

**TESTIMONY OF**

**JOHN T. THOMAS**

**SENIOR VICE PRESIDENT – GENERAL COUNSEL**  
**BAYLOR HEALTH CARE SYSTEM**

**BEFORE THE**

**UNITED STATES SENATE**

**COMMITTEE ON HOMELAND SECURITY**  
**AND GOVERNMENT AFFAIRS**

**FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION**  
**AND INTERNATIONAL SECURITY SUBCOMMITTEE**

**HEARING ON**

**AN OVERVIEW OF THE COMPETITIVE EFFECTS**  
**OF**  
**SPECIALTY HOSPITALS**

**May 24, 2005, 2:00 pm**  
**Dirksen Senate Office Building**  
**Room 562**

Mr. Chairman, Members of the Committee, my name is John T. Thomas, and I am the General Counsel of Baylor Health Care System, based in Dallas-Fort Worth, Texas. Baylor is a 101 year old, faith based institution, with strong ties to the Baptist General Convention of Texas.

It is an honor for me to address you today on behalf of the Baylor Health Care System and to ask you to resist efforts to extend the current moratorium on the development and growth of physician-owned specialty hospitals that will expire June 8, and to resist efforts to repeal the whole hospital exception under the so called Stark Self-Referral Law.

Baylor Health Care System is the corporate sponsor of 13 non-profit hospitals. Our flagship —Baylor University Medical Center (BUMC) is located in downtown Dallas. BUMC is a 1,000 bed quaternary teaching hospital, with a Level I trauma center that provides care to more penetrating trauma victims than Dallas County's tax-supported Parkland hospital. BUMC has the largest Neonatal ICU in the Southwest, and one of the five largest organ transplant programs in the Country. Baylor Health Care System is deeply committed to its mission as a non-profit hospital. Last year, we provided more than \$240 million in Community Benefits, at cost and not including bad debt. Charity care is provided under the most generous Charity Care/Financial Assistance policy among all Dallas-Fort Worth hospitals, including Parkland.

At the same time, Baylor has a long history of innovation. In the early 1900s, Baylor developed the "pre-paid hospital plan," which today operates as the Blue Cross Blue Shield Association. With the changes in medical practice, Baylor has sought, and

continues to seek, new and innovative ways to lower the cost of the delivery of care, while improving quality, safety and satisfaction.

One of the most effective strategies Baylor has implemented is partnering with physicians economically and, more importantly, clinically, in the design, development and operation of ambulatory surgery centers, surgical hospitals, and heart hospitals. Today, Baylor has an ownership interest in 25 facilities partnered with physicians. Over 2000 physicians actively practice at these facilities, while only about 500 have an ownership interest.

Texas Health Resources, the other major non-profit hospital system in Dallas-Fort Worth also has a number of hospitals and facilities partnered with physicians.

Five of Baylor's facilities are affected by the Moratorium. Three are surgical hospitals. Two are heart hospitals. Each is critically important to the mission of Baylor Health Care System, but more importantly is critical to the advancement of health care competition and improvements in quality, safety, patient satisfaction, and access in Dallas-Fort Worth.

By 2020, the population of Dallas-Fort Worth is expected to exceed 10 million people, more than double the population today. As Baylor Health Care System projects the needs of our community to meet this population growth and demand for access to health care services, partnering with physicians not only brings capital to help finance the response to these needs, more importantly, economic investment motivates physicians to bring their time, energy and talent to the design, operation and governance of more effective and efficient health care facilities.

No example proves this point better than our Baylor Heart and Vascular Hospital, a facility located on the inner city campus of our flagship, Baylor University Medical Center. The Quality of this facility is the highest in our health care system, and is among the highest rated heart programs in the United States on CMS' website HospitalCompare.hhs.gov.

Data Shot			
Hospital Compare			
	National Average	AAMC Teaching Hospitals Average	BHVH
Heart Attack Care ACE Inhibitor for LVSD	75%	84%	99%
Heart Attack Care Aspirin at Discharge	86%	96%	100%
Heart Attack Care Beta Blocker at Discharge	84%	94%	100%
Heart Failure Care ACE Inhibitor for LVSD	74%	81%	99%
Source: AAMC Review of Hospital Compare.HHS.Gov Data			

Month after month, the Baylor Heart Hospital scores at or near 100% on the CMS indicators for Acute Myocardial Infarction, Congestive Heart Failure, and Surgical Infection Prevention standards. Emergency Room-Baylor Heart Hospital protocols consistently result in ER patients going from the door to the cath lab within 30-45 minutes of arrival, with vessel inflation under 90 minutes. Patient satisfaction, as measured by the NRC Survey tool exceeds the 96<sup>th</sup> percentile of their hospital database. When patients are asked “Did you feel the staff were knowledgeable and provided safe care?,” month after month, 100% of the patients respond YES.

