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S.B. 460 – An Act Concerning Hospital Conversions and Other Matters Affecting Hospitals

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Good afternoon Chairwoman Gerrantana, Chairwoman Johnson and members of the Committee. My name is Jess Corbett. I work at Yale University as a clinical technologist in the Dermatology Department and am a member of UNITE HERE, Local 34. I am here to testify in favor of Senate Bill 460, *An Act Concerning Hospital Conversions and Other Matters Affecting Hospitals*.

As dramatic changes in our healthcare system occur, Connecticut is attracting for-profit hospital corporations. Increasingly, non-profit hospitals are strained to remain financially solvent. As we are seeing with Tenet Healthcare's acquisition of Waterbury Hospital, Bristol Hospital, and Eastern Connecticut Health Network, for-profit hospitals have the potential to significantly change the healthcare landscape.

S.B. 460 takes important steps towards amending existing statutes to reflect consolidation of the healthcare industry. As Connecticut attracts for-profit hospitals, it is important that we put legislation in place that considers the communities that hospitals serve. In particular, this bill will require that for-profit hospitals that wish to acquire non-profit hospitals go through a much more rigorous Certificate of Need process. This is a crucial step in ensuring these transactions are more transparent, that there are more opportunities for public input and greater oversight over the acquisition of non-profit hospitals by for-profit corporations. This bill would also put measures in place protecting municipalities from negative tax consequences of the transactions. This bill, however, should go further to protect workers' rights. While we applaud the measures it takes to monitor staffing levels, it makes no mention of preserving collective bargaining agreements.

This bill does not change the definition of medical foundations to make it possible for for-profit hospitals to employ physicians and purchase physician practices and we applaud that omission. However, it is worth noting that deals like the one penned earlier this month between Tenet and Yale-New Haven Hospital create a new opportunity for for-profit hospitals like Tenet to purchase physician practices.

While the committee should pay close attention to concerns about the behavior of for-profit entities, our non-profit hospitals are increasingly behaving like profit-making enterprises. Regardless whether the purchaser is for-profit or nominally non-profit, hospitals acquiring physician practices creates a risk of dramatic price escalation.

As hospitals, regardless of tax status, purchase physician practices, they often start charging prices as if patients were being seen in the hospital itself. That's because hospitals are allowed to treat newly acquired doctors' practices as if they were part of an outpatient department of the hospital, even if the doctors' office is miles from the main campus. Once the space is designated as "provider based," the host clinic can charge "facility fees" on top of whatever you pay your doctor, also known as "provider-based" billing. That can cost patients and insurers an average of 80% more than treatment at a doctor's office not owned by a hospital.<sup>1</sup> Suddenly, patients are saddled with two co-pays. Uninsured patients or those with high deductibles experience routine appointments take big bites out of their family budgets. Some of my co-workers have fielded calls from these patients inquiring about additional bills they have received when coming to a clinic visit.

S.B. 460 is a step in the right direction. However, the committee should take a closer look at circumstances under which for-profits partner with non-profits to acquire physician practices. Legislation should address the potential rising costs in the form of facility fees that come from for-profit hospitals' absorption of physician practices. If the entrance of for-profit hospitals accelerates a trend that is already hindering patients' access to care and threatening cost controls envisioned under health care reform, the hoped-for infusion of capital from Wall Street will come at a very high price.

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<sup>1</sup> Medicare Payment Advisory Commission (MedPAC), Report to the Congress: Medicare Payment Policy, Pg. 72.