



THE ECONOMIC AND SOCIAL BENEFITS OF PHYSICIAN-LED HOSPITALS

September 2022

The Economic & Social Benefits of Physician-Led Hospitals

Key Findings

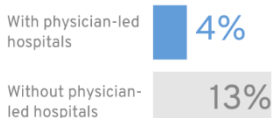
Physician-led hospitals are part of the solution to improve healthcare for Americans



IMPROVED ACCESS TO CARE

Physician-led hospitals offer patients more options for care. The healthcare markets in areas with these hospitals were nearly 17% less concentrated, on average, resulting in higher competition and access to care. Fewer markets with physician-led hospitals are considered very highly concentrated.

METRO AREAS WITH A VERY HIGHLY CONCENTRATED HEALTHCARE MARKET



LOWER COST OF CARE

Physician-led hospitals provide care at lower costs, generating savings for patients and government programs. CMS data evaluating hospital efficiency and Medicare spending shows that physician-led hospitals outperform their counterparts.

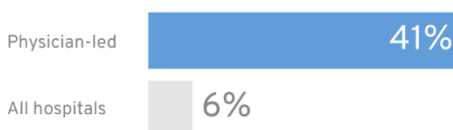
HOSPITALS WITH BELOW MEDIAN COSTS PER MEDICARE BENEFICIARY



HIGH QUALITY CARE

Physician-led hospitals deliver high-quality care and excel in patient experience. CMS survey data shows that these hospitals have an average rating of 3.9 out of 5 (compared to 3.2 for all hospitals). Far more physician-led hospitals received the top rating.

HOSPITALS WITH TOP CMS PATIENT EXPERIENCE RATINGS



Physician-led hospitals generate significant economic & social benefits across the United States

DIRECT, INDIRECT, & INDUCED IMPACT



166K
JOBS



\$10.3B
WAGES



\$43.1B
OUTPUT

DIRECT CONTRIBUTIONS & COST SAVINGS



\$1.2B
PAYROLL & INCOME
TAXES



\$217M
MEDICARE COST
SAVINGS



\$240M
CHARITY CARE
REPORTED TO CMS

THE ECONOMIC AND SOCIAL BENEFITS OF PHYSICIAN-LED HOSPITALS

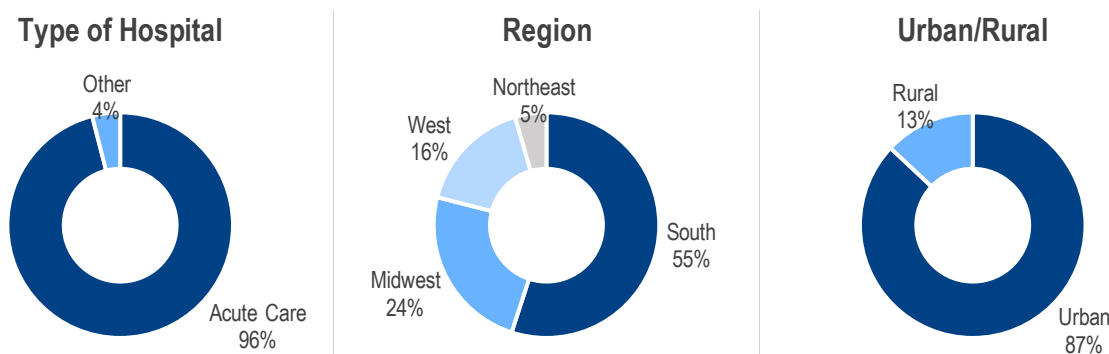
Nam Pham, Ph.D. and Mary Donovan¹

INTRODUCTION

Physician-led and owned hospitals are critical to the American healthcare system. They provide patients with increased access to care, high-quality services, and lower cost of care. The United States features over 250 physician-led hospitals that staff nearly 14,700 beds. Most operate as community hospitals offering general services, including labor and delivery, surgery, and intensive care, or specialized hospitals focusing on specific healthcare needs, such as cardiac care, women’s care, and orthopedic care.²

Nearly all physician-led hospitals are classified as acute care facilities, providing inpatient medical care and services for surgery, acute medical conditions, or injuries.³ The remainder are designated as critical access (sole providers in very rural areas), psychiatric, or long-term hospitals. Over half are located in the South, followed by 24% in the Midwest, 16% in the West, and 5% in the Northeast. Approximately one in every eight physician-led hospitals provides services in a rural area (13%). (Figure 1)

Figure 1.
Physician-Led Hospitals Serve Patients Across the United States⁴



¹ Nam D. Pham is Managing Partner and Mary Donovan is Principal at ndp | analytics. Stephanie Barelo and Anom Ashok Dule provided research assistance. The Physician-Led Healthcare for America provided financial support to conduct this study. The opinions and views expressed in this report are solely those of the authors.

