**Medicare Red Tape Relief Project**

Submissions accepted by the Committee on Ways and Means, Subcommittee on Health

Date: August 25, 2017

Name of Submitting Organization: Physicians Advocacy Institute

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Statutory ✓

Regulatory

**Please describe the submitting organization’s interaction with the Medicare program:** PAI is a not-for-profit advocacy organization focused on securing fair and transparent payment for physicians. PAI’s Board is comprised of CEOs/former CEOs of state medical associations from California, Connecticut, Georgia, Nebraska, New York, North Carolina, South Carolina, Tennessee and Texas and a Kentucky physician. A significant portion of the members of these and other states’ medical societies treat Medicare patients and submit claims to Medicare.

**Short Description**: **Physician-Owned Hospital (POH) growth and expansion restrictions**

**Summary:**

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| The statutory moratoria on physician-owned hospitals have created an artificial, unfair advantage in today’s health care marketplace. As the provider market continues to consolidate, hospitals have taken advantage of these restrictions to acquire physician practices at an unprecedented rate. PAI studied this trend, and found that between 2012-15, there was a near-80% increase in hospital acquisitions of physician practices. The vast majority of these acquisitions were made by non-POHs. As a result, administrators and non-clinicians are increasingly driving medical decisions. Non-POH competitors have benefited from the growth and expansion restrictions facing POHs, despite POHs’ superior performance on many Medicare quality programs.  There is no justification for prohibiting physicians from owning and controlling hospitals while allowing hospital administrators to employ and control physicians. Physicians are professionally and ethically bound to serve the best interest of their patients. Hospital administrators are not. Patient interests are far better served by allowing physicians to exercise control over the facilities in which patient care is delivered. Seven of the top ten hospitals receiving quality bonuses in the Hospital Value-Based Purchasing Program in 2015 were physician-owned, and an analysis by Avalon Health Economics concluded that POHs are saving Medicare $3.2 billion over 10 years. The prohibitions on hospital ownership should be removed immediately. **Related Statute/Regulation: 42 USC 1395nn** |  |

**Proposed Solution:**

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| Strike the ACA’s restriction on POH growth and expansion and allow POHs to fairly compete with non-POH competitors. |