Hospitals' Medicaid Role Gets Scrutiny

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WASHINGTON — Specialty hospitals admit fewer Medicaid patients than community hospitals, according to a preliminary analysis conducted by the Medicare Payment Advisory Commission.

Physician-owned heart hospitals, for example, accounted for about 4% of Medicaid discharges, compared with about 1% for orthopedic hospitals and about 15% for community hospitals, according to data from the commission (MedPAC).

On the other hand, heart hospitals account for about 62% of Medicare discharges, compared with half that amount for orthopedic hospitals and community hospitals.

The analysis is part of a MedPAC study on physician-owned heart, orthopedic, and surgical specialty hospitals, which was mandated by last year's Medicare Modernization Act. The report is due to Congress in March 2005.

The mix of payers may differ at physician-owned specialty hospitals for a number of reasons, said MedPAC analyst Jeffrey Stensland, Ph.D. For example, emergency room availability may mean that specialty hospitals see fewer indigent patients, or physicians may refer more profitable patients to their specialty hospitals.

In addition, the types of services offered or the location of the specialty hospital can influence the types of patients seen. And the mix of patients may also be affected if community hospitals freeze out specialty hospitals from private payer insurance contracts, Dr. Stensland said.

Physicians interviewed during MedPAC staff site visits said they set up specialty hospitals mainly because of dissatisfaction with hospital governance, said MedPAC analyst Carol Carter. "Many physicians said they tried to work with the community hospitals but that decision-making took too long and did not support their practices."

The site visits also raised the issue of whether specialty hospitals engaged in patient selection or made improper transfers. "Specialty hospitals uniformly denied selecting cases based on payer mix but the specialty hospitals we visited had much lower Medicaid shares and provided less uncompensated care," Ms. Carter said.

Officials working in community hospitals also complained about some transfer practices, she said. They said that in some cases patients are stabilized at their facilities and then transferred to specialty hospitals for procedures. In other cases, complex patients who are not doing well at specialty hospitals are transferred to community hospitals, they reported.

But MedPAC also heard reports that community hospitals have taken some retaliatory actions against specialty hospitals, Ms. Carter said. For example, one community hospital had barred their physicians from investing in specialty hospitals and some are including non-compete clauses in physician contracts. ■