

Federal Trade Commission &
U.S. Department of Justice Joint Hearing
on Health Care & Competition Law and Policy

Thursday, March 27, 2003



John G. Rex-Waller
Chairman, President & CEO
National Surgical Hospitals

National Surgical Hospitals

- 15 operational facilities
 - 5 surgical hospitals
 - 7 ambulatory surgery centers
 - 3 ASC converting to surgical hospitals
- Joint ventured with physicians
- Single-specialty and multi-specialty



American Surgical Hospital Association

- 68 members
- Physician-owned surgical hospitals
- Advocacy and understanding



AMERICAN SURGICAL HOSPITAL ASSOCIATION

Hard to Define

| <div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> Service Type </div> <div style="text-align: right;"> Ownership </div> </div> | MD | Corp | IDS | For Profit | NFP |
|--|----|------|-----|------------|-----|
| Single Specialty | ✓ | ✓ | ✓ | ✓ | ✓ |
| Multi Specialty | ✓ | ✓ | ✓ | ✓ | ✓ |
| Single service | ✓ | ✓ | ✓ | ✓ | ✓ |
| Full-service, acute-care | ✓ | ✓ | ✓ | ✓ | ✓ |
| Freestanding | ✓ | ✓ | ✓ | ✓ | ✓ |



Cache Valley Specialty Hospital
Logan, Utah

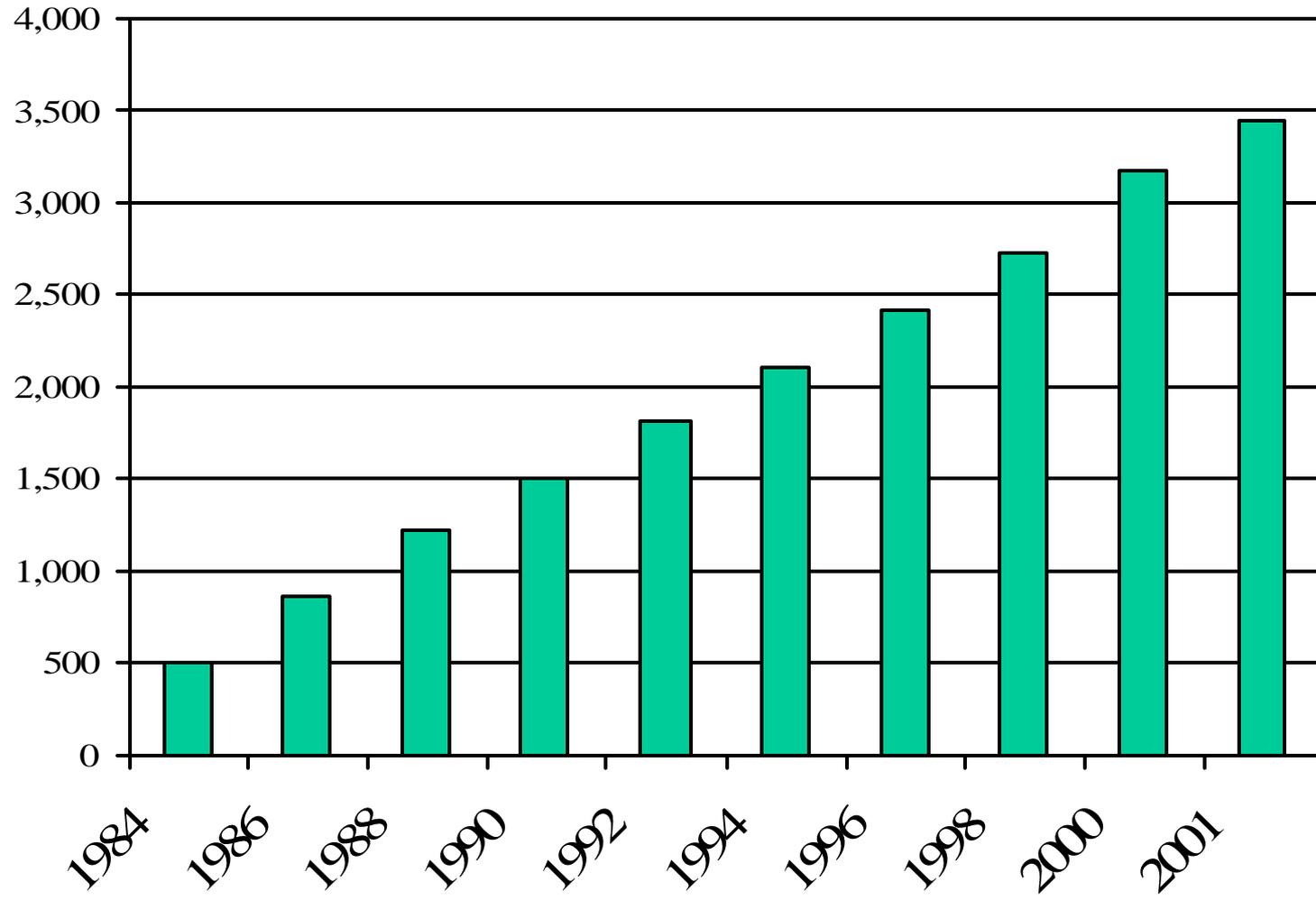


Patient Room – El Paso Specialty Hospital
El Paso, Texas

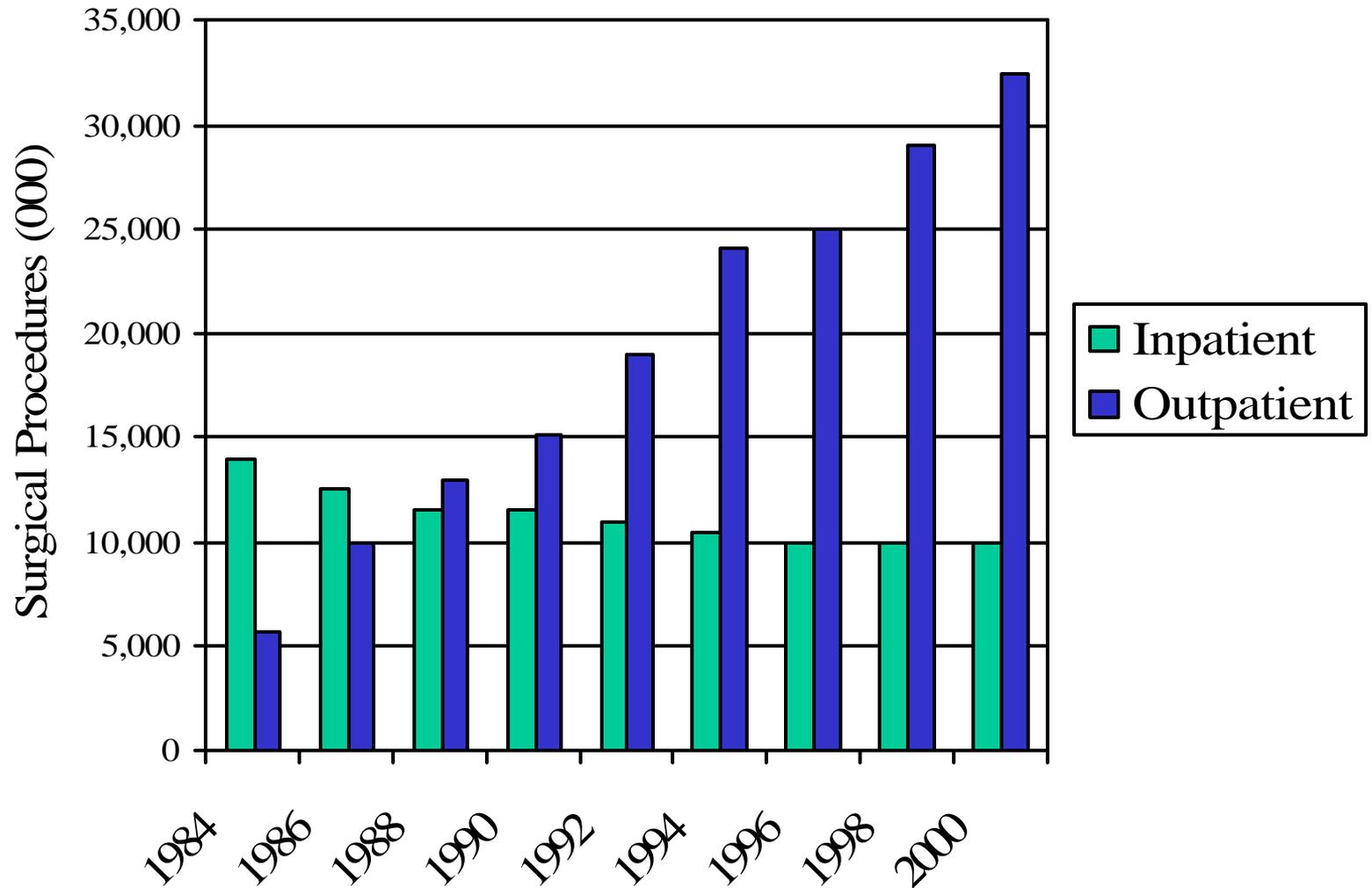


The Spine Hospital of South Texas
San Antonio, Texas

Growth in Ambulatory Surgical Centers



Growth in Outpatient Cases



Unbundling of the Acute Care Hospital

- Inpatient to outpatient - now 80% outpatient
 - Technology
 - Physician, patient, payer demand
- Physician input and control
 - Frustration
 - Improved practice efficiency
 - Specialization
- Patients as consumers
 - Choice in plans and providers
 - Patient demand for non-institutional, friendly, efficient, specialized care
- Employee satisfaction
 - Happy nurses in a smaller environment

Competitive Reaction?

- Exclusionary contracting
- Economic credentialing (withholding staff privileges)
- Abuse of CON appeal process
- Economic anchors (mandated services)
- Captive health plans
- Allocation of operating room times
- Interference with primary care referral patterns

Examples

- Logan, UT – exclusionary contracting
- Coeur d'Alene, ID – threats to withdraw staff privileges
- Durham, NC – CON process, threats to withdraw staff privileges

FTC Position

“..commitment to vigorous competition in both price and non-price parameters..”

“ ..ensure that 15% of our nation’s GDP devoted to health care is spent in robustly competitive markets. Aggressive competition promotes lower prices, higher quality, greater innovation, and enhanced access.”

*FTC Chairman Tim Muris,
November 2002*