

# Physician-Owned Hospitals: A Look at the Numbers

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## Abstract

**Background:** Physician-owned hospitals are sometimes characterized as examples of inappropriate self-referral. This perception contributes to legislation and regulation that constrain physician ownership. The true scope of physician ownership and its impact are incompletely understood. This study aimed to better define the current landscape of physician ownership in US hospitals to inform policy making in this area.

**Methods:** Publicly available data files from the Centers for Medicare & Medicaid Services on hospital ownership and physician demographics were combined to analyze physician ownership in US hospitals.

**Results:** In the United States, 41% of hospitals have some element of physician ownership; the most common ownership roles are director and officer, not general or limited partnership interest. The most common specialties of physicians who own hospitals are family practice and internal medicine. Only 0.4% of physicians and 1.3% of urologists in the United States can be linked to any ownership role in US hospitals.

**Conclusions:** Physician ownership in hospitals is uncommon. The potential benefits of physician-owned hospitals can be better studied with expansion of physician ownership, which is currently prohibited by law.

## KEYWORDS:

Ownership; financial management, hospital; hospitals, proprietary

## Introduction

Physician-owned hospitals are defined in US federal regulations (CFR §489.3) as “any participating hospital (as defined in § 489.24) in which a physician, or an immediate family member of a physician (as defined in § 411.351 of this chapter), has an ownership or investment interest in the hospital. The ownership or investment interest may be through equity, debt, or other means, and includes an interest in an entity that holds an ownership or investment interest in the hospital.”<sup>1</sup> For years, physician-owned hospitals have been at the center of efforts to regulate physician self-referral (since the Ethics in Patient Referrals Act, also known as the Stark Law, of 1989). Until 2010, physicians were able to own hospitals under the “whole hospital exception.” Congress closed that exception in 2010 with the Patient Protection and Affordable Care Act, banned new ownership, and limited expansion of grandfathered physician-owned hospitals. Recently, legislation has been introduced in both chambers of the US Congress that would reverse these provisions and allow new and expanded physician ownership of hospitals.<sup>2,3</sup> Opponents of this legislation include the American Hospital Association, which argues that physician-owned hospitals have higher readmission rates and report fewer quality measures than other hospitals.<sup>4</sup> Proponents of physician-owned hospitals argue that they increase competition,

**Citation:** Dowling R, Holton M. Physician-owned hospitals: a look at the numbers. *Rev Urol.* 2024;23(1):e81-e89.

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improve quality, and generate savings and efficiency.<sup>5</sup> The Centers for Medicare & Medicaid Services recently updated its information about hospital ownership.<sup>6</sup> In this article, we review the current landscape of physician ownership in the nation's hospitals, with a focus on the specialty of urology.

## Methods

Two publicly available data sets were accessed to prepare this article. The Doctors and Clinicians national downloadable file, last updated in January 2024, contains information about every health care professional (HCP—ie, physicians and others) enrolled in Medicare, including their specialty.<sup>7</sup> The Hospital All Owners Information data set provides information about all owners of hospitals and was also last updated January 2024.<sup>6</sup> These data include ownership name, ID, type, address, and effective date. These files were linked on a common identifier to examine ownership by HCP or organization type, specialty, and location.

## Results

In January 2024, the Centers for Medicare & Medicaid Services reported ownership information for 5221 hospitals in all 50 states and 7 US territories. Hospital ownership is complex; most hospitals have more than 1 owner, many owners own more than 1 hospital, and some owners have more than 1 role in any single hospital. Owners linked to hospitals include individuals and organizations with various roles, as depicted in Table 1. The most common role for an individual owner is director, and most individual owners in this data set are not HCPs. The most common role for an organizational owner is operational or managerial control. Among 5221 hospitals, 2124 (40.7%) have some sort of HCP ownership, and 4434 (84.9%) have some sort of organizational ownership. Organizational ownership is held by many types of entities, including corporations, financial institutions, and medical service organizations (Table 2). These categories are not mutually exclusive.

