



TESTIMONY OF YALE NEW HAVEN HEALTH SYSTEM

SUBMITTED TO THE INSURANCE AND REAL ESTATE COMMITTEE

Tuesday, March 17, 2015

SB 807, An Act Concerning Fairness and Efficiency in Health Insurance Contracting

Yale New Haven Health System appreciates the opportunity to submit testimony in opposition to **SB 807, An Act Concerning Fairness and Efficiency in Health Insurance Contracting**.

While it seems the intent of the bill is to promote the use of low-cost, high quality health care providers, mitigate the anticompetitive effects of hospital consolidations and encourage administrative efficiency, I must caution you that the bill contains many problematic provisions, and will only serve to further destabilize Connecticut hospitals in this ever changing healthcare environment.

Yale New Haven Health System (YNHHS), comprising Bridgeport Greenwich and Yale-New Haven Hospitals, is Connecticut's leading healthcare system. With over 20,000 employees and over 6,000 medical staff, we are among the largest employers. YNHHS provides comprehensive, cost-effective, advanced patient care characterized by safety, quality and service. We offer our patients a range of healthcare services, from primary care to the most complex care available anywhere in the world. YNHHS hospital affiliates continue to be a safety-net for our communities, and we provide care 24 hours per day, seven days per week. In addition to being economic engines for our communities, YNHHS hospitals care for more than one quarter of the State's Medicaid patients and provided \$180 million in free and uncompensated care in 2014 to those who needed our services and had no ability to pay for them.

Section 1 of SB 807 outlines the creation of tiered provider networks and is problematic. For hospitals that have a disproportionate share of Medicaid and Medicare business, as well as care for many uninsured and undocumented patients, costs of delivering health care WILL inherently be higher and may be discriminated against by the payers in the formation of tiered networks. In addition, teaching hospitals by nature are higher cost institutions, as they serve as the training ground for health care professionals. These institutions conduct medical research and fulfill a distinct and vital role in delivering patient care to the most complex patients and the urban, underserved population. Over 60% of Yale-New Haven Hospital's business pays less than cost, and for the uninsured and undocumented, pay virtually zero. At the present time, we have 5 undocumented residents in Connecticut nursing homes who are essentially wards of Yale-New Haven Hospital at a cost of over \$500,000 per year. Providing this safety net inherently costs more and as a result of our efforts, will be discriminated against in the formation of tiered

networks. On one hand, the State of Connecticut is seeking to reduce Medicaid reimbursement and on the other hand, through this bill, rewarding hospitals who do not see Medicaid and Medicare patients so that their costs are lower and they can be incentivized to join tiered networks.

Section 2 requires the state to establish uniform billing and other forms. This may cause unintended consequences that will likely increase cost for hospitals. Like many Connecticut hospitals, YNHHS invested in a state-of-the-art electronic medical record system (EMR) that creates efficiency for our practitioners and our patients. SB 807 could potentially require us to re-configure our EMR system, at a large expense, to generate required forms and information. We therefore encourage the Insurance Committee to work with hospitals to seek a workable solution.

Section 3 provides guidance to hospitals and payers about how they may negotiate payment terms and how these contracts are to be reported to the State. These provisions fail to understand the myriad of contract terms negotiated in order to reduce health care costs. These include significant quality based initiatives, advanced payments for care coordination, SPA payments to improve accounts receivables, and the many new contract forms that are evolving as we move towards greater management of risk and population health. This section simply does not reflect the current evolution of managed care contracts that we see now in the market.

Section 4 of the proposed legislation outlines requirements for hospitals as they negotiate with the managed care payers. As the individual who has negotiated agreements for YNHHS for over 18 years, I can assure you that the managed care payers are able to hold their own in the negotiations and are not being taken advantage of by hospitals or health systems. National operating margins for the four largest health plans in the State were over \$18.6 billion in 2014. Plans like United unilaterally terminate providers from their various networks. A day does not go by where medically necessary care is not denied in order to increase profit margins. To propose legislation that reduces health system's ability to negotiate, not only fair payment rates, but language that protects our patients from inappropriate denials and necessary coverage will simply increase the leverage of payers who already have full control of the marketplace.

As you are aware, the Affordable Care Act (ACA) significantly changed the way the healthcare industry operates, and hospitals must find new and innovative ways to balance limited resources with their many competing priorities. Hospitals are required to operate more efficiently, and we must develop methods to pull cost out of our institutions. One of the ways we can accomplish this is by being part of a hospital system. This means that we are able to pool our resources in purchasing goods, share services, and negotiate contracts. SB 807 defeats the purpose of being part of a hospital system. It only serves to handicap our ability to comply with the ACA and become a more efficient healthcare institution that can focus on our mission of providing high-quality healthcare to all our patients.

I urge you to reject SB 807.

Thank you for your consideration, and I will be happy to answer questions you may have.