

United States Senate
Committee on Finance
Washington, D.C. 20510

MEMORANDUM

TO: Reporters and Editors
FR: Erin Shields, for Senator Baucus, 202/224-4515
Jill Kozeny, for Senator Grassley, 202/224-1308
RE: Story on specialty hospitals posted today on Forbes.com
DA: Thursday, February 21, 2008

Chairman Max Baucus and Ranking Member Chuck Grassley of the Senate Committee on Finance issued the following statement about the story that appeared today on Forbes.com regarding specialty hospitals. Together, Senators Grassley and Baucus have worked to address problems with the growth of specialty hospitals, including the negative effect on community hospitals and the lack of on-site emergency services and resulting risks for specialty hospital patients.

Here is the statement from Senators Baucus and Grassley:

“Forbes.com's one-sided story adds little to the current debate of whether physician-owned limited service hospitals are good for Medicare beneficiaries or the Medicare program. There is certainly much to applaud when the market innovates to produce better quality health care and there are no doubt many people whose true aim with these limited service hospitals is to do just that. But the story misses the central point of the debate because it fails to mention the wealth of available evidence recognizing that these physician-owned limited service facilities are far less likely to treat the sickest of the sick. That is because physician investors have the power to engage in cherry picking, which means treating the more profitable, healthier patients AT the facilities they own, but sending the uninsured, underinsured or high risk patients elsewhere. The story also ignores the fact that the potential for more profits often induces the physician investor to order more procedures than are needed, which puts patients at increased risk and unnecessarily drives up health care costs.

“This story also fails to mention any of the shortcomings of so-called specialty hospitals. For instance, there’s no reference to the deaths of patients treated at Oregon and Texas facilities that could not provide adequate emergency care. We’re concerned about any hospital that relies on dialing 911 to rush a failing patient to a community hospital. In fact, the Department of Health and Human Services Inspector General recently found that dialing 911 was part of the emergency response procedures at 66 percent of the physician-owned limited service hospitals examined. More significantly, 34 percent of these facilities maintained policies of dialing 911 to obtain medical assistance to stabilize a patient.

“Innovation and competition are good but only on a level playing field. There is nothing innovative about self-interested physicians cherry picking patients. This practice threatens the

financial health of community hospitals and their ability to provide all types of health care services to their communities, and that's not good for anyone.”