

Clarifications let McBride move ahead with expansion plans

Restrictions on physician-owned hospitals under debate

By Paula Burkes *The Oklahoman*

November 14, 2010

Thanks to clarifications last week to federal regulations under health care reform, McBride Orthopedic Hospital in Oklahoma City can move ahead in the next 60 days on plans to add two operating rooms.

Oklahoma hospitals that are partially or fully physician-owned:

Greater Oklahoma City: Community Hospital, Deaconess Hospital, Lakeside Women's Hospital, McBride Orthopedic Hospital, Northwest Surgical Hospital, Oklahoma Center for Orthopedic & Multi-Specialty Surgery, Oklahoma Heart Hospital, Oklahoma Heart Hospital South, Oklahoma Spine Hospital, Orthopedic Hospital, Surgical Hospital of Oklahoma and Summit Medical Center in Edmond.

Northeast Oklahoma: Oklahoma Surgical Hospital, Tulsa Spine & Specialty Hospital and Northeast Oklahoma Eye Institute in Tulsa; Bailey Medical Center in Owasso; and Muskogee Community Hospital.

Nationally, there are 269 hospitals in 38 states that employ more than 75,000 workers.

SOURCE: Physician Hospitals of America

When the act passed March 23, McBride executives scrapped plans to break ground the following week on a \$2 million expansion project into which they already had invested \$150,000 in architecture and engineering.

The act banned the expansion of physician-owned hospitals that participate in Medicare and other government reimbursement programs and, after this year, also banned construction of any new ones.

But under clarifications issued last week by the U.S. Health and Human Services Department, physician-owned hospitals may expand, as long as they keep the same sum total number of licensed beds, operating and procedure rooms. So McBride plans to sacrifice two patient beds to go up two operating rooms.

“We're pleased we can continue to take all payers and service the community,” said Mark Galliard, chief executive.

The 78-bed hospital, which has 20 physician owners, 400 workers and about 5,000 patients annually, is near 85 percent capacity. The facility needs to expand, he said, to match the growing demand for its services. Most doctors who admit patients there aren't owners.

Though executives of physician-owned hospitals are pleased with the clarifications, they still are pushing for further alleviation of restrictions. Among other things, they say their hospitals offer better patient care and that it's unconstitutional to prevent competition.

Meanwhile, the American Hospital Association argues physician-owned hospitals tend to focus on lucrative specialties like orthopedics and cardiac care, while leaving important but money-losing services, such as emergency departments and burn units, to not-for-profit hospitals.

“It doesn't make sense that physicians can't refer to a lab in which they have a financial interest, but can, for example, refer a cardiac case to a hospital in which they have an interest,” said Craig Jones, president of the Oklahoma Hospital Association.

“Still, the pendulum (on restrictions) may have swung too far,” he said, pointing to successful joint ventures between community and physician-owned hospitals like the Oklahoma Heart Hospital and Mercy Health Center.

Physician-owned hospitals proliferated in Oklahoma in the 1980s when the state repealed its certificate of need law, said Karen Rieger, shareholder and director of Crowe & Dunlevy law firm and chairwoman of its health care practice group.

“Doctors saw physician-owned hospitals as a way to supplement income, in the face of shrinking reimbursements from Medicare and Medicaid,” she said.

Health care reform, along with limiting expansion by physician-owned hospitals, locks in the physician-owner percentages, she said. So, for example, if doctors own 20 percent of an existing hospital, that percentage can't get any higher. Some doctors may go out and others transfer in, but the percentage must stay the same.

The Oklahoma Heart Hospital completed expansion of its facility on Memorial Road and construction of its hospital in south Oklahoma City just a few months before the reform bill passed. Still, CEO John Harvey believes the part dealing with physician-owned hospitals should be revisited.

“Patients love the focused care they receive at a physician-owned hospital, and physicians like the focused attention to providing top quality care,” said Harvey, touting four years of the highest customer satisfaction surveys in the nation. “Let's not forget that physicians who invest in building hospitals represent entrepreneurs who see ways in which to do something better than has been done before. This is the American way, and we believe competition makes everyone better and, most importantly, means people will receive much better care across the board.”

Jones doesn't dispute the quality of patient care offered by many physician-owned hospitals. Still, he said he's thankful for the slowdown the restrictions bring to be able to evaluate the long-term model for health care facilities.

Going forward, teamwork between hospitals and physicians will be paramount, Jones said, to increase quality and safety with greater emphasis on improving patient care. The industry is moving toward a bundled single payment to physicians, hospitals and possibly rehabilitation facilities, he said.