² “Physician-owned hospitals.” Physician-led Healthcare for America.

³ CMS. [Data Navigator Glossary of Terms](#).

⁴ American Hospital Directory. 2022.

BENEFITS OF PHYSICIAN-LED HOSPITALS

Physician-led hospitals are leaders in providing efficient and quality care at lower costs. These hospitals provide patients with options and drive competition in the healthcare marketplace, which, in turn, reduces healthcare costs for patients.

Physician-led Hospitals Improve Patients' Access to Care

Community and specialized hospitals increase competition by providing alternative options for treatment. Consequently, patients have better access to care with lower healthcare costs. Hospital consolidations, on the other hand, result in less competition and reduce patient options and access to care.⁵

The Health Care Cost Institute Hospital Concentration Index, measuring marketplace concentration in 182 metro areas across America, shows that places with physician-led hospitals have higher competition and lower market concentration. In 2020, 37% of the metro areas in the index included at least one physician-led hospital. The average index score was 16.7% lower in areas with physician-led hospitals (a score of 2,776 compared to 3,334; the lower number means more competition and less market concentration). In addition, only 4% of areas with physician-led hospitals were classified as very highly concentrated markets compared to 13% without physician-led hospitals. (Figure 2)

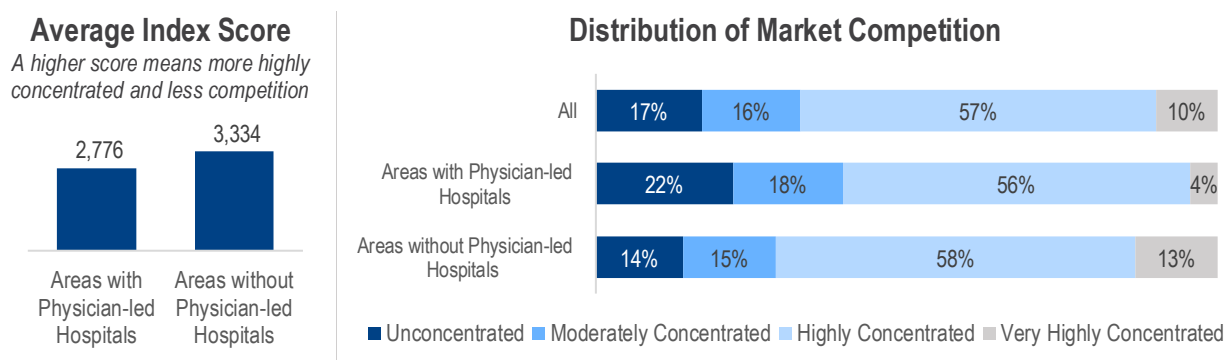
STATE SPOTLIGHT

TURNING THE TIDE IN INDIANA

Historically, Indiana has been a hotbed for consolidation and its healthcare costs are among the highest in the country. Since 2010, at least 20 hospitals have been acquired by or merged with larger systems, 65% of which are out-of-state. However, healthcare providers, businesses, elected officials, and community groups are turning the tide. Organizations like the Employers Forum of Indiana research and promote transparency in the healthcare system. In 2022, the government passed a law requiring increased oversight of hospital mergers to address concerns over healthcare access and outcomes.

Figure 2.

Areas with physician-led hospitals offer patients more options for care⁶



⁵ Krasean, Nicole. 2022. "Hospital merger bill signed by Governor Holcomb." WTWO ABC Local News. March 11; Whaley, Christopher. 2022. "RAND Hospital Price Transparency Project." RAND Corporation. May; Employers' Forum of Indiana. 2022. "Indiana Hospital Mergers, Acquisitions, & Expansions." June 24.

⁶ Health Care Cost Institute. 2022. [Hospital Concentration Index](#).

