



Charlene MacDonald
Executive Vice President, Public Affairs

March 27, 2025

The Honorable Morgan Griffith
U.S. House of Representatives
2110 Rayburn House Office Building
Washington, DC 20510

The Honorable Kevin Hern
U.S. House of Representatives
171 Cannon House Office Building
Washington, DC 20510

The Honorable Vicente Gonzalez
U.S. House of Representatives
1201 Longworth House Office Building
Washington, DC 20515

The Honorable Lou Correa
U.S. House of Representatives
2082 Rayburn House Office Building
Washington, DC 20515

Dear Representatives Griffith, Hern, Gonzalez, and Correa:

On behalf of the more than 1,000 leading tax-paying hospitals and health systems we represent throughout the United States, the Federation of American Hospitals (FAH) writes to express our opposition to the Physician Led and Rural Access to Quality Care Act. While we strongly support efforts to preserve and increase access to health care in rural communities, we are concerned that, as drafted, this legislation opens up rural communities and their full-service community hospitals to the well-documented conflict of interest concerns with physician ownership that led Congress to ban new physician-owned hospitals (POH).

FAH members provide patients and communities with access to high quality, affordable care in both urban and rural areas across 46 states, plus Washington, DC and Puerto Rico. Our members include teaching, acute, inpatient rehabilitation, behavioral health, and long-term care hospitals and provide a wide range of inpatient, ambulatory, post-acute, emergency, children's, and cancer services.

The FAH commends you for your commitment to increasing access to care in rural areas; however, allowing for the expansion of existing POHs and enabling self-referral under physician ownership of hospitals opens rural communities up to well-documented issues, including cherry-picking to avoid the uninsured, those on Medicaid and medically complex patients. A 2023 study from the health economics consulting firm Dobson | Davanzo found that "compared to non-POHs, POHs generally treat a population that is younger, less complex or comorbid, and less likely to be dually

eligible or non-white, and that POHs have higher margins and lower unreimbursed and uncompensated care costs as a percent of net patient revenue compared to non-POHs.”

The empirical record is clear that conflicts of interest are inherent in these arrangements, whereby physicians refer their patients to hospitals in which they have an ownership interest. Congressional Budget Office scoring of proposals to modify existing law consistently demonstrates that self-referral to physician-owned hospitals increases utilization, which in turn increases Medicare costs and overall health care costs. Further, creating loopholes in the longstanding ban and allowing physician self-referral would threaten the viability of full-service hospitals in rural communities, increasing the risk of service line eliminations and rural hospital closures.

Given these well-documented issues, it is therefore imperative that we maintain the current law, which protects communities from expansion of POHs and self-referral practices. Patients in rural communities deserve high-quality, accessible, and low-cost care: the data shows that POHs go against these principles.

We would welcome the opportunity to work with you on this important matter. If you have any questions or wish to speak further, please do not hesitate to reach out to me at cmacdonald@fah.org.

Sincerely,

A handwritten signature in blue ink, appearing to be "Chris Macdonald", written in a cursive style.