### ABBREVIATION

HCP health care professional

The most common specialties of physician owners in US hospitals are family practice and internal medicine (primary care), which together comprise more than one-quarter of physician ownership. Orthopedic surgery ranks third (9.5% of owners), and urology ranks 10th (2.5%) (Table 3). Urologists have some ownership role in only 111 hospitals in the United States (5.2% of hospitals with physician owners and 2.1% of all hospitals). The ownership profile of those 111 hospitals is shown in Table 4, and the ownership role information is provided in Table 5. In those hospitals where ownership is held by urologists, urology is the dominant specialty of physician owners (Table 6).

## Discussion

Our analysis confirms that physician ownership in hospitals today is extremely limited. A minority of hospitals in the United States have any sort of Medicare-covered HCP ownership, and only 4827 of 1 295 189 Medicare-covered HCPs (0.37%) have any ownership role in those hospitals. Most roles are directors or officers, and only 827 Medicare-covered HCPs are reported to actually have a role with interest. A total of 122 of 9666 urologists (1.3%) in the Doctors and Clinicians national downloadable file have an ownership role in 111 hospitals, and 38 urologists have a limited or general partnership interest in just 8 hospitals (Table 7). The small number of physician-owned hospitals and the limited role of physicians in hospital ownership may be caused in part or in whole by the regulatory environment.

Arguments for expanding physician ownership in hospitals are based in part on evidence that consolidation (non-physician-owned hospitals) in medical markets is associated with increased costs and worse outcomes<sup>8</sup> and that physician-owned hospitals can increase competition and lower prices. Even with the small numbers of current physician-owned hospitals, there is some evidence to support this thesis. One analysis of 216 physician-owned hospitals matched

**Table 1. Ownership Metrics, by Role of Owner in US Hospitals**

Role of owner	Unique No.					
	Hospitals	All owners	Organizational owners	Individual owners	Health care professional	Urologists
<b>All hospitals</b>						
Total	5221	42 393	4089	38 304	4827	122
Director	3961	25 518	-	25 518	3347	77
Officer	4770	10 848	-	10 848	605	9
W-2 managing employee	4540	8438	-	8438	305	5
Operational/managerial control	3394	4770	1313	3457	246	2
≥5% direct ownership interest	3395	2616	2218	398	124	-
≥5% indirect ownership interest	1997	1488	1103	385	65	-
Other	1026	1315	281	1034	234	3
Contracted managing employee	701	868	-	868	54	-
Limited partnership interest	139	596	198	398	287	13
General partnership interest	153	571	129	442	393	25
≥5% security interest	337	103	99	4	-	-
≥5% mortgage interest	54	58	46	12	1	-
<b>Hospitals with any physician ownership</b>						
Total	2124	28 303	1672	26 631	4827	122
Director	1999	19 186	-	19 186	3347	77
Officer	1975	6506	-	6506	605	9
W-2 managing employee	1941	4417	-	4417	305	5
Operational/managerial control	1421	2613	658	1955	246	2
≥5% direct ownership interest	1212	1080	862	218	124	-
Other	441	955	162	793	234	3
≥5% indirect ownership interest	514	534	384	150	65	-
Limited partnership interest	25	462	83	379	287	13
General partnership interest	33	457	29	428	393	25
Contracted managing employee	225	361	-	361	54	-
≥5% mortgage interest	30	35	26	9	1	-
≥5% security interest	24	30	30	-	-	-

