

## RESEARCH SUMMARY

## Physician-Owned Hospitals Can Increase Choice, Competition, and Innovation in Healthcare

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Americans face challenges in accessing affordable hospital care as increasing hospital consolidation results in lower quality care, higher prices, and fewer choices. As policymakers turn to merger control and antimonopoly law, encouraging both market entry and hospital competition remains a health policy priority. In “Cost and Quality of Care in Physician-Owned Hospitals: A Systematic Review,” Ted Cho, Andrew Meshnick, Jesse M. Ehrenfeld, and Brian J. Miller argue that physician-owned hospitals (POHs) offer a viable option to combat the effects of hospital consolidation.

### A FLOURISHING SECTOR STUNTED BY GOVERNMENT LEGISLATION

POHs are hospitals owned, at least in part, by a physician or an immediate family member, giving the physician a financial stake in the operation of the hospital as well as claim to any potential profits. The POH marketplace segments itself into two broad types:

1. “focused factory” surgical specialty hospitals that concentrate on a particular medical specialty and associated procedures; and
2. general acute care hospitals (also known as community hospitals).

POHs flourished until 2003, when Congress responded to concerns about POH performance by initiating the first of a series of moratoriums on new POH facilities, thereby restricting POH growth. The authors have reviewed over 30 years of research. Their findings refute performance concerns and make a strong case for increased use of POHs in healthcare.

### RESEARCH SHOWS PHYSICIAN-OWNED HOSPITALS OUTPERFORM OTHER HOSPITALS

Among the authors’ findings:

- Orthopedic and cardiac “focused factory” POHs offered consumers comparable or lower costs and higher quality care compared to other hospitals.
- Patients with a wide range of serious conditions experienced lower in-hospital and/or 30-day mortality rates in specialty POHs.
- Patients with orthopedic conditions received a greater number of conservative preoperative therapies prior to invasive procedures and experienced shorter stays and lower risk-adjusted complication rates.
- General surgery POHs offered higher quality services compared to their competitors.

- The evidence addressing the cost and quality of care provided in general acute care POHs suggested that they were not inferior to competitors.
- The authors' review did not identify a service market where the data on quality disfavored POHs

### **KEY TAKEAWAY**

This study finds that (a) focused factory POHs provide higher quality care at lower cost with greater efficiency, and (b) there are no harms in general acute care POHs as compared to other community hospitals (i.e., POHs provide equivalent care).

In light of these findings, policymakers should reconsider restrictions on POHs with the goal of reinvigorating competition in hospital markets. New and expanded POHs should be allowed to participate in the Medicare program to lower costs, improve quality, and increase choice for Medicare beneficiaries.