

**MINUTES OF THE
PRIVATELY OWNED HEALTH CARE ORGANIZATION TASK FORCE**
Tuesday, November 29, 2005 – 9:00 a.m. – Room W110 House Building

Members Present:

Sen. Michael G. Waddoups, Senate Chair
Rep. David Clark, House Chair
Sen. Gene Davis
Sen. John W. "Bill" Hickman
Sen. Peter C. Knudson
Sen. Mark B. Madsen
Sen. Ed Mayne
Rep. Jackie Biskupski
Rep. Stephen D. Clark
Speaker Greg J. Curtis
Rep. Brad L. Dee
Rep. Bradley G. Last
Rep. Rebecca D. Lockhart

Members Absent:

Rep. James A. Dunnigan
Rep. Patricia W. Jones

Staff Present:

Constance C. Steffen, Policy Analyst
Allison Morgan, Policy Analyst
Catherine J. Dupont, Associate General Counsel
Patricia Owen, Associate General Counsel
Joy L. Miller, Legislative Secretary

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Task Force Business

Chair D. Clark called the meeting to order at 9:15 a.m. Rep. Jones was excused from the meeting.

MOTION: Rep. Last moved to approve the minutes of the November 3, 2005 meeting. The motion passed unanimously. Sen. Davis, Sen. Hickman, Sen. Madsen, Rep. S. Clark, and Speaker Curtis were absent for the vote.

Chair Clark introduced Mr. David Argue, Economists Incorporated, who was awarded the contract for the "Utah Health Care Markets" RFP.

2. Ambulatory Surgery Centers

Mr. Craig Stout, Chairman, UASCA (Utah Ambulatory Surgical Center Association) distributed "Physician-led Ambulatory Surgical Centers Vital to Meeting the Surgical Needs of Tomorrow" and a letter from Dr. G. Paul Doxey. UASCA was formed by independent surgery centers a year ago and has approximately 20 members throughout the state. His desire is to help the Task Force understand the benefits ASCs (Ambulatory Surgical Centers) have to offer and the scope within which those benefits can be realized.

Dr. Martin Brown, Mt. Ogden Surgical Center, distributed a copy of his presentation. He explained that an ASC is a small, self-contained, tightly regulated operating room environment, typically consisting of 1-6 operating rooms serving a broad array of surgical specialties. ASCs typically have lower costs, the latest technology, highly efficient ergonomics, a noninstitutional environment, and substantial physician ownership. He stated that ASCs also have lower infection rates and a higher nurse to patient ratio. ASCs pay taxes and create high paying jobs with enhanced patient satisfaction. Dr. Brown stated that the

federal government has established legal safe harbors against fraud and abuse for physician ownership of ASCs. In 2004 the federal government saved \$500 million by having procedures at surgical centers rather than at hospitals. In 2005, the Moran Company concluded that another \$1.6 billion could be saved if additional eligible procedures were moved to ASCs.

Dr. Brown explained that hospital financial practices impact patients by shifting costs to profitable outpatient procedures and result in increased co-insurance for patients. ASCs do not believe it is appropriate to balance hospital budgets on the backs of consumers who require outpatient surgery. He indicated 80 percent of surgeries done today can be performed in an ASC. Dr. Brown briefly discussed the Ambulatory Surgical Center Medicare Payment Modernization Act which provides for paying ASCs 75 percent of the hospital outpatient rate. The act also ensures fair payment for procedures done in an ASC. He recommended that the Task Force recognize ASCs as legitimate providers in the Utah healthcare system. ASCs should have a level playing field and be allowed unobstructed competition for deductible dollars. He stressed the need to preserve and expand open access with fair reimbursement. Punitive measures against physicians, facilities, and patients should be eliminated. He gave an example of a surgeon in Ogden who had punitive action taken against him by a health plan.

Mr. Stout stated that local markets are all different. Health plans have to get the best prices and create good markets in order to offer a good product. The amount of money consumers spend in ASCs compared to what they spend in hospitals is a small portion of the health care dollar. Hospitals give insurance companies the opportunity to have more exclusive arrangements with them for better discounts. Health plans struggle to find ways to contract with ASCs because at times they are asked to give up good discounts that they need from other health care providers.

Ms. Toni Morris, UASCA Board Member and Coral Desert Surgery Center administrator, said she has talked to several insurance companies about contracting and was told that they have to offer a hospital in their health plan. There is only one hospital in St. George. If they were to contract with her they would lose their significant discount.

Mr. Brian Berg, Mountainwest Surgical Center, referred to the differences between an ASC and a specialty hospital. Both have specific yet different standards that must be met. He noted that there are certain procedures Medicare has approved to be performed in an ASC setting. Other procedures must be performed in a hospital.

Sen. Waddoups requested that the ASCs provide a list of specific recommendations to establish a level playing field.

Mr. Dave Gessel, Utah Hospitals and Health Systems Association, said there is healthy competition between ASCs and hospitals; however, they do not compete on everything. ASCs are not regulated as significantly as hospitals. He stated that ASC physicians should have to report to the state when they send a patient to hospitals or refer them to their own surgical center in which they have a self interest. ASCs do not provide the procedures that are not profitable. He questioned whether ASCs are performing their fair share of charity care. Mr. Gessel stated there is no documented evidence that ASCs give better patient care.

