

Searching for a new ride?



Article published on March 02, 2010

Bill eyes hospital charges

Medical rates would be set by commission

By SHIRA SCHOENBERG
Monitor staff

March 02, 2010

The state's hospitals are worried about a proposal in the Legislature that would establish a government commission to set hospital rates. Supporters of the bill say it would cut health care costs, while opponents say it amounts to a government takeover of health care and will not accomplish its goals.

State Sen. Maggie Hassan, an Exeter Democrat, sponsored the bill that would create a "cost review commission." She says the commission would improve competition among insurers, stop hospitals from charging higher rates for uninsured patients and spread the burden of paying for uncompensated care more evenly.

"The notion is somewhat similar to what the Public Utilities Commission does with energy costs," she said. "The real goal here is to have small businesses and consumers afford health care."

But hospitals say the measure will create an expensive bureaucracy without addressing the core reasons why health care costs are so high.

"The overhead associated with the cost of a commission of this nature is staggering," said Concord Hospital CEO Mike Green. "The fact that it only applies to hospitals means I don't know how it can succeed."

State Republicans have dubbed the plan "Maggiecare," a takeoff on the national health care plan opponents refer to as "Obamacare."

"The Democratic leadership is trying to put in a price czar," said state Republican Party Chairman John Sununu. "We're not a socialist state, not a government-controlled state."

Combating costs

The 4,700-word bill would create a three-person commission, appointed by the governor, to set rates for procedures in every New Hampshire hospital. The rates would be different for each hospital, but hospitals would need to charge the same amount to all their patients, regardless of whether they had insurance. The rates would take into account factors such as the number of Medicaid patients a hospital serves and the amount of charitable care it provides.

The commission could set methods for payment that reward efficiency and coordination of care.

The commission's cost would be divided among the state's hospitals, based on their operating revenue. The commission would be created in September 2010 and could begin setting rates by late 2011, Hassan said. Beginning in 2012, the hospitals would have to pay \$3.5 million a year.

The commission would be tasked with ensuring that rates are "related reasonably" to the cost of providing the service and to the hospital's total costs, that all payers are treated equally, that hospitals are compensated for charity care, and that they are paid based on quality and efficiency. Hospitals would need permission from the commission to change their rates.

Hassan said the price of services can now vary by up to 70 percent among hospitals. "This would begin to put a referee in the playing field," Hassan said. "We have a disorganized system in which everyone is trying very hard to protect their companies or their hospitals, but we have nobody who's really speaking for the consumer."

Hassan said the commission would also bring transparency to the process by allowing a detailed public examination of what drives up health care costs.

Co-sponsors include state Rep. Cindy Rosenwald, chairwoman of the House Health, Human Services and Elderly Affairs Committee, and state Rep. Ed Butler, chairman of the House Commerce and Consumer Affairs Committee, both Democrats.

Alex Feldvebel, deputy commissioner of the state Insurance Department, said he thinks rate-setting would remove a barrier for health insurers trying to come into the state.

Currently, each insurer negotiates its own contract with the hospitals. New insurers are at a disadvantage because they have a smaller share of the market and cannot offer rates that are as competitive.

If the rates that the hospital must pay insurers is set by an independent body, that could open the market for new insurers.

"It eliminates the administrative expense of negotiating provider rates, and it fosters competition between carriers based on their efficiency, consumer services and their ability to effectively manage care," Feldvebel said.

The bill has the support of some health care advocates. Lisa Kaplan-Howe, director of New Hampshire Voices for Health, said a commission would help make health care more affordable.

"It's an independent arbiter to ensure someone is looking at hospital charges, to ensure they're reasonable, fair and connected to the value of services being delivered, not based on bargaining power and negotiating," she said.

Hospital opposition

Hospitals are vehemently opposed to the bill. Green said that in addition to paying the fee for the commission, hospitals will have to add administrative staff and pay for lawyers and accountants.

"That's hundreds of thousands of dollars not going to patient care," Green said.

At the same time, Green said, it is not clear from the bill whether hospitals would be allowed to make enough of a profit to invest money into buying new technology or replacing facilities.

Green disputed the idea that the bill would result in cheaper care. The commission would not set rates for surgery centers, laboratories or doctors in private practice, nor would it regulate insurance company profits. The bill also would not address the major reason why insurance premiums are so expensive, he said - the state does not pay hospitals enough money to cover services for Medicaid patients, so hospitals have to find money elsewhere.

"You add overhead expense, don't acknowledge the state has a responsibility to pay fairly for Medicaid, you're at risk of driving up, not down, the cost of insurance," Green said.

