Kansas Independent Physicians, Inc.

Testimony on SB 122 Facility Fee Disclosure

Kansas Senate Health and Welfare Committee

Hearing February 2, 2016

I am Elizabeth S Rowe, and I represent Kansas Independent Physicians, a newly formed professional organization of independent doctors. KIP is an organization dedicated to preserving the private practice of medicine, in order to maintain patient choice and cost effective high quality medical care in Kansas.

I am here because we believe this facility fee notification bill is essential to providing Kansas citizens with the **cost transparency** that will allow them to choose wisely when visiting a doctor in Kansas.

Thanks to Obamacare and federal government policy, with its preferential treatment of hospitals, hospitals are paid much more than independent physicians for identical services, because they add **hospital facility fees** on to their bills. Because of these payment differences, the past few years has seen a dramatic shift of physicians into hospital employment, including hospital purchases of entire practices, up to 35 miles from the hospital.

It goes without saying that for patients to make cost-effective choices, they must have cost information **ahead of time**. And that's what Senate Bill 122 requires—high cost hospital providers of healthcare need to be transparent with patients, **and let them know ahead of time** they may be charged more if they have services in a Hospital Outpatient Department, than if they have that same service elsewhere. **It's just that simple**.

Many times, because a patient sees a doctor they've been seeing for years in the exact same building, that patient has no idea that their doctor's practice has been bought by a hospital. Imagine their surprise when they get a bill for services set at hospital rates, with facility fees tacked on.

This lack of transparency creates hardships for Kansas citizens needing cost effective care, and prevents competition from local, independent doctors including those in rural and urban-cluster communities in Kansas.

The facts and background information about hospital-doctor consolidation and facility fees are included in several attached articles and in your handout and my online submission.

As it is now, patients have no advance warning when they are going to be billed for an add on facility fee when they visit a doctor who is employed by a hospital. The small print in small signs they see or forms they are asked to sign when they arrive for an appointment is not sufficient-jt is too late-they need to know about these add-on fees well **in advance of their appointment.**

Contrary to hospital claims, the bill does not require the hospital to determine the patients insurance coverage-Quoting from section 2(a)(2)A "or, if the exact type and extent of the professional medical services needed are not known or the terms of a patient's health insurance coverage are not known with reasonable certainty, an estimate of the patient's financial liability based on typical or average charges for visits to the hospital-based facility, including the facility fee;"

And in section 2(a)(3) it explicitly requires the notification to include advice to the PATIENT to contact their insurance carrier regarding coverage for these fees. Thus the requirements of the hospital staff is merely to send a letter regarding the fact that it will be charging facility fees, and an approximate estimate of those fees.

And regarding emergency rooms, of course if there is no advance appointment there can be no advance notice. The bill just requires notice as soon as possible but before the patient leaves the hospital.

The fiscal note posted on the committee website, I believe is in error regarding the hospital requirements, also misreading section ,2.(a) (2) A. And it is incomplete, because it does not make note of the potentially huge savings for patients. This bill will not cost the State anything, and it will save money for patients.

The high deductibles that many people have now is another reason that Cost transparency about facility fees, as required by this bill, is essential, since their whole bill may have to come right out of their own pocket. The difference between costs of hospital and independent physicians may determine whether these patients seek the care they need or not.

In short, if there are two offices across the street or a few blocks from each other, and one costs twice as much the other for the same exact service, Kansas residents need to know this.

Connecticut passed a very similar bill to SB 122 in 2014, and it was supported across the board by all of the stakeholders in healthcare, including hospitals. **We need to pass this transparency bill in Kansas. Patients need to know they're paying a lot more when they go to hospital-owned practices. It's the right thing to do.**

For background I will make 3 points, which are also covered in attached documents:

1. **Facility fees are tacked-on fees added by hospitals to visits to hospital-owned clinics and testing facilities**, even those up to 35 miles away from the hospital campus. Visits to these facilities end up costing patients far more, sometimes 2 or 3 times more, than the same service in an independent doctor's office. The recent Budget compromise bill

passed by the US Congress will limit hospitals from charging hospital rates at newly purchased off campus practices after January 2017. **Unfortunately all of the practices that are already owned by hospitals will still be able to make these charges for their clinics that are up to 35 miles away from the hospital.**

2. **Hospitals are consolidating**, and becoming truly huge, and people in small towns in rural states like Kansas tend to be the least of the concerns of these big monopolies. A study documenting this consolidation trend and the fact **that consolidation and vertical integration is NOT leading to higher quality lower cost healthcare, as assumed by its Obamacare designers, is in the handout.**

3. For years Congressional Medicare advisory panels have recommended a so-**called "site neutral" payment policy** to save money, so that outpatient services at hospital-owned facilities, ie Hospital Outpatient Departments, are paid at the same rate as in an independent doctor's office by Medicare. MedPAC has recommended this for several years. Now, the Government Accounting Office has a new report documenting these discrepancies and putting a price tag on the huge savings for Medicare and for beneficiaries that would occur with this policy, also recommending site neutral payments.

In summary, the shift of outpatient care to hospital centered care, incentivized by Obamacare, is hurting Kansas patients and driving up overall healthcare costs. **Transparency about these higher costs is the first stop in dealing with this trend.**

The bottom line is that when you have two providers of identical services and one costs twice as much as the other, consumers need to be informed. This bill requires just that.

We recommend passage of this bill.

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List of Appended Articles

Report of the Connecticut Attorney General Concerning Hospital Physician Practice Acquisitions and Hospital-Based Facility Fees April 16, 2014 page 5

'Facility fees' add Billions to Medical Bills. Bavley Kansas City Star Dec 2013 page 20

The ObamaCare Effect: Hospital Monopolies: Last year saw 95 hospital mergers and acquisitions, a frenzy encouraged by the Affordable Care Act. Markery, Wall Street Journal September 2015 page 28

When Hospitals Buy Doctors' Offices, and Patient Fees Soar Margot Sanger-Katz Feb 2015 New York Times page 31

Hospitals face increased scrutiny for charging facility fees Washington Post 2012 page 35

GAO Highlights :MEDICARE Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform December 2015 Summary page 38

EXERPTS FROM A BENEFIT DESCRIPTION OF MAJOR INSURER SHOWING HIGHER CO-PAYS FOR CERTAIN HOSPITAL-BASED EVENTS COMPARED TO FREE STANDING FACILITIES January 2016 page 39

Integrated Delivery Networks: In Search of Benefits and Market Effects- National Academy of Social Insurance, February 2015 Executive summary page 41