



## **H.R. 2513 - The Protecting Access, Competition and Equity (PACE) Act for Physician-Owned Hospitals**

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (ACA). The intent of the ACA is to expand health insurance coverage while also reforming the health care delivery system to improve quality and value. However, Section 6001 of the ACA included a provision that strictly prohibits any new physician-owned hospital from participating in Medicare or Medicaid. Furthermore, the ACA also prohibits existing physician-owned hospitals from expanding unless they meet a very complicated set of criteria as part of a long application process. **These hospitals provide some of the highest quality care in the country and the current prohibition undermines the ACA's goal of increasing access to quality healthcare.**

Physician-owned hospitals consistently rank very high under current quality measures compared to other hospitals. For example, under the ACA, hospitals were provided an incentive to improve their processes and patient satisfaction through the Hospital Value Based Purchasing program. When a hospital performs well, it receives a small increase in its total Medicare payment and poorly performing hospitals receive a penalty. In this program, 7 out of the 10 top hospitals were physician-owned. Additionally, 42 percent of physician-owned hospitals have received 5 stars in April 2015 under the Hospital Star Rating Program for overall patient satisfaction, whereas only .5 percent of other non-physician owned hospitals received this highest ranking.

**The AAOS believes the ban on expansion of physician-owned hospitals must be lifted to ensure Medicare patients have access to high quality health care, as these hospitals provide some of the highest quality care in the country. Physician owned-hospitals also inject much-needed competition into the marketplace, forcing traditional hospitals to improve and innovate.**

### **Why the PACE Act Matters:**

H.R. 2513, the Promoting Access, Competition and Equity Act, would allow physician-owned hospitals to expand. Specifically, the bill simply suspends the ban on expansion for approximately 3 years. At the end of that time, only hospitals that have a hospital star rating of 3 or more for 12 consecutive quarters would be able to continue expansion.

### **AAOS Recommends:**

**The AAOS recommends supporting H.R. 2513, the Promoting Access, Competition and Equity (PACE) Act, into law.**

For more information, contact Julie Williams in the AAOS Office of Government Relations at 202-546-4430.