*Continued*

**Table 1. Ownership Metrics, by Role of Owner in US Hospitals, continued**

Role of owner	Unique No.					
	Hospitals	All owners	Organizational owners	Individual owners	Medicare covered	Urologists
<b>Hospitals with no physician ownership</b>						
Total	3097	15 611	2819	12 792	-	-
Director	1962	6825	-	6825	-	-
Officer	2795	4773	-	4773	-	-
W-2 managing employee	2599	4248	-	4248	-	-
Operational/managerial control	1973	2314	746	1568	-	-
≥5% direct ownership interest	2183	1688	1504	184	-	-
≥5% indirect ownership interest	1483	1131	878	253	-	-
Contracted managing employee	476	515	-	515	-	-
Other	585	392	138	254	-	-
Limited partnership interest	114	136	117	19	-	-
General partnership interest	120	119	105	14	-	-
≥5% security interest	313	83	79	4	-	-
≥5% mortgage interest	24	27	24	3	-	-
<b>Hospitals with any organizational ownership</b>						
Total	4434	34 465	4089	30 376	4015	111
Director	3289	19 775	-	19 775	2725	68
Officer	4102	8752	-	8752	464	6
W-2 managing employee	3820	6813	-	6813	202	4
Operational/managerial control	3084	4132	1313	2819	181	2
≥5% direct ownership interest	3314	2486	2218	268	106	-
≥5% indirect ownership interest	1973	1461	1103	358	63	-
Other	978	1151	281	870	214	3
Contracted managing employee	647	805	-	805	44	-
Limited partnership interest	132	583	198	385	286	13
General partnership interest	147	532	129	403	366	25
≥5% security interest	336	101	99	2	-	-
≥5% mortgage interest	53	56	46	10	1	-

**Table 2. Organizational Owners in US Hospitals, by Classification**

Metric	Unique count, <sup>a</sup> No.
Hospitals	4434
Organizational owner	4089
Corporation	1335
Financial institution	50
For-profit organization	1004
Holding company	259
Investment firm	77
Limited liability company	1113
Management services organization	84
Medical supplier	58
Medical staffing co-owner	1
Nonprofit organization	1389
Other	1000

<sup>a</sup>Organizational owners may have more than 1 classification.

**Table 3. Individual Owners in US Hospitals, by Centers for Medicare & Medicaid Services Specialty**

Specialty	Owners, No. (%)	Hospitals, No. (%)
Total	4827 (100)	2124 (100)
Family practice	716 (14.8)	678 (31.9)
Internal medicine	567 (11.7)	625 (29.4)
Orthopedic surgery	458 (9.5)	250 (11.8)
General surgery	300 (6.2)	355 (16.7)
Cardiovascular disease (cardiology)	291 (6.0)	195 (9.2)
Obstetrics/gynecology	234 (4.8)	268 (12.6)
Emergency medicine	178 (3.7)	201 (9.5)
Anesthesiology	157 (3.3)	194 (9.1)
Diagnostic radiology	140 (2.9)	175 (8.2)
Urology	122 (2.5)	111 (5.2)
Others	1683 (34.9)	1201 (56.5)

**Table 4. Ownership of US Hospitals With Any Urology Ownership, by Classification**

Ownership classification	Unique count, <sup>a</sup> No.
Hospitals	111
Health care professionals or organizations	546
Urologists	122
Individuals	1988
Organizational	186
Corporation	67
Financial institution	4
For-profit organization	16
Holding company	3
Investment firm	-
Limited liability company	50
Management services organization	2
Medical supplier	-
Medical staffing co-owner	-
Nonprofit organization	87
Other	19
States	34

<sup>a</sup>Organizational owners may have more than one classification.

**Table 5. Ownership Metrics, by Role of Owner in US Hospitals With Urology Ownership**

Role of owner	Unique No.					
	Hospitals	All owners	Organizational owners	Individual owners	Health care professional	Urologist
Total	111	2174	186	1988	546	122
Director	106	1284	-	1284	294	77
Officer	102	406	-	406	36	9
W-2 managing employee	105	277	-	277	16	5
Limited partnership interest	6	204	36	168	126	13
Operational/managerial control	70	120	60	60	5	2

Continued

**Table 5. Ownership Metrics, by Role of Owner in US Hospitals With Urology Ownership, continued**

General partnership interest	7	108	4	104	95	25
≥5% direct ownership interest	86	87	79	8	6	-
Other	16	49	8	41	10	3
≥5% indirect ownership interest	30	47	40	7	2	-
Contracted managing employee	4	7	-	7	-	-
≥5% mortgage interest	2	3	3	-	-	-
≥5% security interest	1	1	1	-	-	-

