STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT
06106-1775

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

WRITTEN TESTIMONY
Kevin Lembo
State Comptroller

Concerning H.B. 5337 An Act Concerning Fees Charged for Services Provided at Hospital-Based Facilities

March 6, 2014

Senator Doyle, Representative Baram, Senator Witkos, Representative Carter and Members of the Committee:

Thank you for the opportunity to testify in support of *H.B. 5337 An Act Concerning Fees Charged for Services Provided at Hospital-Based Facilities.*

In recent years the health care service delivery landscape has been changing rapidly in Connecticut. In the past, doctors were primarily independent or part of small group practices. Over the last few years, however, hospitals and provider practices have found it in their mutual interest to merge.

The changes in the health care delivery system that we are witnessing have great potential to improve health outcomes and lower health care utilization. Hospital systems and large provider practices with sophisticated health information technology systems and electronic health records have the potential to improve care coordination, chronic disease management and eliminate the need for redundant tests and procedures.

On the other hand, the consolidation of provider practices and hospital groups also has the potential to increase prices for health care services. One area where this potential is manifesting is in the expanded use of facility fees by hospital-based (associated) practices. Facility fees are charges designed to offset some of the costs of maintaining and operating a hospital facility and are in addition to the standard professional service charges generally associated with medical care. Historically, facility fees were limited to services received on a hospital campus. Recently, however, facility fees have been charged when services are provided at locations far from the hospital campus. For patients this can be confusing and lead to significant unexpected costs.

Many patients don't realize they may be subject to a hospital facility fee. This is especially true when facilities change ownership. A patient may have visited a certain facility in the past and was only billed for professional services; now a patient will receive both a bill for professional services and a facility fee.

HB 5337 works to address this issue by requiring hospital-based facilities to provide written notification to a patient that informs them:

- The facility is part of a hospital or health system and that the hospital or health system charges a facility fee separate from the professional fee charged;
- The amount of the patient's potential financial liability; and,
- That they may incur financial liability that is greater than the patient would incur if the services were provided at a non-hospital based facility.

The bill also includes provisions requiring that hospital-based facilities clearly display their affiliations.

Combined, these provisions will assist patients in understanding and managing their potential out of pocket costs for their health care. It may also assist in reducing prices. A recent study by the University of Chicago found that price transparency regulations had the effect of lowering the price charged for "common, uncomplicated, elective procedures" by approximately 7% on average, with the bulk of that reduction resulting from high price providers lowering their prices.[1]

In the case of HB 5337, the transparency requirement is contingent upon a facility charging a facility fee. The extra burden of providing each patient with written notice of their potential financial liability may discourage the use of facility fees altogether.

To further enhance the transparency provisions of HB 5337, the committee may want to consider expanding the language to require hospital-based facilities that charge such fees to report their charges to the Office of Health Care Access, who can then post them on a publicly available website. Making this information public would allow patients to easily weigh their cost when selecting a provider prior to making an appointment or receiving services. If requested, my office would be happy to assist with this effort.

Overall, I continue to have concerns about the price implications of hospital system consolidation. In the state employee plan, which my office administers, we are seeing significant increases in the price per service, even while the Health Enhancement Program (HEP) is helping to lower increases in utilization. The increasing prices are not exclusive to the state employee plan as payers across the state and country are facing similar issues. A recent report by the Health Care Cost Institute found that inpatient

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[1] Hans B. Christensen, Eric Floyd and Mark Maffett. *The Effects of Price Transparency Regulation on Prices in the Healthcare Industry.* The University of Chicago, October 2013.

admissions actually declined in 2012, but overall costs rose due to increased prices. Similarly outpatient services saw a very modest increase in utilization (1.4%), but prices for those services rose by more than 6%.[2] As my office continues to work on lowering utilization rates through improved plan design, and increased focus on preventive care and chronic disease management, a broad based effort must be made to work toward a policy for retaining health care price increases so lower utilization will also mean lower cost.

If passed, HB 5337 will assist patients in understanding their potential financial liability associated with services received at hospital-based practices and may place downward pressure on the proliferation of facility fees. It is a good step in tackling one aspect of rising health care prices; I hope you will join me in supporting its passage.

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[2] Health Care Cost Institute. *2012 Health Care Cost and Utilization Report*. September 2013, http://www.healthcostinstitute.org/files/2012report.pdf