

## MINUTES OF THE HOUSE HEALTH AND HUMAN SERVICES COMMITTEE

The meeting was called to order by Chairman Brenda Landwehr at 1:30 P.M. on January 16, 2007 in Room 526-S of the Capitol.

All members were present.

## Committee staff present:

Norman Furse, Revisor's Office  
Renaë Jefferies, Revisor's Office  
Melissa Calderwood, Legislative Research  
Mary Galligan, Legislative Research  
Patti Magathan, Committee Assistant

## Conferees appearing before the committee:

Sheldon Weisgrau, Senior Policy analyst with Kansas Health Institute (K.H.I.)

## Others Attending:

See Attached List.

**Sheldon Weisgrau** Senior Policy Analyst with the Kansas Health Institute (K.H.I.) made a presentation on specialty hospitals. A Specialty Hospital is an inpatient facility which provides a limited set of services. They are typically for-profit facilities which are usually owned or partially owned by physicians. These facilities are generally located in urban areas. (Attachment 1)

K.H.I. did a study in cooperation with Kansas Department of Health and Environment, Kansas Surgical Hospital Association, and Kansas Hospital Association. Kansas has eleven specialty hospitals, and the K.H.I. study looked at nine of them.

The controversy surrounding these facilities is between specialty advocates and those in general hospitals.

Proponents maintain that specialty hospitals create economic efficiencies and provide healthy competition. Physicians tend to be supportive of these facilities.

Critics maintain that since the hospitals are at least partially owned by physicians they create a conflict of interest, such as referral of patients. They provide fewer services and consequently exclude lower income patients. The controversy is on a national level.

Based on the study, there is little question that specialty hospitals as a whole treat healthier patients than are treated in general hospitals. Patients with co-morbid conditions or additional illness tend to be treated in general hospitals. Specialty hospitals tend to treat more profitable patients with a limited set of medical conditions.

The study did not address whether physician investment in these facilities affects their decisions. Federal government passed the Stark Law some time ago which generally prevents a physician from referring patients to a facility in which he has a financial stake, however, there is a loophole which specialty hospitals fall into that exempts whole hospitals.

The study addressed the impact of specialty hospitals on general hospitals. So far there has been no financial harm to general hospitals, however, general hospitals maintain that there are some less profitable and community based services which they might be unable to provide in the future. There are several reasons why this might not happen. We are in an early stage of the evolution of these hospitals so their long-term impact is unknown. Some specialty hospitals are partially owned by general hospitals. Also, hospitals respond to competition by offering new services or cutting costs. In addition, the specialty hospitals are for profit institutions and consequently pay taxes to the state and the local community. If the federal government changes the medicare payment system to tie payment to actual cost it might go a long way to solving the problem.

CONTINUATION SHEET

MINUTES OF THE House Health and Human Services Committee at 1:30 P.M. on January 16, 2007 in Room 526-S of the Capitol.

Following the presentation, Chair Landwehr opened the floor for questions. There were questions regarding hospital licensing, insurance payments, and unnecessary procedures vs pent-up demand for service.

Chair Landwehr opened the floor for Bill introduction.

Representative Mast motioned to introduce a bill which defines certain terms related to stem cell research. Motion was seconded by Representative Morrison. Motion passed.

Representative Hill moved the introduction of two bills dealing with the State Board of Pharmacy . The first concerns the State Board selection of officers. The second is a modification to pre-filed HB2009 dealing with vaccinations by pharmacists. Motion seconded by Representative Mast. Motion passed.

Chair Landwehr announced that this committee would be a hybrid traditional/electronic committee. Mary Galligan, Legislative Research, informed the committee that we will use an electronic Daily Agenda and an electronic Bill Book, but we will not have electronic access to testimony or meeting attachments at this time. The information will be located on the legislative intranet. Dave Larson from computer services then handed out tablet computers to members who didn't already have one.

Meeting was adjourned at 2:20 P.M.

Next meeting will be Tuesday, January 17, 2007.





## Specialty Hospitals in Kansas: An Unfolding Story

Health & Human Services Committee  
Topeka, Kansas • January 16, 2007

Sheldon Weisgrau  
Senior Policy Analyst  
Kansas Health Institute

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## Agenda

- What is a "specialty hospital?"
- What is the controversy?
- What we know (and what we don't know)
- The KHI study
- Q & A

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## What is a Specialty Hospital?

- Capacity to treat inpatients
- Limited services
- Single clinical specialty
- For-profit with physician ownership
- 11 specialty hospitals in Kansas

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*House Health and Human Services*

DATE: 1-16-07

ATTACHMENT 1-1



## Kansas Specialty Hospitals

- Kansas Heart Hospital, Wichita
- Galichia Heart Hospital, Wichita
- Kansas Surgery & Recovery Center, Wichita
- Kansas City Orthopaedic Institute, Leawood
- Doctor's Hospital, Leawood
- Salina Surgical Hospital
- Manhattan Surgical Hospital
- Emporia Surgical Hospital
- Surgery & Diagnostic Center of Great Bend
- Heartland Surgical Specialty Hospital, Overland Park
- Kansas Spine Hospital, Wichita

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## The Controversy: Proponents

- Economic efficiencies
- Clinical expertise
- High quality
- Healthy competition

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## The Controversy: Critics

- Physician conflict of interest
- Unfair competition that hurts community hospitals
- Fewer services to Medicaid, uninsured, and very sick patients

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## What We Know

- Research shows that specialty hospitals:
  - Treat healthier, more profitable patients
  - Serve lower proportion of Medicaid and uninsured
  - Less likely to provide emergency services
  - Provide high quality care
  - Have high patient satisfaction

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## What We Don't Know

- Does physician investment affect clinical decisions?
- What is the impact of specialty hospitals on general hospital utilization, services, and finances?

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## KHI Analysis

- How do Kansas specialty and general hospitals differ in the range of services offered and in degree of specialization?
- How do utilization, payer mix, and other indicators differ between Kansas specialty and general hospitals?
- What is the impact of specialty hospital competition on utilization of general hospitals?
- Have specialty hospitals led to an increase in Kansans' utilization of health care services?

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## Conclusions: Services and Specialization

- Specialty hospitals:
  - Focus on a narrow range of services
  - Concentrate on fewer types of cases than general hospitals
  - Primarily provide surgical services
  - Treat relatively few complex patients

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## Conclusions: Payer Mix

- Specialty hospitals:
  - Focus on Medicare patients
  - Serve relatively few Medicaid and uninsured patients, but
    - Specialty hospital taxes exceed value of uncompensated care in general hospitals

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## Conclusions: Impacts

- Effects vary by market and service line
- Financial impact not apparent
- Clear utilization impact in some markets for some services
- Supply-driven utilization increase in KC market for joint replacements

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## State Response

- Federal role in policy and legal issues is more direct
  - Medicare payment
  - Stark Law
- State options:
  - Certificate of Need (CON)
  - Facility licensure
  - Data collection

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## Policy Options

- KHPA study:
  - Collect information from general hospitals on changes made in response to specialty hospital competition
  - Collect ownership and investment information from specialty hospitals
  - Collect quality of care data from specialty and general hospitals
  - Assess expanding the scope of licensure regulations
  - Evaluate reintroduction of a CON program

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## Policy Options (continued)

- Establish mandatory data collection and monitoring system:
  - Utilization
  - Financial
  - Quality

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Kansas Health Institute

*Healthier Kansans through  
informed decisions*

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