Physician-led Hospitals Offer Lower Costs of Care

Physician-led hospitals tend to have a lower cost of care, generating savings for patients and government healthcare programs. CMS Medicare Spending per Beneficiary (MSPB) measure evaluates a hospital's efficiency relative to the national median. Unlike other cost comparisons, MSPB assesses the cost of services performed by hospitals and other healthcare providers immediately before, during, and after a beneficiary's hospital stay and controls for price variation and risk factors such as patient case mix and geography.⁷ According to CMS, the MSPB scores help "to increase the transparency of care for consumers and recognize hospitals that are involved in the provision of high-quality care at lower cost to Medicare."⁸

As a whole, physician-led hospitals outperform their counterparts.⁹ Of the hospitals with MSPB data, 51% of all hospitals had lower Medicare costs than the national median hospital in 2022 (the MSPB measure was lower than 1.0). In comparison, 59% of physician-led hospitals have lower Medicare costs per beneficiary than the national median hospital. (Figure 3)

BOX 2. STATE SPOTLIGHT

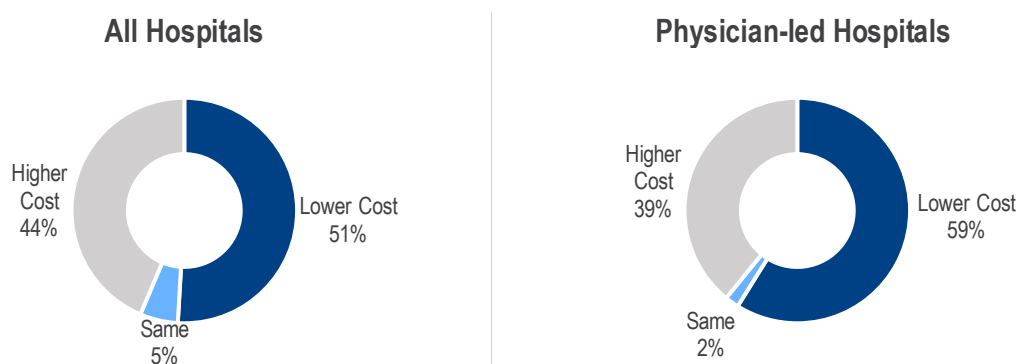
PROVIDING COST-EFFECTIVE CARE IN PENNSYLVANIA

Compared to other large healthcare systems, Pennsylvania has proven to be efficient in containing costs while providing quality care. In 2022, the state ranked fifth in terms of size with 182 hospitals, after Texas (373), California (339), Florida (220), and New York (187).

*Of these five states, Pennsylvania has the most efficient, cost-effective care, as measured by CMS Medicare Spending per Beneficiary. In 2022, 65% of all hospitals and **71% of physician-led** hospitals in Pennsylvania had lower Medicare costs than the national median (the MSPB measure was lower than 1.0)*

Figure 3.

59% of Physician-led hospitals are more efficient and cost Medicare less¹⁰



⁷ CMS. [Medicare Spending Per Beneficiary Measure Overview](#).

⁸ CMS. [Medicare Spending Per Beneficiary Measure Overview](#).

⁹ American Hospital Directory. [Hospital Statistics by State](#); CMS. Medicare Spending Per Beneficiary.

¹⁰ American Hospital Directory; CMS. Medicare Spending Per Beneficiary.

Physician-led Hospitals Provide High-Quality Care

Physician-led hospitals deliver high-quality care to patients. A key aspect of quality care is patient experience. CMS assesses patient perspectives on quality care quarterly via its Hospital Consumer Assessment of Healthcare Providers & Systems Survey (HCAHPS). The survey captures the patient experience related to communication with doctors and nurses, the responsiveness of hospital staff, communication about medicines, cleanliness and quietness, discharge information, transition to post-hospital care, and overall hospital rating.¹¹

Physician-led hospitals have been recognized for their excellence in providing quality care and overall experience. In 2022, Healthgrades awarded 399 hospitals for outstanding patient experience, accounting for the top 15% of hospitals across the country.¹² Of these hospitals, 55 are physician-led. Notably, although physician-led hospitals only account for less than 5% of hospitals with patient experience ratings, they received nearly 14% of the awards for outstanding performance.

