

Hospitals Pursuing Joint Ventures With Physicians

BY JOEL B. FINKELSTEIN
Contributing Writer

WASHINGTON — Hospitals are getting smart instead of angry about competition from physicians.

"A lot of care is moving from the hospital to the ambulatory sector, some of which is still under the auspices of the hospital, but increasingly into doctor's offices, into physician-owned ambulatory surgery centers, imaging centers, testing facilities," Dr. Robert Berenson, a senior fellow at the Washington-based think tank the Urban Institute, said at a press briefing on health care costs sponsored by the Center for Studying Health System Change.

Physicians often set up these centers in part out of frustration with hospital bureaucracy, but also in response to economic pressures, said Adam Feinstein, a managing director at Lehman Brothers where he coordinates

the health care facilities research team.

"Physician incomes have been going down. They have been looking to make up for the lost income, and they're competing more aggressively with the hospitals," he said.

Over the past 10 years, the number of ambulatory surgery centers has doubled to approximately 5,000. There are now almost as many surgery centers as there are hospitals in the country. By comparison, there are only about 100 specialty hospitals in the United States, despite all the political attention they get.

Jeff Schaub, who rates acute care hospitals for the international credit rating firm Fitch Ratings, pointed out that when hospital leadership does not focus on "what their physicians are doing and want to do, we have seen dozens of places have their outpatient surgery volumes cut in half because

docs have gone out and put up buildings."

To counteract such trends, "what we have seen over the last 5-8 years is tremendous interest on the part of hospitals and systems to do joint ventures with physicians, figuring that they would rather lose half the business than all of it," he said.

Alternatively, some hospitals have tried to integrate physicians into more of the business decisions, hoping to create a more comfortable environment for them to work and minimizing their desire to go off on their own, Mr. Schaub said.

"It is really interesting how things come full circle," said Mr. Feinstein. "Hospitals were letting doctors partner with them back in the mid-1990s. There was a lot of scrutiny over this so everyone stopped doing it, and now here we are again and everyone is doing it."

There are some similarities but also some important differ-

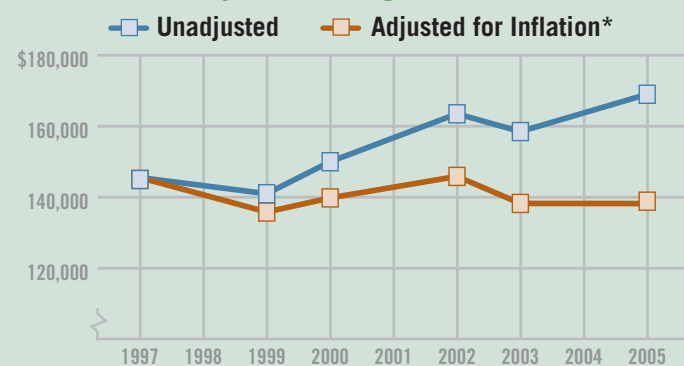
ences this time around, Mr. Schaub said.

"In the 1990s, everybody was buying practices just because everybody else was buying practices. Now what I see is a much more strategic focus, whether

it's service-line related or to head off entrepreneurs splitting off or to focus on a particular geography. Hospitals in a lot of markets are being more selective than they were 10 years ago," he said. ■

DATA WATCH

Is the Mean U.S. Hospitalist Income Really Increasing Over Time?



*Numbers adjusted to 1997 for inflation with <http://data.bls.gov>.

Note: Based on surveys conducted in 1997-2005.

Source: Society of Hospital Medicine

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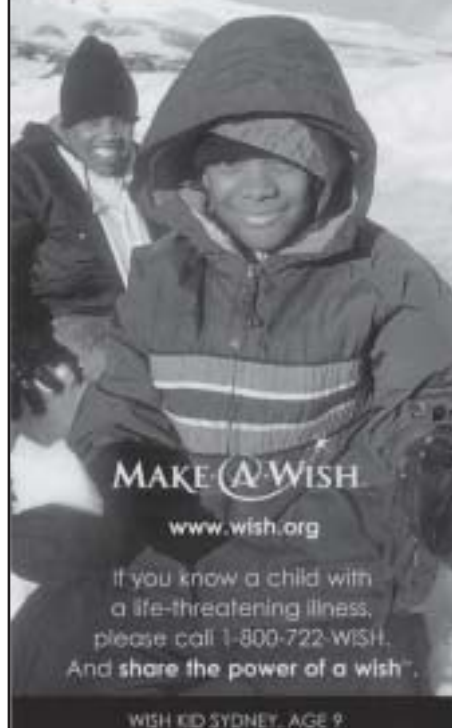
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