

Know the Facts: Why Congress Restricted Self-Referral to Physician-Owned Hospitals

Congress restricted self-referral to physician-owned hospitals (POHs) to address conflicts of interest that arise when physicians have a financial stake in the facilities to which they refer patients. Physicians remain free to own and lead hospitals, but longstanding federal safeguards help ensure referral decisions are driven by patient needs, not financial incentives.

Did you know?

The majority of physician-owned hospitals are limited-service facilities designed to provide selected services rather than meet the full range of health care needs of a community. Limited-service POHs are not required to maintain a nurse on staff 24/7.¹ They do not always have a physician on call. They do not need to operate an emergency department or be equipped to handle all levels of medical emergencies.² And they cannot treat every patient who walks through the door because of their limited services.³

Limited-Service POHs Weaken Full-Service Hospitals, Especially in Rural Areas

Research shows that compared to community hospitals, limited-service POHs treat a population that is younger, less complex or comorbid, and more likely to be commercially insured.⁴ This creates an uneven playing field for existing local hospitals, weakening them by siphoning off insured patients whose coverage helps offset the cost of care.⁵ As a result, community hospitals are left treating uninsured and Medicaid patients, which adds to uncompensated care and the financial burden full-service hospitals face every day.⁶

Limited Physician-Owned Hospitals Do Not Replace Full-Service Hospitals

	Typical Limited-Service POH	Community Hospital
Availability of Services	Focuses on most profitable specialties and procedures; ⁷ may not have a physician on-site ⁸	Offers comprehensive inpatient and outpatient services provided by licensed physicians
Emergency Care	May not operate an emergency department ⁹ and may rely on 911 during emergencies ¹⁰	Maintains 24/7 emergency services and emergency stabilization capabilities
Patient Population	Treats a narrower patient population, often with less complex medical needs ¹¹	Serves patients across a broad range of conditions and acuity levels
Payer Mix	Primarily serves commercially insured patients, may not accept Medicare or Medicaid ¹²	Serves Medicare, Medicaid, and uninsured patients, in addition to those with commercial insurance

^{1,8,10} *Physician-Owned Specialty Hospitals' Ability to Manage Medical Emergencies*, HHS Office of Inspector General, 2008.

² *Physician-Owned Specialty Hospitals' Ability to Manage Medical Emergencies*, HHS Office of Inspector General, 2008; *Specialty Hospitals: Geographic Location, Services Provided, and Financial Performance*, Government Accountability Office, 2003.

^{3,6,7} "Comparison of Commercial Negotiated Price and Cash Price Between Physician-Owned Hospitals and Other Hospitals in the Same Hospital Referral Region," JAMA Network Open, 2023.

^{4,11} *Analysis of Selected Medicare Quality Measure Reporting Data by Hospital Ownership*, Dobson | Davanzo, 2023; *Introduction of Physician-Owned Hospitals (POHs) Could Lead to Reduced Overall and Medicare Margins for Existing Rural Community Hospitals*, Dobson | Davanzo, 2025.

⁵ "Physician Investment in Hospitals: Specialization, Selection, and Quality in Cardiac Care," *Journal of Health Economics*, 2021.

⁹ *Specialty Hospitals: Geographic Location, Services Provided, and Financial Performance*, Government Accountability Office, 2003.

¹² *Specialty Hospitals: Geographic Location, Services Provided, and Financial Performance*, Government Accountability Office, 2003; "Comparison of Commercial Negotiated Price and Cash Price Between Physician-Owned Hospitals and Other Hospitals in the Same Hospital Referral Region," JAMA Network Open, 2023.

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Limited-service physician-owned hospitals often provide only more profitable services, specializing in areas such as cardiac care or orthopedic surgery, and are not equipped to handle emergencies.

An OIG report issued following a bipartisan request from Senate Finance Committee leaders found that:

- The majority of physician-owned hospitals (POHs) lacked an emergency department.
- Less than a third of physician-owned hospitals (POHs) had physicians on site at all times.
- Two thirds of physician-owned hospitals (POHs) relied on 911 in the event of an emergency.¹

The Washington Post

“ In 2005, an 88-year-old woman suffered a heart attack after receiving pain medication at a POH, where no physician was on site, forcing nurses to call 911 and transfer her to a full-service hospital. ”

(The Washington Post, 2008)²

The Washington Post

“ Similarly, in 2007, a 44-year-old truck driver went into respiratory arrest following elective spinal fusion surgery at a POH and had to be rushed by ambulance to a full-service facility to receive emergency care. ”

(The Washington Post, 2008)³

“ Most people assume that if it's called a hospital, it can handle emergencies, but this data shows that's not the case. More broadly, it's fair to ask whether taxpayers should continue to support erosion of community hospitals. Community hospitals are a pillar of our nation's health care system, and people rely on their full range of services, especially emergency care, to be there when a health care crisis strikes. ”

*– Senator Chuck Grassley (R-Iowa)
on HHS OIG Report, 2008⁴*

“ It's unbelievable that a facility that calls itself a hospital would, at times, not even have a doctor on call or nurse on duty. It is unacceptable that these facilities are not designed or equipped to handle emergencies. Medicare dollars for hospitalization should not be spent on facilities that most people wouldn't even call a hospital. ”

*– Senator Max Baucus (D-MT)
on HHS OIG Report, 2008⁵*

¹ *Physician-Owned Specialty Hospitals' Ability to Manage Medical Emergencies*, HHS Office of Inspector General, 2008.

^{2,3} *“Physician-Owned Hospitals Faulted on Emergency Care.”* The Washington Post, 2008.

^{4,5} *Grassley, Baucus on Inspector General Report on Physician-owned Specialty Hospitals and Emergency Services*, The United States Senate Committee on Finance, 2008.