



AMERICAN ASSOCIATION OF
ORTHOPAEDIC SURGEONS

317 Massachusetts Avenue NE
Suite 100
Washington, D.C. 20002-5701

P. 202.546.4430
F. 202.546.5051

www.aaos.org/dc

May 12, 2011

The Honorable John Boehner
1011 Longworth HOB
Washington, D.C. 20515

Dear Congressman Boehner:

The massive health care system overhaul that was signed into law by President Obama contained an extraneous provision aimed at shutting down the entire industry of physician owned hospitals.

We urge you to co-sponsor and help to enact legislation in Congress – H.R. 1159 introduced with bi-partisan support by Congressman Doc Hastings (R-WA) and H.R. 1186 introduced by Congressman Sam Johnson (R-TX) -- that would repeal Section 6001 of the Patient Protection and Affordable Care Act. Physician-owned hospitals have injected competition into the hospital market, forcing traditional hospitals to improve and innovate. We believe physician-owned hospitals are a win-win for patients and for the health care system as we work to improve care. Passage of this legislation will help to improve access to health care services, preserve the right of patients to choose where they receive their health care, and protect much needed jobs during our down economy.

There are currently 275 physician owned hospitals serving patients in 33 states. These hospitals include general acute care, long term acute care, emergency medicine, multispecialty, women's, children's, rehabilitation and psychiatric.

Section 6001 contains the following three major provisions that are detrimental to this industry:

Establishes a permanent ban on all new physician-owned hospitals

The Stark Law previously allowed physicians to hold investment ownership interests in hospitals under the "whole hospital" exception. Section 6001 of the Patient Protection and Affordable Care Act prohibits future physician investment and caps existing physician investment in hospitals. The provision specifically prohibits hospitals from increasing the total percentage of the total value of the ownership interests held in a hospital by physicians. Existing physician-owned hospitals that had a Medicare provider agreement in place as of December 31, 2010 were grandfathered in.

Places onerous restrictions on expansion of hospitals to meet community need

Section 6001 halted more than 30 major expansion projects at existing hospitals, reducing access to care in communities where there is a dire need for added capacity.



AMERICAN ASSOCIATION OF
ORTHOPAEDIC SURGEONS

317 Massachusetts Avenue NE
Suite 100
Washington, D.C. 20002-5701

P. 202.546.4430
F. 202.546.5051

www.aaos.org/dc

As a result of this provision, existing POHs are prohibited from expanding the number of beds, operating rooms or procedure rooms for which they are licensed. Hospitals may apply for an expansion exception once every two years, subject to satisfying a number of stringent criteria that few hospitals will be able to meet. Total facility expansion, however, is capped at 200% of the baseline number of operating rooms, procedure rooms or beds that the hospital originally had, and applications for expansion would be subject to public comment from providers in the same community as the applicant. A recent study shows that no physician owned hospitals that can meet the grandfather provisions for expansion.

Stopped hospitals under development in their tracks

More than 40 hospital projects are in limbo and unable to open because they were not certified by Medicare in time for the arbitrary deadline of December 31, 2010 which was imposed by the law. At least 40 other projects simply were abandoned by their sponsors. More than 300,000 patients would have had the choice to go to these new facilities and are now denied that opportunity. The potential financial losses are in the billions of dollars.

This provision has had a particularly harsh impact on communities these hospitals would serve. More than 30,000 jobs would have been created if all of the projects could have been completed. The loss in payroll is estimated to be \$1.5 billion and local communities lost \$200 million in tax revenues. Every hospital generates revenue for local businesses and the result of section 6001 was a loss of \$1.3 billion in local economic activity.

Physician owned hospitals have a well established reputation for quality care as measured by the Centers for Medicare and Medicaid Services (CMS), HealthGrades, Consumer Reports, and Press Ganey. According to CMS' own quality measures, physician owned hospitals outrank other hospitals across the country. These hospitals are very popular with their patients as measured by public and private satisfaction studies.

We urge you to take action to improve access to critical health care services, preserve patient choice, and protect jobs in the communities where physician owned hospitals exist. Please co-sponsor H.R. 1159 and H.R. 1186 and help rescue physician owned hospitals from this path to extinction. Thank you for your support.

Sincerely,

The American Association of Orthopaedic Surgeons