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Testimony
Senate Minority Leader Len Fasano
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SB 281 An Act Requiring Site Neutral Reimbursement Policies
Between Health Carriers and Health Care Provider

Senator Crisco, Representative Megna, Senator Kelly, Representative Sampson and members of the Insurance Committee, thank you for the opportunity to submit this testimony in support of SB 281 An Act Requiring Site Neutral Reimbursement Policies Between Health Carriers and Health Care Providers.

Over the last two years, I have had the pleasure of working with Senate President Martin Looney, the leadership of this committee, the Public Health Committee and others as we try to adapt state policy to a rapidly changing health care system. I have watched our health care market, particularly in the New Haven area where I am from, change dramatically. Independent physician offices and small practices have vanished from the landscape as more and more doctors have become employees of large health systems.

Many of these doctors would have preferred to remain in private practice but could no longer compete with the large integrated health systems that use their market power to negotiate much higher reimbursement rates for the very same services. Nationally, hospital employment of physicians grew by 50% in the last decade and a majority of primary care doctors and surgeons are now hospital employees. I can tell you that in New Haven, it is almost impossible to find an independent cardiologist, oncologist or ob-gyn.

This migration of independent physicians to large health systems is driving up health care costs for everyone. We are all paying more for the very same services with no increase in quality or improvement in health outcomes. While facility fees get the most attention, they are actually a small contributor to the increased cost associated with the hospital employment of physicians. The biggest driver of increased costs is the raw market power of integrated health systems and their ability to demand much higher reimbursement rates for the very same services.

Recent studies by the Robert Wood Johnson Foundation and The Institute for Policy Research at Northwestern University show that when a hospital acquires a physician practice costs increase as much as 20% or even 30% for certain specialties. Anecdotally here in Connecticut, we have heard that when a hospital acquires an oncology practice, costs have gone up as much as 700% and for gastroenterology over 120%. A routine diagnostic imaging test that costs $550 at an independent radiology center can cost up to $3,000 at a hospital owned radiology center.

Recognizing that these increased prices were neither justifiable nor sustainable, the Medicare Payment Advisory Commission for a number of years recommended that Medicare adopt a site neutral payment policy for community based outpatient services, services that traditionally were provided in independent physician offices at the lower physician rate. MedPAC estimated that simply equalizing the rates for these outpatient community services could save Medicare $30 billion over ten years.

I am happy to say that the recent bipartisan budget agreement included a site neutral payment provision for newly acquired hospital physician practices. Site neutral payment reform is supported by a broad national coalition, the National Alliance For Site Neutral Payment Reform, which includes the American Academy of Family Physicians, the American College of Physicians, the American Health Insurance Plans and Blue Cross Blue Shield.

Given the dramatic growth of integrated health systems and the anticompetitive effect they have on the market, reasonable limits on the disparity between hospital and independent physician rates for the very same services should be considered in order to level the playing field and reduce costs. Site neutral payment policies do just that.

I recognize that intrusions on negotiated contracts should be limited in scope and undertaken only when necessary to counteract market imbalances and dysfunction, such as we are seeing today. Therefore, I would recommend that site neutral payment be limited to fee for service reimbursement. Over time, value based payment models such as shared savings programs will hopefully correct the imbalance we see in today's market and drive business to our lower cost independent providers. However, until that time and as long as so much of our market is still dominated by fee for service payment, we should protect and promote our independent providers and reduce costs for consumers by ensuring that independent physicians are paid the same rate for the same services as the hospital employed physicians working right next door.

Thank you for your time and attention, and I look forward to working with your committee on this important matter.

Len Fasano
Senate Minority Leader