# SJR 15:
## A Study of Health Care Delivery

What are the Committee's Goals?

- Accumulate Data Regarding Impacts of:
  - Self-referrals/Conflict of interest on community hospitals/ patients?
  - Specialty hospitals, economic credentialing on health care access /costs?
  - Specialty hospitals on health care quality, effectiveness, innovation?
  - Community hospital service as a public health safety net?
- Legislation Restricting Specialty Hospitals, Physician Referrals?
- Legislation that levels playing fields and allows co-existence of specialty hospitals and community-based hospitals?
- Education -- but not legislation -- on certain of these topics?

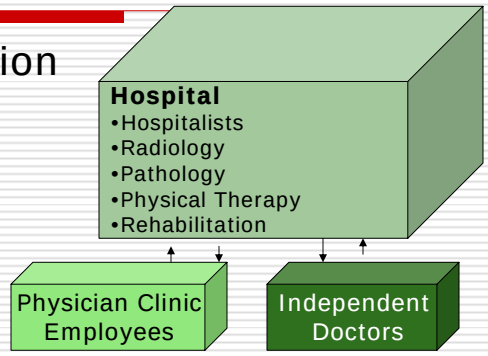
## Physician Self-Referral Complaints

- Self-referrals drive up use & costs
- Self-referrals leave low-paying patients with nonprofit providers & steer better payors to specialty hospitals
- More competition means all providers:
  - have to buy expensive technology to compete, meaning more overall use to pay off equipment;
  - Compete for scarce staff, with resulting pay boosts
- Self-referrals jeopardize nonprofits' ability to provide low-return services (like emergency) through cross-subsidy. May result in nonprofits expanding into other areas of care.

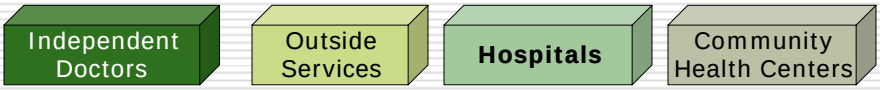
# Changing Health Care Scene (1)

## Vertical Integration

More hospital control




## Horizontal






# Self-Referrals/Conflict of Interest

**Independent Providers**

- **Free-standing clinics**
- **Ambulatory surgery**
- **Specialty hospitals**
- **Privileges at hospitals?**

**Hospital-Employed Providers**

- **Hospital-owned Clinics**
- **Hospitalists**
- **In-hospital Services**
- **Outpatient Services**
- **Joint ventures**

**Equal-Opportunity Docs**
(need another entity before being engaged with patient)

- Anesthesiologists
- Pathologists

## Changing Health Care Scene (2)

- Cost of technology
- Cost of education (upfront and CE)
- Cost of malpractice insurance
- Cost of staffing
- Medicaid, other payments below costs
- Higher health care costs and unequal insurance coverage impacting uncompensated care.
- Increase in number of for-profit hospitals, providers?



## Independent Providers

- Traditional approach
- Request privileges at hospitals
- Can perform specialty practices without challenge under self-referral constraints if in own office

## Hospital-Employed Providers

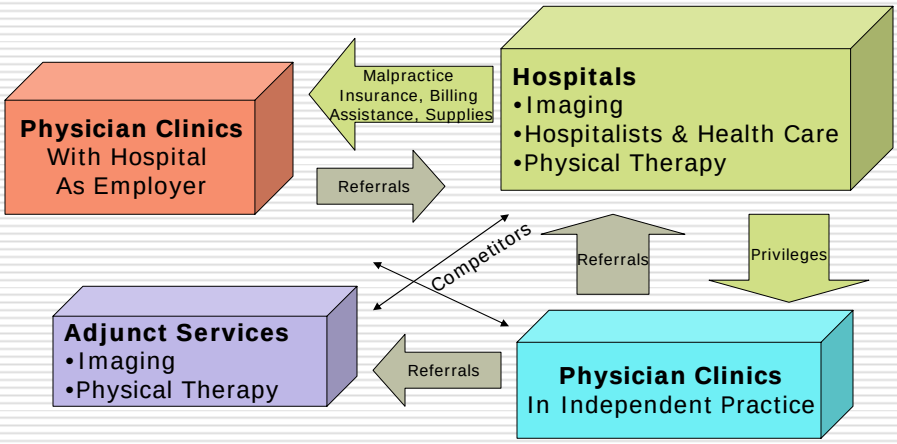
- Clinics – Physician practices owned by hospitals. May agree not to practice within hospital and to refer patients to hospital. May receive economies of scale and efficiency with billing, supplies, staffing pools
- Hospitalists (may be direct or under contract)
- In-hospital services, including labs, imaging, physical or occupational therapy, sleep labs
- Outpatient services – may compete with free-standing clinics, providers