Indeed, physician-led hospitals outperform their counterparts overall. The most recent CMS HCAHPS data shows that physician-led hospitals had an average patient experience rating of 3.9, compared to 3.2 for all hospitals. Moreover, 41% of physician-led hospitals received the highest rating in this category compared to only 6% of hospitals overall. (Figure 4)

BOX 3. STATE SPOTLIGHT

DELIVERING QUALITY IN TEXAS

*Hospitals in Texas have proven to excel in delivering exceptional patient experience. In July 2022, 23 hospitals in Texas received the highest CMS HCAHPS patient experience rating (5), more than any other state. **Of these, 17 are physician led hospitals.***

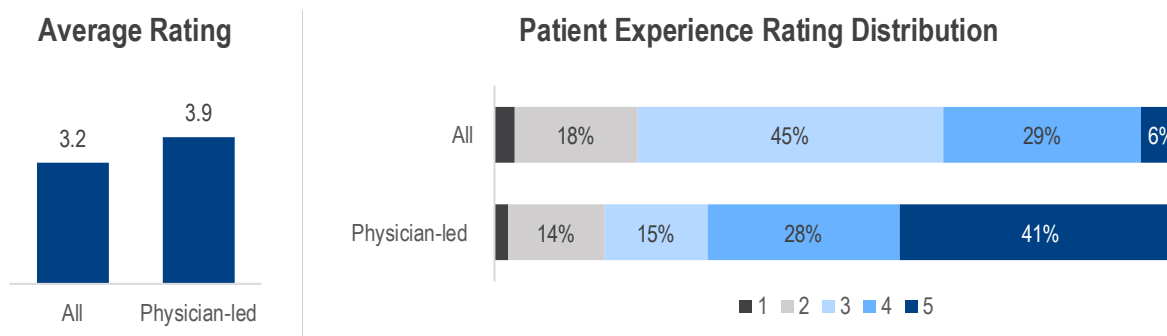
Physician-led hospitals account for 47 of the 250 hospitals in Texas that received a CMS HCAHPS rating (20%).

However, they accounted for nearly three quarters (74%) of hospitals with the top patient experience rating in the state.

Similar to the national average, Physician-led hospitals in Texas had an average patient experience rating of 3.8 compared to less than 3.2 for hospitals in the state overall.

Figure 4.

Physician-led hospitals have an average patient experience rating of 3.8; 41% received a top score¹³



¹¹ CMS. [Hospital CAHPS \(HCAHPS\)](#).

¹² Healthgrades. 2022. Outstanding Patient Experience Award.

¹³ CMS. 2022. Hospital Consumer Assessment of Healthcare Providers & Systems (HCAHPS) Survey. July.

ECONOMIC IMPACT OF PHYSICIAN-LED HOSPITALS

Physician-led hospitals make significant economic impacts in local communities and, ultimately, the country as a whole. In 2021, physician-led hospitals supported over 166,000 jobs with \$10.3 billion in wages. They generated \$43.1 billion in economic activity for the economy and paid an estimated \$1.2 billion in payroll and income taxes. Furthermore, physician-led hospitals generated a cost savings of more than \$217 million to Medicare and provided \$240 million in charity care. (Figure 5)

Figure 5.
Physician-led hospitals' economic impact across America

Jobs	Wages & Contract Labor	Output
166K	\$10.3B	\$43.1B
Payroll & Income Taxes	Medicare Cost Savings	Charity Care Reported to CMS
\$1.2B	\$217M	\$240M

Jobs

In 2021, physician-led hospitals directly employed 72,512 workers, including doctors, nurses, technicians, support staff, and administrators. These jobs generate economic activity along the supply chain (indirect effects) and in local communities where workers spend on goods and services, such as groceries, transportation, and entertainment (induced effects). We apply official economic multipliers published by the Bureau of Economic Analysis (BEA) to calculate the total impacts. In 2021, physician-led hospitals supported 166,365 total jobs, including 98,383 in the South, 36,067 in the Midwest, 26,086 in the West, and 5,829 in the Northeast. (Table 1)

Table 1.
Physician-led hospitals supported 166,365 jobs in 2021¹⁴

	Direct Jobs	BEA Economic Multiplier	Indirect & Induced Jobs	Total Direct, Indirect, & Induced Jobs
Midwest	16,837	2.142	19,230	36,067
Northeast	2,665	2.187	3,164	5,829
South	41,272	2.384	57,111	98,383
West	11,738	2.222	14,348	26,086
Total	72,512	2.294	93,853	166,365

¹⁴ American Hospital Directory; BEA RIMS II Economic Multipliers (Industry: 56 Hospitals).

