

# *United States Senate Committee on Finance*

## MEMORANDUM

TO: Reporters and Editors  
RE: New report about specialty hospitals  
DA: Thursday, Jan. 10, 2008

Senators Chuck Grassley and Max Baucus made the comments below regarding new findings issued today by the Inspector General for the Department of Health and Human Services about the ability of physician-owned specialty hospitals to manage medical emergencies.

Senators Grassley and Baucus requested a review by the Inspector General in March 2006. Senator Baucus is Chairman and Senator Grassley is Ranking Member of the Committee on Finance, which is responsible for Medicare legislation and oversight.

### Senator Grassley's comment:

“This new report documents the significant and potentially life-threatening shortcomings of physician-owned specialty hospitals when it comes to emergency services. Congress needs to take action to stem the trend before the situation is irreversible. Patients and consumers deserve to know what they're getting into with specialty hospitals. Most people assume that if it's called a hospital, it can handle emergencies, but this data shows that's not the case. More broadly, it's fair to ask whether taxpayers should continue to support erosion of community hospitals. Community hospitals are a pillar of our nation's health care system, and people rely on their full range of services, especially emergency care, to be there when a health care crisis strikes. I've worked for legislation to strengthen the community hospital system and protect patients in response to this rapidly growing industry of physician-owned hospitals, and I'll continue to do so.”

### Senator Baucus' comment:

“Specialty hospitals need to do a better job fulfilling the public's expectations, and they most certainly need to do a better job protecting the safety of their patients. All hospitals participating in the Medicare program are required to have 24-hour nursing services and on-call doctors, written policies and procedures for emergency care, and the ability to provide their own emergency services. But this report found specialty hospital shortcomings across the board. It's unbelievable that a facility that calls itself a hospital would, at times, not even have a doctor on call or nurse on duty. It is unacceptable that these facilities are not designed or equipped to handle emergencies. Medicare dollars for hospitalization should not be spent on facilities that most people wouldn't even call a hospital.”

### Information about the Inspector General report:

The report (OEI-02-06-00310) studied data from 109 physician-owned specialty hospitals and relied on a review of staffing schedules for nurses and physicians for eight sampled days, a review of hospitals' staffing policies, a review of policies for managing medical emergencies, and interviews with hospital administrators.

The Inspector General found that about half of all physician-owned specialty hospitals have emergency departments, the majority of which have only one emergency bed. Not all hospitals had nurses on duty and physicians on call during the eight sampled days. Less than one-third of administrators report having physicians onsite at all times. In addition, two-thirds of hospitals use 911 as part of their emergency response procedures. Lastly, some hospitals lack basic information in their written policies about managing medical emergencies.

The Inspector General recommended that the Centers for Medicare and Medicaid Services strengthen its monitoring of physician-owned specialty hospitals. To do this, the Inspector General said the agency should develop a system to identify and regularly track these hospitals. The Inspector General also recommended that the Centers for Medicare and Medicaid Services meet the current Medicare Conditions of Participation that require a registered nurse to be on duty 24 hours a day, 7 days a week and a physician to be on call if one is not onsite. The Inspector General's report also said that the Centers for Medicare and Medicaid Services should ensure that hospitals have the ability to provide for the appraisal and initial treatment of emergencies and that they are not relying on 911 as a substitute for their own ability to provide these services. Finally, the Inspector General recommended that the Center for Medicare and Medicaid Services require hospitals to include necessary information in their written policies for managing a medical emergency.

The Centers for Medicare and Medicaid Services concurred with all four recommendations of the Inspector General.

#### Information about work in this area by Senators Grassley and Baucus:

Senators Grassley and Baucus have advocated legislation to address concerns about specialty hospitals. In 2003, a moratorium on Medicare payments to new physician-owned specialty hospitals was included in the Medicare Prescription Drug, Improvement and Modernization Act, which was authored in the Senate by Senators Grassley and Baucus.

When this statutory moratorium expired in June 2005, Senators Grassley and Baucus urged the Centers for Medicare and Medicaid Services to suspend enrollment of new facilities. In the Deficit Reduction Act of 2005, for which Senators Grassley and Baucus were the primary sponsors of the Senate provisions affecting Medicare, Congress prohibited the Centers for Medicare and Medicaid Services from approving new specialty hospitals until August 2006, when Medicare officials delivered a plan for addressing the issue.

The Senate Committee on Finance held hearings in 2005 and 2006 on specialty hospitals and highlighted a report issued by the Medicare Payment Advisory Commission about the problems caused by specialty hospitals. In 2005, Senators Grassley and Baucus introduced the Hospital Fair Competition Act. This bill would have prohibited physicians from referring

Medicare and Medicaid patients to new specialty hospitals in which they have an ownership interest.