Office of the Inspector General
Department of Health and Human Services
Attention: OIG-71-N
Room 5246 Cohen Building
330 Independence Ave, S.W.
Washington, DC 20201

Dear Sirs,

I am an Orthopedic Surgeon, and have practiced in Columbus, Ohio for 18 years. It is my opinion that economic credentialing is being used by hospital systems to thwart competition, and to economically punish or reward physicians.

When I began my orthopedic practice in Columbus, we enjoyed the services of 8 individual hospitals. Currently, only 3 mega-systems remain. In reality, only 2 community hospital systems provide general medical services, and these 2 systems have geographically divided Central Ohio into distinct service areas. The third system, Ohio State University, functions primarily as a tertiary referral center. With consolidation, the remaining hospital systems have become increasingly powerful. Consolidation has produced a scarcity of hospital beds and operating rooms, increased hospital clout with insurance carriers, and rapidly increasing hospital costs. The controlling systems have effectively blocked any outside competitors from entering the market, further increasing costs. Economic credentialing, and its evil twin "mission credentialing", promises to increase costs even further.

Recently in Columbus, two separate groups of physicians began the process of building their own hospitals. The physicians were frustrated with the lack of available operating rooms, paucity of hospital beds, and mediocre level of care. Their vision was to build a facility that would provide better patient care, more cost effective treatment, and more patient focused service.

As expected in an oligopoly, the physicians were met with vicious resistance from the controlling systems. The three existing hospital systems, that control 100% of the market share, openly formed a "Coalition" with the stated purpose of blocking any competing facility. The two community hospital systems announced their plan to revoke the privileges of any physician investing in the facilities, i.e. "economic credentialing." The hospital purge would include all

physician partners and family members as well. The hospitals anti-competitive behavior included jointly hiring a lobbying team to enact statewide legislation to block the proposed hospitals. Uninvolved physicians and companies were threatened with expulsion if they did business with the proposed hospitals. When the medical staffs resoundingly defeated the economic credentialing proposal, the board of trustees circumvented the hospital bylaws and unilaterally passed the resolution to economically credential physicians. Orthopedic surgeons suspected of supporting the new hospital were denied their right to vote at department meetings, and were denied the opportunity to have orthopedic residents on their service. This last punishment has federal legal implications as well. Residents are largely funded through the federal government. The hospital chose to use the residents as free labor to reward obedient surgeons and punish those who chose to compete against them.

One group of physicians succumbed to the pressure, and agreed to convert their hospital to an ambulatory surgery center. They were reportedly rewarded with a deal to allow residents to work at their for-profit facility (free labor), and a marketing program to direct more orthopedic patients (remuneration). The federal government is certainly aware of the explosion in hospital marketing budgets. All large systems have physician referral lines, and patients are directed to "loyal" physicians with hospital privileges. These multi-million dollar marketing and referral programs definitely represent an incentive and remuneration for physicians retaining hospital privileges and referring to the facility. OhioHealth currently produces a 30 minute television program, promoting the hospital and supportive physicians, aired in the evening on a major television network. It is also sent to every station in Ohio and 2 bordering states. Patients are directed to loyal staff physicians. Additional staff revenues can take the form of payment for taking emergency call, payment for overseeing clinics, and management or consulting arrangements. While all of the above arrangements are legal, they demonstrate the financial advantages of retaining staff privileges. With economic credentialing, staff privileges become dependent on the profitability and number of patient referrals.

Furthermore, hospital privileges allow physicians to participate in a full range of insurance plans. Hospital systems can pressure insurance carriers to sign exclusive contracts preventing the entrance of competitive health care providers, and in some cities, the hospital system is the insurance carrier. Without hospital privileges, a physician's patient population may be so limited as to make his practice financially unfeasible.

In Columbus, the three hospital systems are "not-for-profits." Their tax exempt status has allowed them to use these funds, and other federal funds to dramatically enlarge their facilities and provide services. Economic credentialing denies physicians and patients access to these largely federally funded facilities that participate in federally funded programs. It should be

noted that very little documentation exists to verify the charitable efforts of these facilities. Very few hospitals provide charity care monetarily comparable to their tax exemption.

Hospital privileges should be granted on the basis of physician education, training and clinical competence. Hospital privileges shouldn't be used as an economic sanction or incentive to induce physician referrals. Allowing economic credentialing will empower hospitals to control physician referral patterns, and ultimately physicians themselves. Physicians must be free to choose the hospital that best meets the needs of his/her patients, not the financial needs of the hospital. Hospitals should compete for patients by providing high quality, cost effective care; not coerce patients by economically credentialing their physicians. I urge you to abolish this anti-competitive behavior which can only produce higher costs and poorer quality care.

Sincerely Yours,

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