Self-referral to limited-service hospitals:
Bad for America’s health care system!

FACT Fax

It is illegal for a hospital to pay to induce physician referrals, yet physician-owned facilities do just that with impunity.

The federal fraud and abuse laws forbid health care facilities from offering financial inducements to physicians in exchange for patient referrals. Yet physician-owned limited-service hospitals are masking inducements to refer patients under the guise of ownership. The annual financial gain to physician-owners from self-referral can rise into the hundreds of thousands of dollars. *This is not about competition, it’s about conflict of interest.*

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

**Estimated Annual Profit per Physician-investor in Selected Physician-owned Limited-service Hospitals, 2003**

- **Oklahoma Spine Hospital**: $712,000
- **Black Hills Surgery Center, LLP**: $479,000
- **Northwest Surgical Hospital**: $275,000
- **Lincoln Surgical Hospital**: $164,000

Source: Based on net income reported in Medicare Cost Report (HCRIS, released 4th Quarter 2004). Number of physician-owners from McManis Consulting site visit reports.