Sen. Madsen raised the issue of cost shifting. He asked if it is an elective policy or mandated by the government. He asked if there was cost shifting among procedures regardless of ability to pay or emergency stabilization. Mr. Gessel responded that it does happen. There is a certain amount of money that needs to be made for the whole hospital system to operate. He said they don't have full control over what is charged.

Rep. Dee questioned if hospitals can survive if all procedures that can be done by ASCs are moved to ASCs. Mr. Gessel asked Rep. Dee to put his request in writing and he would obtain the necessary information.

Mr. Jay Lighthall, Salt Lake Surgical Center, stated that what health care providers choose to a great degree is irrelevant in cost shifting. Insurance companies dictate what they will pay for procedures and what reimbursement will be.

Rep. S. Clark stated more information is needed on ASCs. He suggested looking into the financial status of ASCs and who invests in these units and what their return is.

Mr. Chet Loftis, Utah Medical Association, said he believed the real crux of the problem is that certain services are not receiving equitable payment. He noted that the first RFP will include the information Rep. S. Clark requested.

Mr. Terry Dick, St. George Surgical Center, stated that hospitals and surgery centers receive reimbursement according to Medicare rules, and insurance companies are following suit.

Ms. Jill Andrews, Central Utah Surgical Center, said any physician that brings cases to her facility will be handled if they are on the Medicare to do list. Physicians will try to schedule charity cases with them first because they have to go through so much red tape at the hospital.

3. Hospital Financial Information

Staff distributed "Utah Medicare Cost Reports, 2004."

Mr. Greg Poulsen, Senior Vice President, IHC (Intermountain Health Care, Inc.), distributed a copy of his presentation and "Utah Hospital Analysis 2004 Fiscal Year Medicare Cost Report Summary." Based on the report, all of the large health care providers in the state are viable and financially strong. As a group, IHC hospitals have the lowest operating margins in the state at 4.3 percent. It has been projected that IHC will require 3 percent net operating income per year. Over the past five years IHC has averaged an operating margin of 2.7 percent. The 2004 Medicare cost reports indicate IHC's charge to cost ratio is 168 percent - Utah's for-profit hospitals charge to cost ratio is 217 percent. IHC hospital charges are lower when compared to the nation, region, and hospitals within the state. IHC's community board targets the lowest earnings that are adequate to meet future needs, and sets prices accordingly. He reviewed the statement of revenues and expenses for Dixie Regional Medical Center as outlined in "Utah Medicare Cost Reports, 2004."

Rep. Lockhart requested that a more detailed, itemized list of costs included within lines 24 through 24.04 be provided. Sen. Madsen asked if a per unit cost could be associated with some of those items.

Mr. Spencer Stokes, MountainStar Healthcare, distributed a packet of informational materials regarding MountainStar Healthcare which included "Investing in Our Communities," "HCA's Charity Care and Financial Discount Policy," and "United States Securities and Exchange Commission Form 10-K." He distributed "HCA Annual Report to Shareholders 2004" and read a letter from him to the Task Force. HCA, which is MountainStar Healthcare's parent company, is an investor-owned and publicly traded healthcare/hospital company. He said it is important to recognize that HCA and other investor-owned hospitals have historically provided uncompensated health care to persons without insurance or with very little personal ability to pay for hospital-related services. HCA provides necessary treatment to emergency patients regardless of the individual's ability to pay. HCA's six Utah hospitals have willingly provided free or deeply discounted services for many government-sponsored programs for persons in need. Mr. Stokes said HCA's total uncompensated care amounts to over \$37.5 million. Total state investment equals \$588.8 million.

Sen. Hickman asked if HCA could provide financial information on a market to market basis within the state. Mr. Stokes indicated he would find out if more detailed information could be provided.

Mr. Ryan Smith, CFO, SLRMC (Salt Lake Regional Medical Center), distributed a copy of his presentation. IASIS owns four hospitals in Utah and employs over 2,000 residents. More than 1,200 physicians currently practice at IASIS Healthcare's Utah hospitals. IASIS has spent in the last three years more than \$100 million on expansion, remodeling, and building projects. He pointed out that SLRMC is a community-based hospital with 168 beds in the heart of Salt Lake City. Total liabilities and equity for SLRMC total over \$94 million. He pointed out that net patient revenues total \$77.5 million and noted that 9 percent of new patient revenues goes to bad debt and charity.

Mr. Brian Dunn, SLRMC, indicated that the average age of the population it serves is Medicare age.

Rep. Lockhart stated that the PCN (Primary Care Network) is an issue that the Task Force should consider in the future.

Rep. S. Clark asked if IASIS would be able to provide more nonpublicly available information and break out the Utah hospital financial information from the national information. Mr. Smith stated he would make that request to IASIS.

Due to lack of time, agenda Items "IHC Capital and Reserves" and "Uncompensated Care and Community Benefit" were not discussed.

MOTION: Rep. Lockhart moved to adjourn. The motion passed unanimously.

Chair D. Clark adjourned the meeting at 1:00 p.m.