## Equal-Opportunity Docs

- Anesthesiologists – E.g. In Missoula the majority have joined in a practice. Provide on-call to hospitals, write own contracts with insurers, but would have no service without separate entity.
- Pathologists – also need to have lab or separate entity to deal with patients

# Access and Delivery



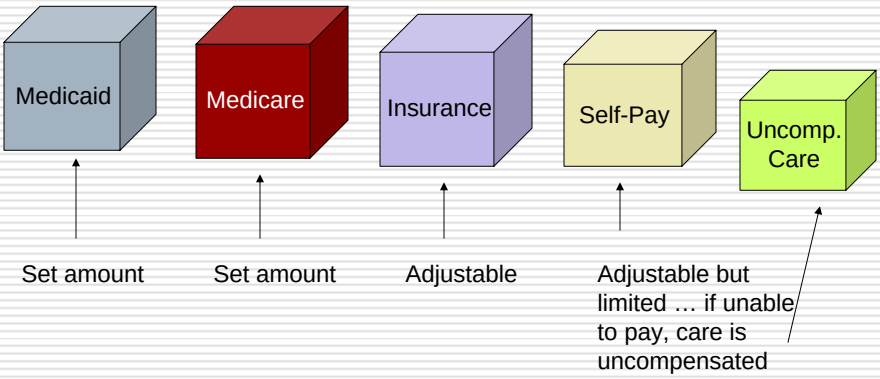



# Health Care Cost Contributors

- Technology
- Uncompensated Costs
- Cost of Educating Providers
- Malpractice Insurance
- In Montana, Limited Competition
  - Competition in Missoula, Billings between hospitals
  - Competition between towns for patients who can afford to travel (some travel just to get to care)
  - Competition without pricing transparency means choice among providers is rarely a question of cost and more likely to be word of mouth on quality

# Patient Mix:

## determines how costs shifted among payors




# Competition and Market Approaches

- **What is needed for competition:**
  - Informed Public
  - Provider Competition/Availability
- **What about monopolies?**
  - Is a health care market like a utility market – limited suppliers, many users?
- **What is the role of regulation?**
  - What types of regulation would help to create level playing field – if any?

## Costs and Ownership Transparency

- Allows choice
- Is the choice "portal" through insurance rather than provider ownership/type? Would transparency of ownership impact choice?



## Quality – Effective Care

- Physician Credentialing by Insurers
  - Provides way to monitor providers
  - States vary in ways to streamline this
- Specialty Hospitals/ASCs
  - May have better length of stay (ASCs can't be more than 24 hours or past midnight of day of service) – but what are the roles of patient acuity and the economic incentives to increase quality control?

## Economic Credentialing

- Used by hospitals to detect competing financial interests
  - services provided
  - equipment sales
  - lawyer relatives working on malpractice cases, etc.
- Typically extends to family members



## Personal Responsibility Factors

- Ability to choose type of care
- How to avoid inappropriate use?

## Access – Provider Availability

- Community Health Center
  - Direct Care Model – Can serve uninsured (56% of case mix), boost primary care, decrease hospitalizations, lower uncompensated costs
    - In rural areas – assists those unable to travel to larger medical service areas
  - Discounted Services by Providers
- Adequate Provider Compensation
  - Short-changed providers don't participate
- Who provides the safety net?
  - Depends on area. Rural Health Clinics, Critical Access or Nonprofit Hospitals, Sole Providers



## Other financial considerations

- Nonprofit hospitals and taxation issues
- Relationship with insurers
- Montana Facility Finance Authority
- Lack of control over expanding facilities (Certificate of Need)

# What Topics to Cover?

- Research:
  - Costs and outcomes for nonprofit and specialty hospitals (ASCs and specialized facilities) – Use Attorney General data for nonprofits
  - Range of services at various facility types
  - Health care quality, effectiveness at various facility types
  - Impacts on nonprofit community hospitals of competition – using GAO questionnaire
- Exploring Good/Bad of Information Technology?
- Exploring Workforce and Educational Tie-ins?
- Education on Certain of These Topics?
- Legislation?