

# Health Care Monopoly: Bad for Patients,

By Mark Alexander, CCIM

Do we have a monopoly in southwest Florida health care because of Lee Memorial Health System? Say it ain't so.

I recently attended a benefit for a bright young man named Jason Moon who is running for a board of directors' seat with Lee Memorial. The event was filled with local doctors which is not surprising considering Mr. Moon's wife is the daughter of a prominent Ft. Myers Radiologist. I just couldn't resist asking numerous doctors their opinion on whether it was a good thing to have Lee Memorial running all the Lee County hospitals except for the Lehigh Acres Medical Center. Their responses fell on two distinct sides of a fence. On one side there were a few doctors from large practices that already had a close working relationship with Lee Memorial and they stated their quiet satisfaction with cautious stoicism. The other side represented the majority of doctors in attendance and had more of a visceral tone. One doctor exclaimed with passion, "Monopolies do not work in America." He added that if Lee Memorial employed all the doctors in Lee County someday, this lack of competition in SWFL healthcare would create many problems.

But this got me wondering what kind of problems might be created. Would it really be so bad if Lee Memorial hired all the doctors in Lee County? Wouldn't that create economy of scale savings that might lead to lower costs for health care?

I did some research and found a similar situation in Roanoke, Virginia where there used to be two competing hospitals. But twenty years ago, Carilion Health System bought out the other hospital to create a potential health care monopoly in Roanoke which is a rural area with a population of 300,000. Today, a colonoscopy with Carilion costs \$4,727 which is four to ten times higher than the same procedure cost at local independent endoscopy centers. Carilion bills \$1,606 for a neck CT scan versus \$675 by local independent imaging centers. This monopolistic slant seems to be good for the "not-for-profit" hospital in Roanoke but not so good for patient health care costs. But what has this done to health insurance rates in Roanoke? According to Alan Bayse who has sold health insurance in this area for the past 30 years, Roanoke health insurance premiums used to be 20% lower than the big city of Richmond, VA. But today, Roanoke health insurance premiums are 25% higher than Richmond. Little Roanoke now has the dubious honor of having the highest health care insurance rates in the state of Virginia...thanks to Carilion.

This higher cost of health care has affected other businesses in Roanoke. Sam Lionberger, a contractor from Roanoke with 100 employees said his cost of health care insurance rose by 50% over the past three years. This has hindered his ability to competitively bid on construction projects since his competitors from around the state have lower overhead due to this higher health insurance cost in Roanoke. Interestingly, the U.S. Department of Justice tried to prevent the Carilion merger with the other hospital from ever happening in 1989 with an anti-trust lawsuit that forewarned of a health care monopoly in this former railroad town known as Roanoke. Unfortunately for the residents of the Roanoke Valley area, this lawsuit ultimately failed.

The U.S. government has granted tax exempt status (from Federal, state and local taxes) to not-for-profit hospitals that make up 85% of the hospitals across the United States including Carilion and Lee Memorial Health Systems in exchange for providing health care for the poor. I wonder if the U.S. government intended this tax exemption to additionally help these "Not for Profit hospitals" to build up cash reserves so they could buy up competing hospitals, build fancy new buildings, pay high salaries to its' executives and ultimately raise the cost of health care once market share has been dominated? It would appear that some "not-for-profit hospitals" could be violating the spirit of the original intention of this tax exemption designed to help the poor. Say it ain't so. In Roanoke, Virginia...it appears to be so. Will it happen in Lee County, Florida? Tax exempt hospitals should be held more formally accountable for the social obligation they shoulder in return for their tax preference. We always hear the hospitals loudly lamenting the fact that their ER's lose money because of uninsured patient care. Well, that's why they are tax exempt and that's why they are called "Not for Profit."

## Bad for Doctors

In June 2006, not for profit Carilion Health System announced a \$100 million, seven year plan to transform Carilion into a multispecialty clinic like the Mayo Clinic. Carilion started approaching local independent doctors to buy their practices and make them employees of the hospital...much like Lee Memorial has been doing recently. Some Roanoke doctors accepted Carilion's proposal and others chose to remain independent like orthopedic surgeon Joseph Alhadeff. Dr. Alhadeff reported

the number of his joint replacement surgeries dropped off sharply after he stopped getting referrals from Carilion doctors. He spent seven years building up his practice in Roanoke. Now he's planning to relocate to Pennsylvania.

Ear, nose & throat doctor Geoffrey Harter is another private practice doctor who chose not to become an employee of Carilion. Dr. Harter said his physician friends who work for Carilion told him that the hospital system asked them not to refer patients to doctors it did not employ to avoid leakage, which is the term Carilion uses to describe such referrals. The hospital can maximize revenue potential when it keeps patients working solely with its' own doctors since they get to keep the business for tests and procedures that way.

In February 2004, the Illinois Department of Revenue revoked the tax exempt status of Provena Medical Center, a not for profit hospital in Urbana. Local tax authorities determined Provena was not a charitable institution. Does Lee Memorial Health System act like a "For Profit" or "Not for Profit" institution?

My dad would have solved this easy enough. He would have used his "duck test" that went like this: If it looks like a duck, if it walks like a duck, if it sounds like a duck... it's a duck.

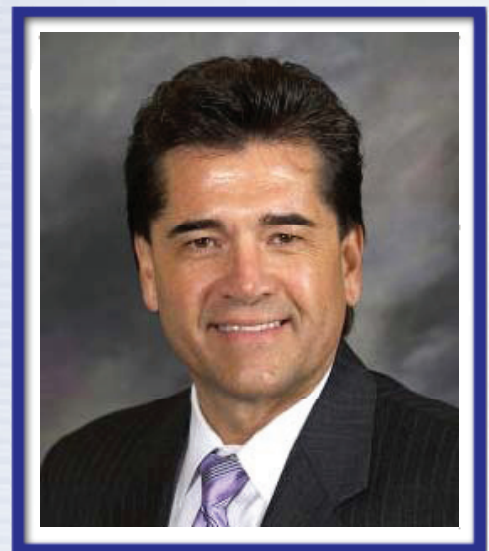
Mark Alexander, CCIM  
Senior Medical Office Advisor: Sperry Van Ness  
5121 W. Hyde Park Court, Suite 204  
Ft. Myers, FL 33912  
marka@svn.com Cell 239-826-4174



**Mark Alexander holds the CCIM (Certified Commercial Investment Member) designation along with a Bachelor of Science degree in Marine Engineering from the Massachusetts Maritime Academy on Cape Cod. Mark specializes in helping doctors do Sale/Leaseback transactions on their medical office buildings. Through August 2008, Alexander has sold 80 office properties of which 64 were medical in five different states including Illinois, North Carolina, South Carolina, Georgia and Florida.**

**He is past President of the CCIM Southwest Florida District, past Vice President of the Florida CCIM Chapter and past Commissioner for the Fort Myers Housing Authority.**

**Mark was a featured office market speaker at three annual CCIM Outlook Conferences in Ft. Myers plus he spoke at seminars for Doctors in San Francisco, Chicago, Kansas City, Raleigh, Charlotte, Charleston, Atlanta, Orlando, Naples and Fort Myers. He owns and operates an independent affiliate real estate office named "Sperry Van Ness" in Fort Myers, Florida.**



**Mark Alexander, CCIM**  
Senior Medical Office Advisor

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