With physician alignment, the Baylor Heart Hospital has also seen dramatic improvements in cost reduction and efficiency. In the first year of operation, over \$12 millions of cost were eliminated from the cost to provide these services before the heart

hospital was opened---these costs reductions resulted from better physician alignment with the selection and purchase of supplies and more efficient utilization of supplies, including less waste. Dramatically, staff turnover is less than 11% per year, while the rest of our system exceeds 20%. This is an important indicator of both the quality of the clinical environment (the staff enjoys working there) and cost containment. Baylor's cost to replace an RN approaches \$60,000 per nurse for recruiting, training, and retention, with low turn-over, those dollars are saved.

Finally, Baylor's specialty hospitals are the safest in the system, with the Baylor Heart Hospital leading the way with NO medical liability claims filed against the facility or alleged in the 3 year history of the hospital. Baylor's other specialty hospitals also have much lower liability claim rates than our general hospitals.

Almost all of the hospitals in Dallas-Fort Worth have major heart programs. With the introduction of the Baylor Heart Hospital, other hospitals will either improve their quality to match the results, or more and more patients will expect access to the Baylor Heart Hospital. CMS, Payors, Leapfrog, and other organizations are posting more and more "quality scorecards" on the Internet and providing more access to this information to consumers. As more and more employers move to "consumer driven plans" and "health savings account" methods to finance health care, hospitals will feel greater pressure to improve their quality to be competitive with the hospitals producing the highest quality and safety scores. Physician alignment, we believe, will be necessary in many practice areas to achieve the best performance.

Lastly, as a committee focused on Homeland Security, the nation's trauma system is the backbone of effective response to future incidents, if any. There are less than 200 Level

1 and 2 designated trauma hospitals in the United States. Baylor has used alignment of physicians, through specialty hospital and ambulatory surgery center joint ventures, and other forms of effective alignment, to keep physicians engaged in the trauma system. These physicians also commit to providing charity care under Baylor's Charity Care and Financial Assistance Policy in these facilities, another important tool in Baylor's response to the growing uninsured population. Unfortunately, 30% of the Texas population is uninsured---with an even higher rate in downtown Dallas where the Baylor Heart Hospital is located.

We urge you to allow the Moratorium on physician ownership and development of specialty hospitals to end June 8. The Moratorium has not been benign and a continuation will be even worse. This Moratorium has affected our ability to meet our Mission---specifically, the inner-city heart hospital needs to expand to meet the demand for the services provided as well as to continue to attract physicians to practice at this inner-city Trauma Center. The Moratorium has prevented Baylor from bringing higher quality heart and vascular care to Plano, where heart disease remains the number 1 killer. The Moratorium has prevented the Baylor-Frisco Medical Center from expanding to provide obstetrics and other women's services to one of the fastest growing communities in the United States.

We would also note the Texas legislature has been reviewing this issue this Spring, and the Texas Senate and the Texas House have rejected efforts to impose any restrictions on physician investment. In fact, the Texas Hospital Association testified to the Texas Senate "Baylor and Medcath are not the problem."

We urge you NOT to pass legislation that will renew the Moratorium, and urge you NOT to pass legislation now or in the future that prevents physicians from aligning with the community to bring competition, higher quality and safer care. Physicians are part of the solution, and must be at the table to help all of us improve quality, safety, patient satisfaction, and to lower cost.

Thank you.

## Executive Summary

Testimony of Baylor Health Care System by John T. Thomas, Sr. VP-General Counsel

1. Baylor Health Care System is a large, Baptist faith based institution located in Dallas-Fort Worth, Texas, that is asking Congress NOT to renew the moratorium or pass legislation affecting the ability of physicians to own hospitals or other facilities.
2. Baylor provided over \$240 Million in Charity Care and other Community Benefits in 2004
3. Baylor has large network of non-profit hospitals, including large, Level 1 Trauma, Inner-City Academic Medical Center, Baylor University Medical Center, located in Downtown Dallas.
4. Baylor has over 25 additional facilities, operated through limited partnerships with physician investors. Most are ambulatory surgery centers, but this strategy includes 2 Heart Hospitals and 3 Surgical Hospitals---all affected by the Moratorium.
5. Over 2000 physicians actively practice at these “joint ventured”, with only about 500 who have an ownership interest.
6. Baylor Heart and Vascular Hospital (the inner city heart hospital adjacent to BUMC in downtown Dallas) is among the highest rated heart programs in the Country on the new CMS website, HospitalCompare.gov
7. Baylor’s Mission is furthered by the “partnering” with physicians to build and operate “specialty” facilities which provide high quality, safe care, with very high patient satisfaction, at a lower cost.
8. Baylor’s specialty hospitals are more efficient, have lower RN turnover, and are reducing the cost to provide health care services.
9. Baylor’s model of partnering with physicians keeps physicians engaged in the delicate Trauma System, and more prepared to respond to Homeland Security “events.”
10. The Moratorium has not been benign, and extensions of the moratorium will further affect Baylor’s ability to provide heart, surgical and obstetrical care in three communities served by Baylor, including the heart services provided with the inner-city Level 1 Trauma Center. DFW communities are rapidly expanding in population and health care access is becoming more and more difficult to provide, without expansion of existing and development of new, more efficient, better models of care. Partnering with physicians, and using their financial and intellectual capital to build, manage and operate these facilities has proven to be a very effective, and innovative way to meet that need, including providing access to the uninsured and Medicare/Medicaid population.