

Ohio Taxpayers Report

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50 West Broad Street, Suite 1328, Columbus, Ohio 43215

Phone: 614-224-2785

www.ohiotaxpayers.com

FAX: 614-224-3091

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Competition: Just What the Doctor Ordered

Ill-Advised Bill Restricts Physician-Owned Hospitals

by Scott A. Pullins, Chairman & CEO

Ohio taxpayers, watch out! With the threat of higher taxes now comes the threat of higher health care costs.

In 1995, Ohio lawmakers eliminated the Certificate of Need law in Ohio that placed onerous restrictions on opening new hospitals in the state. They did this because they recognized that the law stifled competition and ultimately increased healthcare costs.

Now, new legislation pending in the General Assembly would be a giant step backward to the days of hyper-regulation in the healthcare marketplace. This is at a time when we can ill-afford anything that might raise healthcare costs beyond their already exorbitant levels.

With employers expecting health insurance premium hikes in the neighborhood of 25 percent for the coming year, Medicaid costs crippling state budgets in Ohio and nationwide, and no end in sight for skyrocketing medical prices, more and more economists agree that good old fashioned competition might be just what the doctor ordered to restore balance to the system.

A new bill — H.B. 71 — currently being considered in the General Assembly would prohibit doctors from referring patients to a hospital if the doctor has a part ownership interest in the hospital. The bill is designed to prevent doctors here in Ohio from participating in a national trend that has doctors owning and operating their own facilities that specialize in particular forms of care like heart surgery and orthopedic services.

The effect of the legislation would be to stifle competition in the health care marketplace. And it doesn't take a brain surgeon to know that healthy competition is what keeps prices down in any industry.

America spends more than \$1.4 trillion annually on health care— more than 14 percent of our Gross Domestic Product. We spend 25 percent more of our national wealth on health care than the next largest spender, Germany.

Do we get the bigger bang for all these extra bucks? Not exactly. The largest share of America's health care dollar—more than \$450 billion a year — goes to hospitals, institutions not known to be bastions of efficiency.

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In fact, U.S. hospitals spend more than 17 percent of their total budgets on management. This compares with about 10 percent in Canadian hospitals – where government bureaucracy adds to the management heft. When faced with these types of statistics, policymakers should be doing everything they can to encourage innovation and competition.

But, in fact, the move to regulate physician-owned specialty hospitals in Ohio came in response to innovation and competition. A group of orthopedic surgeons in Columbus announced plans last year to build a surgical hospital in New Albany. When it opens later this year, the New Albany Surgical Hospital will offer Columbus and the surrounding community services such as MRI, X-ray, nuclear diagnostic services, physical therapy and rehabilitation.

The large hospital corporations see the hospital and ones like it as a threat, and have turned to the General Assembly for protection.

The New Albany Surgical Hospital is part of a national trend. There are currently about 100 specialty hospitals in the United States, and in the next few years it is estimated there will be more than 200, according to a recent study.

Consider the performance of specialty hospitals where it matters most — patient care. One recent study found that specialty heart hospitals had a 12.1-percent lower mortality rate for heart surgeries compared to larger general hospitals. Ironically, one of the backers of this legislation claims to be a friend of competition in the health care marketplace.

“I believe in the free-market system,” Sen. David Goodman, R-Bexley, told the Columbus Dispatch last year. “I believe in competition and choice, and I think what the surgical hospital is looking to do is something that may eventually benefit my constituents.”

Senator Goodman would do well to heed his own words and work to foster rather than squelch health care competition in Ohio. The stakes are just too high to do anything else.

The Ohio Taxpayers Report is a column written by the Ohio Taxpayers Association Foundation on important Ohio issues. It is published as needed and distributed to Ohio newspapers and opinion leaders as a public service. The Ohio Taxpayers Association Foundation is the research and public education arm of the Ohio Taxpayers Association.

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Editors Note: For a picture of Scott A. Pullins, please call 614-224-2785 or email scottpullins@ohiotaxpayers.com.