Wages

Physician-led hospitals provide income for American households. In addition to full- and part-time employees, physician-led hospitals rely on contract workers to fill necessary jobs such as nurses, technicians, and support staff. In 2021, physician-led hospitals paid more than \$5.4 billion in salaries and wages, including over \$5.1 billion to their employees and \$266.2 million for contract labor. Using official BEA multipliers, we calculate that physician-led hospitals supported a total of nearly \$10.3 billion in direct, indirect, and induced earnings for workers across the U.S., including \$5.7 billion in the South, \$2.3 billion in the Midwest, \$1.9 billion in the West, and \$359.2 million in the Northeast. (Table 2)

Table 2.

Physician-led hospitals supported nearly \$10.3 billion in wages in 2021¹⁵

	Direct Wages & Contract Labor (\$M)	BEA Economic Multiplier	Indirect & Induced Wages (\$M)	Total Direct, Indirect, & Induced Wages(\$M)
Midwest	\$1,260.7	1.818	\$1,031.8	\$2,292.5
Northeast	\$188.8	1.903	\$170.4	\$359.2
South	\$2,937.6	1.955	\$2,805.0	\$5,742.6
West	\$1,026.8	1.823	\$844.7	\$1,871.5
Total	\$5,413.9	1.896	\$4,851.8	\$10,265.7

Output

The healthcare services provided by physician-led hospitals generate economic activity in the surrounding communities and beyond. In 2021, physician-led hospitals provided nearly \$19.8 billion in healthcare services. Using official BEA economic multipliers, we calculate that physician-led hospitals generated \$43.1 billion in total economic activity in 2021. These physician-led hospitals have the most significant impact in the South (\$23.9 billion), followed by the Midwest (\$10.6 billion), West (\$7.2 billion), and Northeast (\$1.4 billion). (Table 3)

¹⁵ American Hospital Directory; BEA RIMS II Economic Multipliers (Industry: 56 Hospitals).

Table 3.
Physician-led hospitals supported \$43.1 billion in economic activity in 2021¹⁶

	Direct Output (\$M)	BEA Economic Multiplier	Indirect & Induced Output (\$M)	Total Direct, Indirect, & Induced Output (\$M)
Midwest	\$5,107.7	2.075	\$5,491.5	\$10,599.2
Northeast	\$624.1	2.191	\$743.4	\$1,367.5
South	\$10,573.4	2.264	\$13,360.9	\$23,934.3
West	\$3,480.8	2.075	\$3,743.6	\$7,224.4
Total	\$19,786.0	2.180	\$23,339.4	\$43,125.4

Taxes

Physician-led hospitals support local, state, and federal governments through tax contributions.¹⁷ The vast majority (78%) of physician-led hospitals are private and are classified by CMS as physician-owned or for-profit hospitals.¹⁸ Unlike nonprofit institutions, these hospitals pay federal and state taxes on their income. Based on reported net income and income tax rates published by the Tax Foundation, we estimated those physician-led hospitals paid \$685.1 million in income taxes (over \$577.2 million in federal income taxes and \$107.8 in state income taxes) in 2021. (Table X)

Total payroll taxes include federal payroll (FICA), Medicare, and unemployment (FUTA) tax contributions, and state payroll taxes. Our calculations are based on tax rates published by the Tax Foundation and the average salary per worker at each hospital. In 2021, physician-led hospitals contributed \$564.4 million in payroll taxes, including \$396.1 in federal and \$168.3 in state payroll taxes. (Table X)

Overall, physician-led hospitals contributed over \$1.2 billion in federal and state income and payroll taxes in 2021, including \$567.6 million in the South, \$391.4 million in the Midwest, \$239.9 in the West, and \$50.5 million in the Northeast. (Table 4)

¹⁶ American Hospital Directory; BEA RIMS II Economic Multipliers (Industry: 56 Hospitals).

¹⁷ Our analysis includes only the federal and state tax contributions for payroll and income taxes which only captures a portion of the total taxes paid by these hospitals.

¹⁸ CMS. [The Provider of Services File - Hospital & Non-Hospital Facilities](#).

