

Do Referral Patterns Differ When Physicians Own the Hospital? Evidence from Texas

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Overview

- Niche hospitals and physician owners in Texas
- Research question and data source
- Findings on referral patterns
- Conclusions and implications

Note: Research was conducted under a contract from the Texas Department of State Health Services



Niche Hospitals and Physician Owners in Texas

- Texas leads the nation in the number of niche hospitals
- 37 niche hospitals represent 6 percent of all licensed hospitals (June 2006)
- Physician owners of a niche hospital have a financial incentive to self-refer

Source: GAO 2003, Texas DSHS Regulatory Licensing Unit



Research Question

- Does physician ownership drive differences in referral patterns?
 - Volume
 - ♦ Owners vs. non-owners
 - ♦ Niche hospitals vs. general hospitals
 - Type of payer
 - Severity of illness



Data Sources

- Quarterly Texas Hospital Inpatient Discharge Public Use Data Files (2000-2004)
- AHA Annual Survey of Hospitals and Hospital Tracking Database (2000-2004)
- Hospital licensing applications



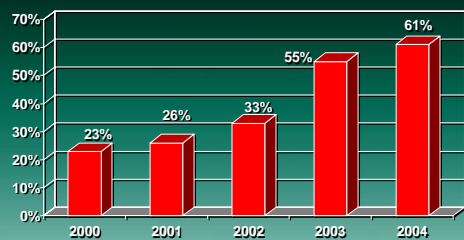
Niche Hospitals and Physician Owners in Texas, 2004

Hospital specialty	Identified niche hospitals	Identified admitting physicians	
		Owners	Non-owners
Total	15	148	154
Surgical	7	49	97
Orthopedic	7	76	58
Cardiac	1	23	34

Source: Analysis of the 2004 Texas Hospital Inpatient Discharge Public Use Data Files
Note: Detail does not add to the total because physician non-owners may have admitting privileges in more than one type of niche hospital



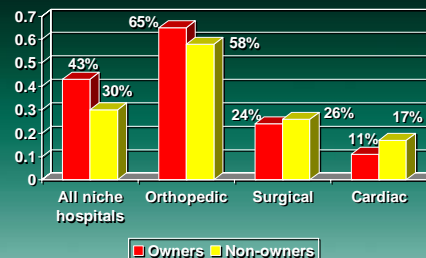
Percent of Niche Hospital Patients Admitted by Physician Owners, 2000-2004



Source: Analysis of 2000-2004 Texas Hospital Inpatient Discharge Public Use Data Files
Note: Discharges were restricted to the major diagnostic categories that were used to define the niche hospitals

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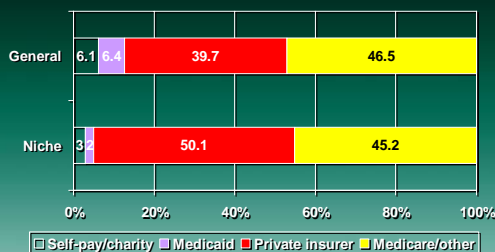
Patients Admitted to Niche Hospitals as a Percent of All Patients Referred by a Physician



Source: Analysis of the 2004 Texas Hospital Inpatient Discharge Public Use Data Files
Note: Discharges were restricted to the major diagnostic categories used to define the niche hospitals; difference is not statistically significant for surgical and cardiac hospitals

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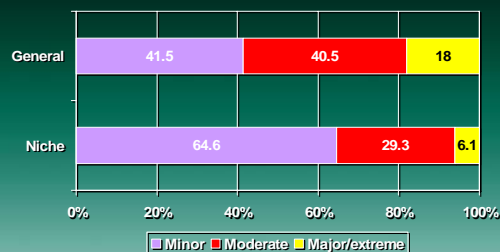
Payer Type for Patients Admitted by Physician Owners to Niche and General Hospitals, 2004



Source: Analysis of the 2004 Texas Hospital Inpatient Discharge Public Use Data Files
Note: Discharges were restricted to the major diagnostic categories used to define the niche hospitals; difference is not statistically significant for Medicare/other category

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Severity of Illness in Patients Admitted by Physician Owners to Niche and General Hospitals, 2004



Source: Analysis of the 2004 Texas Hospital Inpatient Discharge Public Use Data Files
Note: Discharges were restricted to the major diagnostic categories used to define the niche hospitals

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Conclusions

- Referral patterns change when physicians own the hospital, but only to a certain extent
- Difference in referral volume is driven largely by a high rate of physician owners' self-referral to orthopedic hospitals
- Difference in payer type and severity of patients is consistent across specialty type and largely the same for owners and non-owners

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Implications

- Biased referral to general hospitals from physician owners and non-owners adds to the challenge presented by Medicaid and high-severity patients
- States need improved records systems to better monitor the effects of biased referrals

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Caveats

- Alternative definition of niche hospital
- Unidentifiable niche hospitals or physician owners in the discharge data
- Ambiguity in the identified physician's role
- Lack of data in outpatient care and extent of the ownership interest