MedPAC: Choosing less sick patients creates a payment advantage for physician-owned surgical hospitals.

MedPAC found that physician-owned surgical hospitals focus on less sick patients. This selection tactic leads to higher payments relative to expected costs for physician-owned surgical hospitals versus community hospitals.

Percent Above National Average Payment Relative to Cost for Physician-owned Surgical Hospitals by Type of Selection

- Payment Advantage Due to Surgical Focus
- Payment Advantage Due to Treating Less Sick Patients
- Total Payment Advantage

Physician-owned surgical hospitals are paid 15% more relative to their expected costs than community hospitals.

Source: MedPAC Report to Congress, Physician-owned Specialty Hospitals, March 2005. Payment advantage is based on expected profitability given the mix of patients at surgical hospitals versus the average mix across all community hospitals. Surgical hospitals are assumed to be of average efficiency for this analysis.

CLOSE THE LOOPHOLE:
Make permanent the ban on physician self-referral to new limited-service hospitals.

Preserve Care  Prevent Conflict of Interest
Promote Fair Competition