Table 4.
Physician-led hospitals contributed over \$1.2 billion in taxes in 2021¹⁹

	Federal & State Income Taxes (\$M)	Federal & State Payroll Taxes (\$M)	Total Tax Contribution (\$M)
Midwest	\$252.4	\$139.1	\$391.4
Northeast	\$30.2	\$20.3	\$50.5
South	\$289.7	\$277.8	\$567.6
West	\$112.8	\$127.1	\$239.9
Total	\$685.1	\$564.4	\$1,249.4

Government Cost Savings

Physician-led hospitals provide patients with efficient quality care. These efficiencies help manage costs and generate savings for government programs, including Medicare. Procedures that create the most cost savings include orthopedic surgery, like hip and knee replacements, and cardiovascular surgeries, such as coronary bypass or cardiac valve replacement.

We calculated the total Medicare cost savings by comparing the cost to Medicare for each diagnosis group at each physician-owned hospital to the median for that diagnosis group in each region. Then we multiplied the difference by the number of discharges at each physician-led hospital for that diagnosis group. In 2019, healthcare services provided by physician-led hospitals saved Medicare \$217.1 million. The average savings per patient ranges from \$1,132 in the South to \$3,639 in the Northeast. (Table 5)

Table 5.
Physician-led hospitals generated \$217.1 million in Medicare cost savings in 2019²⁰

	Number of Discharges	Cost Savings Per Patient Compared to Regional Median	Total Cost Savings (\$M)
Midwest	34,349	\$1,766	\$60.7
Northeast	3,518	\$3,639	\$12.8
South	83,194	\$1,132	\$94.2
West	23,735	\$2,084	\$49.5
Total	144,796	\$1,500	\$217.1

¹⁹ The Tax Foundation; American Hospital Directory.

²⁰ CMS. Costs by Diagnosis Group.

Charity Care

Physician-led hospitals support communities by providing care to patients in need. These services can be lifesaving and improve the quality of life of individuals and families across the country. In 2018, the most recent data publicly available, physician-led hospitals reported a total of \$240.1 million in charity care to CMS, including \$193.8 million in the South, \$23.4 million in the West, \$22.4 million in the Midwest, and nearly \$400,000 in the Northeast. (Table 6)

Charity care reported to CMS only counts for a portion of the uncompensated care reported by physician-led hospitals. In 2018, physician-led hospitals reported a total of \$546.2 million in uncompensated care, including \$408.1 million in the South, \$68.9 million in the West, \$64.9 million in the Midwest, and \$4.2 million in the Northeast. (Table 6)

Table 6.

Physician-led hospitals provided \$240.1 million in charity care in 2018²¹

	Total Charity Care (\$M)	Total Uncompensated Care (\$M)
Midwest	\$22.4	\$64.9
Northeast	\$0.4	\$4.2
South	\$193.8	\$408.1
West	\$23.4	\$68.9
Total	\$240.1	\$546.2

PROTECTING PATIENTS

Hospital consolidation is on the rise. Research has shown that consolidation reduces competition, increases healthcare costs, and negatively impacts patients.

Physician-led hospitals are part of the solution to offer more options to patients and to ensure that a healthy competition exists in markets. The Health Care Cost Institute Hospital Concentration Index demonstrates strong evidence that markets featuring a physician-led hospital have both more hospital competition and lower market concentration. Only 4% of areas with physician-led hospitals were classified as very highly concentrated markets (compared to 13% without physician-led hospitals).

These physician-led hospitals provide patients with more options for care and offer more staffed beds when communities have a high demand for healthcare services, like during the height of the COVID-19 pandemic. CMS quality ratings and Medicare Spending per Beneficiary measures have shown that physician-led hospitals provide high-quality care at competitive prices, resulting in significant cost savings for government programs like Medicare. In short, encouraging competition and curbing consolidation protect patients.

²¹ CMS. Hospital Provider Cost Report Data.

In addition to providing patients with access to quality care, physician-led hospitals provide significant economic benefits to their communities. In 2021, they supported nearly 166,000 jobs, \$10.3 billion in wages, and \$43.1 billion in output. These hospitals contributed over \$1.2 billion in federal and state taxes, generated \$217 million in cost savings to Medicare, and provided over \$240 million in charity care.

The impact of physician-led hospitals cannot be understated: they provide quality healthcare to patients, contribute to a stronger, more competitive healthcare system, and support jobs across the country.

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