Testimony of Joseph Engel

on behalf of the Connecticut Association of Ambulatory Surgery Centers

On H.B. No. 5308 An Act Establishing Standards For Contracts Between Health Insurers And Physicians.

H.B. No. 6841 An Act Concerning Standards In Contracts Between Health Insurers And Physicians.

Good afternoon, Representative Sayers, Senator Handley and members of the Public Health Committee. I am Joseph Engel, the Legislative chair of the CT Association of Ambulatory Surgery Centers and an administrator of an ambulatory surgery center in Fairfield County. I am here today to speak on H.B. No. 5308 An Act Establishing Standards For Contracts Between Health Insurers And Physicians And H.B. No. 6841 (Raised) An Act Concerning Standards In Contracts Between Health Insurers And Physicians.

As physicians know, more and more insurance companies across the country are turning to what they call ***Site of Service Differentials*** as a primary mechanism for reducing their overall reimbursement rates to providers.

Conceptually these HMOs and insurers are seeking to use ***site of service differentials*** as a way to shift health care away from more expensive settings (and more expensive procedures) to settings and procedures that they deem to be less expensive. Typically, providers who perform their procedures in their offices (or outside of hospitals) are rewarded with a bonus payment or higher percentage reimbursement, while reimbursement rates are cut for those medical personnel who continue to utilize hospitals or surgery centers.

While there is no doubt that reducing costs for patients is very important, doctors – but unfortunately not many insurance companies - understand that medical decisions must always be based on best medical practices. Furthermore, the one size fits all approach to site of service reimbursement rates can have inappropriate or even bizarre results.

The recent developments in "non-Hospital based endoscopies" are a prime example of how site of service differentials can lead to inappropriate medical outcomes.

Just last year, the Connecticut General Assembly recognized patient safety concerns and appropriately acted to ensure that procedures requiring more extensive anesthesia must be done in safe and appropriate environments. As part of this effort, Connecticut established detailed regulations improving patient safety by eliminating unregulated, unlicensed surgical settings and also requiring surgery centers and hospitals to contract with patients safety organizations.

In some cases, insurers have actually recognized the benefit of supporting the utilization of surgical centers as the most effective way to provide patients with high quality care outside of the traditional hospital settings. However, in other situations, insurers have lumped surgical

centers in with hospitals and have proposed cuts in reimbursement rates as a way to limit patient access to care in these appropriate settings.

It was only about two years ago that Anthem Blue Cross / Blue Shield proposed a site of service payment system for selected procedures only to reverse itself after discussions with medical leadership in the state. A similar scenario occurred in Massachusetts.

More recently, Oxford/United announced a new policy that reimburses physicians at a much lower level when they provide ambulatory surgical procedures in a setting now required by CT law rather than their office. Of course, this new policy flies in the face of the recent legislative patient safety mandate and actually incentivizes physicians to violate the patient safety legislation and punishes physicians for following Connecticut law.

I don't know if any of you have had a colonoscopy before, but today it can be done very comfortably under anesthesia and with better outcomes. Oxford believes it should be done in the physician office with light sedation and this policy reflects that position. That is no longer the standard of care and in the interest of patient safety; Oxford should not be allowed to establish this kind of policy.

Our Association has met with state officials on these developments. We have explained that the Oxford policy has put physicians in an untenable situation. We have further explained the value of Connecticut's recent steps to ensure that patient safety be the main focus of care and that there is an obligation on insurers to provide appropriate reimbursement rates to support that goal.

It is our hope that the committee can provide some input on how this issue should be resolved either based on patient safety or the prohibition on contractual provisions that violate the intent of our public health laws.

Thank you for the opportunity to speak here today and I would be happy to answer any questions you might have.