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

<table>
<thead>
<tr>
<th>Hospital specialty</th>
<th>Identified niche hospitals</th>
<th>Identified admitting physicians</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owners</td>
<td>Non-owners</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>148</td>
</tr>
<tr>
<td>Surgical</td>
<td>7</td>
<td>40</td>
</tr>
<tr>
<td>Orthopedic</td>
<td>7</td>
<td>76</td>
</tr>
<tr>
<td>Cardiac</td>
<td>1</td>
<td>23</td>
</tr>
</tbody>
</table>

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
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.

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.
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