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Investor ownership in hospitals signals 'the triumph of greed'

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This guest column was written by Rob Stone, a physician and resident of Bloomington.

Last February in City Council chambers, the Bloomington community came together behind Bloomington Hospital and against the concept of a private for-profit competing hospital in our community. The idea was defeated, but it has not died. Dr. Tiwari and unnamed other backers now threaten to build their new hospital in the county where there are no zoning restrictions to stop them. What was a bad idea in the winter is still a bad idea this summer.

In Canada, where their medical system is privately run but financed by the government like our Medicare, there has been talk of trying to improve efficiency and reduce cost by building some for-profit hospitals, and so a group of researchers from McMaster University in Ontario, along with other investigators from throughout Canada, recently published a thorough review of all the printed literature from the U.S. experience where for-profit and not-for-profit hospitals were concerned. Their study, published in the Canadian Medical Journal June 8, showed that patients at for-profit hospitals had higher mortality and higher costs than at not-for-profit hospitals. An editorial accompanied it, written by renowned Harvard researchers Drs. Steffie Woolhandler and David Himmelstein, and it applies to our local situation.

Woolhandler and Himmelstein start by pointing out that "some aspects of life are too precious, intimate or corruptible to entrust to the market. We prohibit selling kidneys and buying wives or judges." But private investment in health care has been expanding. "In the United States, investor-owned firms have come to dominate renal dialysis, nursing home care, inpatient psychiatric and rehabilitation facilities and health maintenance organizations (HMOs). They have made significant inroads among acute care hospitals (now owning about 13 percent of such facilities), as well as outpatient surgical centers,home care agencies and even hospices. The for-profit barbarians are at the gates."

It seems so intuitively obvious that if hospitals compete, then prices should come down. Statistics from the Indiana Hospital Association don't bear that out, with hospital charges in Bedford and Terre Haute, towns with two competing hospitals, considerably higher than those at Bloomington Hospital. The Harvard doctors point out that those who favor for-profit health care argue that the profit motive optimizes care and minimizes costs. But the findings of the study didn't bear that out. "Why does investor ownership increase costs?" they ask. "Investor owned hospitals are profit maximizers, not cost minimizers. Strategies that bolster profitability often worsen efficiency and drive up costs. Columbia/HCA, the largest hospital firm in the United States, has paid the U.S. government $1.7 billion in settlements for fraud, the payment of kickbacks to physicians and overbilling of Medicare. … When Columbia/HCA's CEO resigned in the face of fraud investigations, he left with a $10 million severance package and $324 million in company stock."

Himmelstein and Woolhandler go on to ask: "Why do for-profit firms that offer inferior products at inflated prices survive in the market?

Several prerequisites for the competitive free market described in textbooks are absent in health care. First, it is absurd to think that frail elderly and seriously ill patients, who consume the most care, can act as informed consumers (i.e., comparison-shop, reduce demand when suppliers raise prices or accurately appraise quality). Even less vulnerable patients can have difficulty gauging whether a hospital's luxurious appurtenances bespeak good care. Second, the 'product' of health care is notoriously difficult to evaluate, even for sophisticated buyers like government."

I cannot say it any better than Drs. Himmelstein and Woolhandler. Their article ends with a message that could have been written specifically for Bloomington:

"For-profit specialty hospitals have blossomed across the United States. Most of these new hospitals duplicate services available at nearby not-for-profit general hospitals, but the newcomers avoid money-losing programs such as geriatric care and emergency departments (a common entry point for uninsured patients). The profits accrue to the investors, the losses to the not-for-profit hospitals, and the total costs to society rise through the unnecessary duplication of expensive facilities. Behind false claims of efficiency lies a much uglier truth. Investor-owned care embodies a new value system that severs the community roots and Samaritan traditions of hospitals, makes physicians and nurses into instruments of investors, and views patients as commodities. Investor ownership marks the triumph of greed."