



United States Senate

WASHINGTON, DC 20510-0504

<http://feinstein.senate.gov>

September 15, 2009

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Baucus:

I write to express my concerns about provisions under consideration in the Senate Finance Committee that would restrict the physician ownership of hospitals. I have significant concerns about the impact that this provision would have on existing physician owned hospitals in California, as well as several hospitals under construction that will be critical components of my state's health care infrastructure.

I understand that your Committee mark likely will include new restrictions on physician owned hospitals, with new disclosure requirements, and limitations on the expansion of existing facilities. Physician owned hospitals would not be able to receive Medicare provider agreements after September 1, 2009. While I understand that you have concerns about the operation of some physician owned facilities, these provisions will harm patient access to care in California. Several facilities will not be able to serve their communities if the language remains as written in your mark.

The Pacific Alliance Medical Center (PAMC) is a 142 bed full service hospital located in the Chinatown section of Los Angeles. It has been the community's main hospital for 140 years, and was purchased by a group of physicians 20 years ago after the existing hospital board planned to close and demolish the facility. The hospital's clientele is overwhelmingly poor, and the hospital serves the second largest proportion of Medicare SSI and Medicaid patients of any hospital, public or private, in the entire country.

The proposed restrictions are problematic in two ways. First, PAMC would be required to give patients advanced notice of the hospital's ownership structure. This is virtually impossible for a hospital that provides emergency care. Secondly, in order to comply with California's seismic standards, the hospital will eventually need to construct a new facility. Your proposed language would prohibit this construction, and could result in the facility's closure once it can no longer comply with seismic standards.

Your Committee's proposal would also endanger ongoing construction projects in California that are critically needed. Construction is underway on the Loma Linda University Medical Center—Murietta, which will be a full service hospital with over 200 beds. The project is located in Riverside County, which has only 1.47 hospital beds per thousand people, well below the national average of 2.7 beds per thousand. The new hospital will also serve as a teaching facility and is on schedule to open in the first quarter of 2011.

Hoag Hospital-Irvine is another facility under construction in California with a significant physician ownership component. While the hospital's main campus in Newport Beach, Hoag entered into a 15-year lease to operate a 152 bed acute care facility formerly known as Irvine Regional Hospital. Hoag is now in the process of renovating the Irvine facility to include the 70 bed orthopedic specialty hospital within the Irvine campus, to be owned and operated by the Hoag Orthopedic Institute, a joint venture of Hoag and certain orthopedists in Orange County (HOI). Hoag has already spent millions on this project, which will provide high quality orthopedic care to all patients, regardless of insurance status.

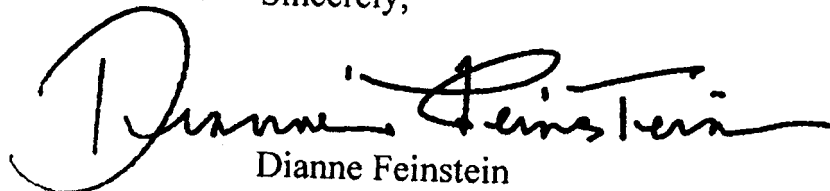
The Finance Committee language would halt these ongoing construction projects. None of these facilities are designed to "cherry pick" the most profitable patients; instead, they are innovative ways to fill communities' needs for additional health care facilities. While you may have long contemplated these restrictions, California physicians do not closely follow Capitol Hill proceedings and undertook projects that violate no current restrictions. As the federal government continues to spend hundreds of billions of dollars in federal funds to create jobs and stimulate the economy, it is nonsensical to approve legislation that will force ongoing construction on desperately needed projects to come to a halt.

I request that you consider changes to your Committee's restrictions on physician owned hospitals that will allow these facilities to complete construction and provide health care for Californians. While we may disagree on the merits of

physician ownership of hospitals, it is my hope that we can find common ground to allow projects that will serve entire communities to receive Medicare payments.

Thank you for your consideration, and I am happy to discuss the issue at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Dianne Feinstein". The signature is fluid and cursive, with a large initial "D" and a long horizontal flourish at the end.

Dianne Feinstein

DF/kw