**Table 6. Individual Owners in US Hospitals With Any Urology Ownership, by Centers for Medicare & Medicaid Services Specialty**

Specialty	Owners, No. (%)	Hospitals, No.
Total	546 (100)	111
Urology	122 (22.3)	111
Family practice	53 (9.7)	32
Internal medicine	50 (9.2)	30
Orthopedic surgery	47 (8.6)	22
General surgery	44 (8.1)	43
Cardiovascular disease (cardiology)	26 (4.8)	19
Obstetrics/gynecology	24 (4.4)	17
Gastroenterology	15 (2.7)	8
Anesthesiology	13 (2.4)	21
Pulmonary disease	12 (2.2)	9
Others	140 (25.6)	67

**Table 7. Hospitals With Urology General or Limited Partner Ownership**

Organization name	City	State	All	Urology
Total	-	-	220	38
Oklahoma Surgical Hospital LLC	Tulsa	OK	61	21
Surgical Hospital Of Oklahoma LLC	Oklahoma City	OK	15	5

*Continued*

**Table 7. Hospitals With Urology General or Limited Partner Ownership**

PMC Hospital, LLC	Pasadena	TX	70	4
Manhattan Surgical Hospital LLC	Manhattan	KS	30	3
Kansas Medical Center LLC	Andover	KS	28	2
Physicians Medical Center LLC	New Albany	IN	4	1
Pinnacle Healthcare LLC	Crown Point	IN	3	1
Westlake Surgical LP	Austin	TX	9	1

with comparator non-physician-owned hospitals in the same market compared costs for the 20 most expensive diagnoses (diagnosis related groups) and found 8% to 15% lower costs in the physician-owned hospitals.<sup>9</sup> Wang et al<sup>10</sup> found that commercial prices were lower in physician-owned hospitals than non-physician-owned hospitals in the same market. Hayford<sup>11</sup> found that hospital mergers were associated with increased use and worse outcomes for heart surgery. Hospital costs represent the largest category of health care spending in the United States.<sup>12</sup> Taken together, these findings suggest that removing restrictions and expanding physician-owned hospitals could substantially lower US health care costs and improve outcomes.

A counterargument made by some is that physician-owned hospitals cannot be fairly compared with non-physician-owned hospitals because the latter tend to render more uncompensated care and care for sicker patients. Others have found that these demographic and comorbidity differences do not account for price differences between physician-owned hospitals (less expensive) and non-physician-owned hospitals (more expensive).<sup>9</sup> This remains an unsettled question that may require more physician-owned hospitals in more markets for meaningful comparisons to be made.

An analysis of this data set comes with several limitations. It is not possible to accurately determine the ownership stake of physicians in hospitals; although some entries include this information, most do not. In some cases, ownership portions reported for a single facility add up to more or less than 100%.

Second, this file contains names of corporate owners of hospitals but not the owners of those corporations. It is possible that physicians hold interests in some of these organizational owners that are not directly apparent in this data set, which could result in underestimating physician ownership in a hospital. Finally, the methods used in this analysis do not allow for the identification of family members who directly or indirectly have an ownership role in hospitals.

## Conclusion

Physician-owned hospitals today make up a small fraction of the US hospital market, despite some evidence that they deliver better and less expensive health care than non-physician-owned hospitals. Most non-physician-owned hospitals are owned and governed by corporate entities, with limited physician guidance. Legislative reforms that allow for expansion of physician-owned hospitals and greater ownership control by physicians have the potential to improve outcomes, lower costs, and increase understanding of the benefits and risks of physician ownership.

## Article Information

**Published:** March 31, 2024.

**Conflict of Interest Disclosures:** Dr Dowling is a LUGPA consultant. Dr Holt is chair of the LUGPA Health Policy Committee.

**Funding/Support:** No funding was received for this study or article.



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