Tom Clairmont, president of LRGHealthcare, which owns Lakes Region General Hospital and Franklin Hospital, said the commission would usurp the authority of community boards that already have a responsibility for hospitals. He worries that the commission would set rates so low that the hospital could get in trouble with bond rating agencies, which expect a certain financial performance. He said he would not trust a legislative commission to set appropriate rates, particularly in light of other recent cuts.

"These are the same people who are, at a policy level, reducing payments for providers," Clairmont said.

The New Hampshire Hospital Association and the New Hampshire Medical Society, which represents doctors, are also opposed to the bill. It would be "one more infringement by government into the practice of medicine," said Palmer Jones, executive vice president of the Medical Society.

Independent analysts say the bill alone would not cut costs without similar regulation of the insurance industry.

"You can't just regulate one portion of the health care system and expect costs won't be spread out in other areas," said Steve Norton of the New Hampshire Center for Public Policy Studies.

A separate bill proposed by state Sen. Martha Fuller-Clark, a Portsmouth Democrat, would set up an annual hearing process at which insurance carriers would have to provide information about their costs. And the Insurance Department is working on a rule that would require that 90 percent of every premium pays for health care claims, with just 10 percent going to administrative costs or profit.

If all three measures become law, Norton said that would result in a heavily regulated industry, one similar to Medicare in which one entity controls both insurance and provider rates.

"Is that good or bad? That's up to the Legislature," Norton said.

Charlie Arlinghaus of the Josiah Bartlett Center for Public Policy, a conservative think tank, said the bill takes the wrong approach.

The commission, he said, would eliminate competition in health care.

"One health care czar in Washington is a bad idea. Three health care czars in New Hampshire is not any better," Arlinghaus said.

Another model

Only one state, Maryland, has a similar system. Since 1971, Maryland's Health Services Cost Review Commission has set rates for all the state's hospitals. Unlike the plan envisioned in New Hampshire, Maryland gets a federal waiver that allows the commission to set rates not only for private payers but also for patients on Medicare and Medicaid. The Maryland commission has a staff of about 30, with a budget of about \$5 million a year, paid for by the hospitals through a fee incorporated in their rates.

Ed Beranek, director of regulatory compliance for the Johns Hopkins health system in Maryland, said the system has helped patients by keeping costs down.

"From a hospital's perspective, it assures all payers are covering the cost of uncompensated care, and in our case graduate medical education and teaching costs," Beranek said.

On the positive side, Beranek said, the costs of uncompensated care are spread more widely, patients do not have to worry about "irrational discounting" to insurance companies, and the commission adjusts rates annually so hospitals can increase theirs as costs rise. On the other hand, Beranek said, doctors are paid less than they are elsewhere, and hospital profits tend to be lower than the national average.

In a letter to Hassan, James Weinstein, president of Dartmouth-Hitchcock Clinic, and Nancy Formella, president of Mary Hitchcock Memorial Hospital said New Hampshire is different than Maryland because it cannot set prices for public payers. They wrote that although charges per service are lower in Maryland than in New Hampshire, total health care costs are higher because hospitals are performing more services.

"Simply put, they are doing more in order to earn more," they said.

Political fallout

Although two of the bill's nine co-sponsors are Republicans - Rep. Cynthia Dokmo of Amherst and Sen. John Gallus of Berlin - the debate over the bill is becoming partisan. Sununu compared it with the mid-1990s when then-state Sen. Jeanne Shaheen, a Democrat, got a bill passed that included price controls on individual insurance plans. In response, insurers left the state.

"Every time you put a control on like this, they stop delivering services, stop performing, and those that remain become more of a monopoly and prices go up," Sununu said.

Senate Minority Leader Peter Bragdon echoed those concerns and said he is skeptical of a "state takeover" of hospital rate-setting. Republican gubernatorial candidate John Stephen said legislators should look for other ways to promote transparency in health care and should provide incentives to patients who find low-cost quality care.

"This bill creates a new tax and a new bureaucracy in state government that will actually raise the cost of health care as these expenses are passed along to the patients," Stephen said.

While many Democrats are among the bill's supporters, some remain hesitant. State Democratic Party spokesman Derek Richer attacked Republicans for opposing reform without offering solutions.

But he stopped short of supporting the bill, saying simply that Democrats "are engaged in a thoughtful discussion on a number of proposals."

Colin Manning, spokesman for Gov. John Lynch, said the governor "has a lot of questions regarding the bill, including would it reach our goal, which is to lower health care costs."

The Senate Commerce, Labor and Consumer Protection Committee will hold a public hearing today at 8:30 a.m. in State House Room 103.

This article is: 1 days old.