

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**STATE PROHIBITIONS ON HOSPITAL
EMPLOYMENT OF PHYSICIANS:
CALIFORNIA DATA**

MANAGEMENT ADVISORY REPORT



**Richard P. Kusserow
INSPECTOR GENERAL**

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OFFICE OF INSPECTOR GENERAL

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INTRODUCTION

This report is a companion to our previous study, "State Prohibitions on Hospital Employment of Physicians," OEI-01-91-00770. In that report, we found that only five States -- California, Colorado, Iowa, Ohio, and Texas -- prohibit hospitals from employing physicians for patient care services. While the prohibitions appear to have some adverse impact on hospital operations in these five States, they do not appear to be a major overall problem.

The purpose of this report is to provide a comparison of the data for hospitals in California with hospitals in the other four States that prohibit hospital employment of physicians. We prepared this report in response to a request from the offices of Representatives Pete Stark and Henry Waxman.

FINDINGS

State prohibitions on hospital employment of physicians have some adverse impact on hospital operations.

Thirty-eight percent of hospital administrators responding to the survey from the five States that prohibit hospital employment of physicians indicate that these prohibitions impose legal, recruitment, or administrative costs.

- ▶ Forty-one percent of hospital administrators in California indicate that these prohibitions impose legal, recruitment, or administrative costs versus 36 percent of hospitals in the other four States.

Forty-one percent of hospital administrators responding to our survey from the five States indicate that these prohibitions make it more difficult to staff medical services.

- ▶ Forty-three percent of California hospital administrators indicate that these prohibitions make it more difficult to staff medical services as compared to 39 percent of hospital administrators in the other four States.

Twenty-four percent of hospital administrators responding to our survey from the five States indicate that these prohibitions make it more difficult to staff basic emergency services.

- ▶ Twenty percent of California hospital administrators say that the prohibitions make it more difficult to staff basic emergency services as compared to 28 percent of administrators in the other four States.

Thirty-percent of hospital administrators responding to our survey from the five States say that the prohibitions on hospital employment of physicians make it more difficult to provide specialty emergency services.

- ▶ Thirty-five percent of California hospital administrators say that the prohibitions make it more difficult to provide specialty emergency services versus 25 percent of administrators in the other four States.

However, these prohibitions do not appear to present a major overall problem for hospitals.

Thirty-three percent of hospital administrators responding to the survey from the five States that prohibit hospital employment of physicians report that they are not even aware that these prohibitions apply in their State.

- ▶ Twenty percent of California hospital administrators report that they are not even aware that these prohibitions apply in their State compared to 43 percent of administrators in the other four States.

Hospitals in these five States cite a number of factors other than prohibitions on hospital employment of physicians as more important limitations on their ability to ensure specialty coverage in their emergency departments. These factors include a shortage of specialty physicians, low reimbursement rates, fear of increased malpractice liability, and disruption of their private practices.

**TABLE 1
PERCENT OF ADMINISTRATORS CITING LIMITATIONS
ON THEIR HOSPITALS' ABILITY TO ENSURE AVAILABILITY
OF SPECIALTY COVERAGE IN THE EMERGENCY DEPARTMENT**

LIMITATION	CALIFORNIA HOSPITALS	HOSPITALS IN IOWA, OHIO, COLORADO, AND TEXAS
Shortage of Specialty Physicians	65%	64%
Low Reimbursement	78%	44%
Malpractice Liability	50%	31%
Disruption of Practice	39%	39%
COBRA Sanctions	30%	18%
Prohibitions on Hospital Employment of Physicians	30%	11%

Source: N=54 hospital administrators from California and 61 hospital administrators from Colorado, Iowa, Ohio, and Texas. OIG/OEI survey of hospital administrators, May 1991.

CONCLUSIONS

Our data reveal that, for the most part, the impact of State prohibitions on hospital employment of physicians is similar for hospitals in California and those in the other four States in which these laws apply. Differences between California and the other four States are apparent in only two of the issues that we examined.

First, California hospital administrators are more likely to be aware of the prohibitions than are their counterparts in the other four States. Eighty percent of California administrators indicated that the prohibitions apply in their State, versus only 57 percent of those from the other four States. While we don't have a definitive explanation for this situation, it is likely that the issue simply has received more attention in California than elsewhere. Individuals we spoke with in California -- from the hospital, medical, and legal communities -- suggested that State prohibitions on hospital employment of physicians are a "lightning rod" for a range of issues affecting medical staff-hospital relationships, particularly issues related to cost containment and control over medical practice patterns within the hospital setting.

Second, as Table 1 shows, 30 percent of California hospital administrators (versus only 11 percent of administrators in the other four States) consider the prohibitions on hospital employment of physicians to be a factor limiting their ability to ensure specialty coverage in their emergency department. However, in both California and the other four States, the impact of these prohibitions relative to the other factors identified above is minor. In fact, this finding identifies other considerations that appear to be more extensive in California relative to assuring specialty coverage in the emergency department, particularly hospital administrators' concerns over low reimbursement and malpractice liability.

APPENDIX A

METHODOLOGICAL NOTE

The methodology for the study on "State Prohibitions on Hospital Employment of Physicians" is described in detail in that report. The following table provides data on the characteristics of the sample of hospitals surveyed in this study.

TABLE A-1
STATE PROHIBITIONS ON HOSPITAL EMPLOYMENT OF PHYSICIANS
CHARACTERISTICS OF HOSPITALS IN SAMPLE

VARIABLE	CALIFORNIA HOSPITALS	HOSPITALS IN IOWA, OHIO, COLORADO, AND TEXAS
NUMBER OF HOSPITALS	54	61
LOCATION		
Urban	70%	48%
Rural	30%	52%
AUSPICES		
Public	19%	42%
Private Non-Profit	67%	48%
Private For-Profit	15%	10%
HOSPITAL SIZE		
< 100 Beds	43%	44%
100 - 299 beds	33%	34%
300 - 499 beds	20%	15%
> 500 beds	6%	3%
TEACHING STATUS		
Teaching	15%	23%
Non-Teaching	85%	77%