Specialty hospitals, for profit hospitals that offer limited specialty services such as cardiac care, orthopedics, or neurosurgical services, are controversial because they have the potential to cause a decrease in access to care at general hospitals and an increase in costs to the patient. General hospitals won’t be able to survive if for-profit specialty facilities ‘cherry-pick’ the profitable services the full-service hospitals rely on to underwrite unprofitable but vital departments such as maternity and emergency services.

Placing specialty hospitals in areas without a designated need will negatively impact access to care, quality of care, and cost of care for those least able to pay. It is unjustifiable to increase the supply of specialty services to one consumer group while decreasing the supply of services to those most vulnerable.

To control the growth of specialty hospitals I recommend limiting specialty hospitals to areas with a designated need for such services; equalizing the disparate Medicare reimbursement rates to general and specialty hospitals that currently provide an advantage for specialty hospitals; and limiting the hospital ownership exception to physician self-referral to interests purchased on terms generally available to the public, as proposed by the Hospital Investment Act of 2003/H.R. 1539.