Connecticut Health Policy Project

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TESTIMONY to Office of State Comptroller, Informational Forum on Facility Fees and Provider Consolidation
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Thank you for the opportunity to share our growing concerns about facility fees and provider consolidation in Connecticut's health care environment.

We at the CT Health Policy Project have worked for over fifteen years to improve the affordability of health care for every Connecticut resident. For too many state residents, health care is not affordable. As a consumer advocacy organization, we get calls every day on our helpline from consumers struggling to pay medical bills and premiums. While the Affordable Care Act has done a great deal to expand coverage, reducing costs has remained a challenge. Consolidation and facility fees pose serious challenges to controlling health care costs.

For over a decade hospitals have been charging facility fees, in addition to provider fees, but recently the practice is growing significantly as hospitals purchase independent practices. Connecticut is not alone in facing this problem. While the reasons to create facility fees may have been valid over a decade ago (although that is controversial), they are now being applied well beyond their original purpose with little justification. As cited in the Attorney General's report (April 16, 2014), new fees often exceeding $1,000 are being charged to patients directly out-of-pocket, as well as increasing premiums more generally costing consumers in higher monthly bills, higher taxes and more lost wages. Charging these new fees is often a surprise to consumers, with no prior notice. Other states and other payers are facing this same challenge; this year the Centers for Medicare and Medicaid Services tightened controls on facility fee charges.

Consolidation of the health care market resulting from mergers of hospitals and provider groups has been a primary cause of rising health costs in Connecticut as in other states. There is growing literature finding that consolidations and for-profit conversions are only effective in raising profits while placing quality at risk and lowering the value of health care[1]. A recent set of studies found that, compared to independent physician-owned practices, total medical spending was 10.3% higher in organizations owned by local hospitals and 19.8% higher in multi-hospital systems[2]. Consolidation of primary care with more expensive levels of care is particularly troubling, driving incentives that maximize profits over appropriate care management. These mergers and purchases can affect access to care in multiple

[1] K Joynt, et. al., JAMA 312:1644-1652, October 22/29, 2014; Robert Wood Johnson Foundation Synthesis Report Update, June 2012; P Ginsburg and L Pawlson, Health Affairs, Web First June 2014
[2] D Cutler, JAMA 312:1639-1641, October 22/29, 2014

ways, often by pricing services beyond the means of many patients especially those without coverage or in high-deductible plans. Many of these mergers can make significant and troubling changes to the health care system without triggering regulatory review under current law.

While a common rationale for consolidation is that the movement to value-based purchasing requires integration and that the Affordable Care Act encourages creation of integrated systems such as Accountable Care Organizations (ACOs). However ACOs are relatively new, especially in Connecticut, and there is little evidence for effectivness at improving value even in more mature, better sophisticated systems from other states[3]. Last year, only one of Connecticut's eleven Medicare ACOs was successful in earning a shared savings bonus, and nationally four Pioneer ACOs dropped out of the program. In any event, counter-intuitively, there is no evidence that consolidation is linked to real-world integration of health systems. Consolidation is often limited to the corporate level without resulting in integrated care between systems.

We at the CT Health Policy Project strongly support efforts to align incentives to promote competition, effective system integration and reward value in health care purchasing. Options include[4]

- Update anti-trust policies that better address current market trends
- Benefit and network designs in state coverage plans to promote competition, value, and effective integration of care
    - Especially in Connecticut's state employee plan covering 200,000 state residents in a program that is very lucrative for providers
- Foster development and protection of independent physician practices and treatment facilities
    - This is particularly crucial as the state's SIM plan implementation supports policies counter to these goals by fostering and incentivizing consolidation
- Monitor carefully provider alignments and impact on cost and quality of care

Thank you for your attention to this important issue and your commitment to improving the health of every Connecticut resident.

[3] D Muhlstein, Health Affairs Blog Feb. 4, 2014; M Beck, Wall Street Journal July 16, 2013

[4] Ginsburg and Pawlson, June 2014; Examination of Health Care Cost Trends and Cost Drivers, MA Attorney General, April 24, 2013