True) 4. a (True) 5. a (True)

Birthdays

February

2 – Rep. Susan King
4 – Rep. Yvonne Davis
5 – Rep. David Farabee
9 – Rep. Angie Chen Button
9 – Rep. Harvey Hildebran
13 – Sen. Judith Zaffirini
15 – Rep. Elliott Naishtat
17 – Rep. Harold Dutton
18 – Rep. Vicki Truitt
20 – Rep. Jerry Madden
21 – Rep. Dan Flynn
22 – Sen. Chris Harris
22 – Rep. Drew Darby
26 – Rep. Fred Brown
27 – Rep. Tommy Merritt
29 – Rep. Phil King