



Statement
of the
American Medical Association
to the
Connecticut (Senate/House?) Judiciary Committee

RE: Support of Senate Bill 1004, “An Act Concerning Cooperative Health Care Arrangements and Standards in Contracts Between Health Insurers and Health Care Providers”

March 20, 2009

Senator MacDonald, Representative Lawlor, and Members of the Judiciary Committee, on behalf of the American Medical Association (“AMA”), thank you for the opportunity to present testimony to you today in support of Senate Bill 1004, “An Act Concerning Cooperative Health Care Arrangements and Standards in Contracts Between Health Insurers and Health Care Providers.” The AMA encourages efforts by states to enact laws that will let physicians form business arrangements that will improve the provision of and access to medical care.

Physicians play a unique role in the provision of health care services. As a result of their training and practical experience, physicians have the ability to determine what works and what does not work when trying to improve health care services for their patients. It is well recognized that collaborative arrangements by physicians have the

potential of reducing health care costs while at the same time improving medical care.

Many barriers exist that discourage physicians from entering into such collaborative arrangements. One barrier is the cost associated with establishing collaborative arrangements or purchasing new health information technology (HIT) that will allow better patient care. Another barrier is the overly restrictive interpretation of the federal antitrust laws. Overall, these barriers are preventing the emergence of more modern and efficient health care markets. The AMA encourages states to take actions that will help physicians play an active role in the modernization of health care markets and improve patient medical care.

For example, HIT holds the promise of greatly improving the quality of health care services. The federal government has recognized the potential benefits of HIT, and has earmarked \$19 billion in financial incentives for investment in HIT made available in the American Recovery and Reinvestment Act of 2009 (“ARRA”)¹. While the ARRA will help with the acquisition costs, it also has critical limitations. First, the ARRA does not address annual maintenance costs that physicians will have to pay for their HIT systems once they are set up. The Congressional Budget Office estimates that these costs could total 12% to 20% of the acquisition costs on an **annual** basis. The ARRA funding also does not address the large administrative burden HIT office systems will impose on physician practices in terms of training, personalizing the system, and adopting physician work processes to achieve the maximum benefit. To date, the market has concluded that these costs far outweigh the benefits an individual physician can realize from

¹ Pub. L. No. 111-5, §4201

implementing an HIT office system.

Physicians need the ability to develop business arrangements that will provide the additional capital necessary for acquiring and maintaining HIT systems so that physicians are able to make a reasonable return on their HIT investments. This is especially important for physicians in Connecticut, who generally practice in solo and small group practices. Physicians, however, cannot charge patients extra for having an HIT system. While payors reap the benefits from more efficient and improved care created by HIT systems, they have not shown any interest in paying for those benefits. In order to stop this free ride by payors and give physicians incentives to purchase HIT systems, Connecticut physicians need the ability to enter into joint negotiations of contracts with payors.

Physicians can also improve care by sharing information on treatment methods, outcomes, and best practices. Physician collaborations that are designed to facilitate the development of best practices and more efficient treatment protocols are exactly what is needed in modern health care markets to improve patient medical care.

States can and should play an active role in facilitating the creation of such collaborative arrangements. This Committee's decision to consider the Act is a first step towards the creation of state regulatory arrangements that could give physicians in Connecticut the ability to create lawful, efficient, and competitive business arrangements that can dramatically improve patient care and ultimately reduce costs.

The AMA welcomes the opportunity of working with this Committee and the

Connecticut State Medical Society in finalizing a statute that allows the creation of efficient collaborative arrangements.

Please support Senate Bill 1004.