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Medical Professional Services, Inc. Testimony

Senate Bill 429 An Act Concerning Most-Favored-Nations Clauses in Health

Care Contracts

Public Health Committee

March 11, 2010

Senator Harris, Representative Ritter and Members of the Public Health Committee, my name is Douglas Arnold, and I am the Executive Director of Medical Professional Services, Inc. (MPS). MPS is a clinically integrated Independent Practice Association (IPA) whose over 400 physician members practice in six Connecticut counties and include over 170 primary care physicians and over 230 specialty physicians. On behalf of our more than 400 members, I appreciate the opportunity to present this testimony to you today on Senate Bill 429 An Act Concerning Most-Favored-Nations Clauses in Health Care Contracts.

The CT Dept. of Insurance has approved substantial rate increases (22 out of 26) for CT's largest health insurance companies in recent years. Rate increases (revenue to insurers) have averaged double digits for many years in a row and rose by an average of 20.7% in 2010. The five largest health insurers (Aetna, Anthem, CIGNA, ConnectiCare and UnitedHealth) have a 99% monopoly on the sale of health insurance in Connecticut.

These five large health insurers also have a "monopoly" on the purchase of health care services by physicians. Fees paid to CT physicians (expenses to insurers and plan members) are controlled and set by a few large public and private purchasers of health care services, including the two government programs (Medicare & Medicaid) and five large insurers.

Medicare covers roughly 500,000 elderly CT residents. Medicare physician fees have hardly changed during the last decade, with the 2009 fees actually 2% lower than in 2003. Medicare physician fees will be reduced 21.2% starting October 1. These physician fee cuts will cause many CT physicians to retire, drop out of Medicare or no longer to take new Medicare patients, reducing seniors' access to the physicians they need just as many CT baby boomers are joining Medicare.

In CT, most physicians are paid by Medicaid at roughly half of Medicare fees; rates far below physicians' costs. Many CT physicians cannot afford to participate in Medicaid. CT HMOs, however, received a 24% rate increase in 2008 for insuring CT's HUSKY population. When CT physicians are paid \$2.48 for an office visit after Charter Oak members must pay a \$35 copay to see a specialist physician, is it any wonder why most CT physicians cannot afford to participate in the state's Charter Oak Health Plan?

Another spectre hanging over Connecticut physicians and one which also contributes to their unwillingness to participate in the Charter Oak Health Plan is the issue of Most-Favored-Nations clauses in some of the health contracts the physicians have with certain Connecticut insurers. Physicians who may agree to give a substantial discount to provide care to a portion of Connecticut residents who have been without insurance could face quick financial ruin if one of the large, for profit insurers were to demand the same deeply discounted rates for all of their customers, as well. The same is true of hospitals. Most Connecticut physicians and hospitals cannot afford to take that risk.

Large CT insurers have been reducing physician fees for many years. Anthem (55% market share) has kept their statewide physician fee schedule flat for two years. Aetna's statewide fee schedule had major reductions in 2010, including cuts of over 60% for some cardiology procedures. Aetna also denies payment for risk reduction counseling and e-visits, making patients take off work to see a physician for many problems which could be efficiently handled via emails. ConnectiCare has been canceling many physician network contracts in CT in an effort to "divide and conquer" physicians while seeking to impose substantial fee cuts. UnitedHealth and its subsidiary, Oxford, regularly pay physicians at rates well below Medicare. Oxford imposed a 45% fee cut for physician services provided by MPS physicians in 2006.

In no other major US business sector beside healthcare are prices paid to suppliers (physicians) set by a small number of purchasers (health insurance companies, Medicare and Medicaid) unilaterally, with virtually no negotiation possible. Physicians are expected to absorb huge costs for professional liability insurance, which in some cases exceeds \$175,000 per year, and to make costly investments in healthcare information technology (electronic health records) costing tens of thousands of dollars per year when they have little ability to recoup these costs through the current health insurance reimbursement system. Meanwhile, the five largest health insurers in the US, which include Anthem/Wellpoint, United, Aetna and CIGNA reported combined profits of over \$12 billion in 2009 and their five CEOs made over \$52 million in total.

Most-Favored-Nations clauses enable these large, for profit health insurers to put Connecticut physicians at an even greater economic disadvantage. The economic risk these clauses create for physicians have a significant chilling effect on Connecticut physicians' willingness to participate in many public health care programs.

The 400 physician members of MPS and I urge you to approve Senate Bill 429 An Act Concerning Most-Favored-Nations Clauses in Health Care Contracts to put an end to such practices.

Thank you for your attention to this matter.

Sincerely,

Douglas S. Arnold