SENATE COMMITTEE ON HEALTH POLICY

February 23, 2005 **Hearing Room B**
1:00 P.M. **Tapes 22 - 23**
Corrected 9/29/2005

MEMBERS PRESENT: **Sen. Laurie Monnes Anderson, Chair**
Sen. Jeff Kruse, Vice-Chair
Sen. Peter Courtney
Sen. Gary George
Sen. Bill Morrisette

STAFF PRESENT: **Rick Berkobien, Committee Administrator**
Brittany Kenison, Committee Assistant

MEASURES/ISSUES HEARD:
Healthcare Financing Issues for Hospitals – Informational Meeting
Oregon's Acute Care Hospitals: Capacity, Utilization and Financial Trends – Informational Meeting
Behind Oregon's Healthcare Crisis – Informational Meeting

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 22, A		
003	Chair Monnes Anderson	Calls the meeting to order at 1:04 p.m. Opens informational meeting on healthcare financing issues for hospitals.
HEALTHCARE FINANCING ISSUES FOR HOSPITALS - INFORMATIONAL MEETING		
012	Ruth Bauman	Healthcare consultant. Submits and presents written testimony (**EXHIBIT A)** and informational graphs on hospital charges **(EXHIBIT B).**
060	Bauman	Discusses how hospital charges are determined in EXHIBIT B, page 1.
105	Bauman	Discusses total charges in EXHIBIT B,page 2.
120	Chair Monnes Anderson	Asks how capital investments and buildings factor into hospital costs.
125	Bauman	Answers that those costs are factored in. Adds that some hospitals combine total cost and allocate them.
143	Chair Monnes Anderson	Asks if Medicare or Medicaid reimburse for capital expenditures or for patients only.
148	Bauman	Answers how it can apply to both and limitations.
153	Chair Monnes Anderson	Asks what kinds of capital expenditures are allowed.
155	Bauman	Answers that equipment is allowed. Offers to return complete information to the committee.
157	Sen. Morrisette	Asks to differentiate between profit, not for profit hospitals.
160	Bauman	Explains the different accounting for the two types of hospitals. Discusses how payers determine the amount allowed or priced.
185	Bauman	Continues discussing healthcare financing. Explains Diagnostic Related Groups (DRG).
200	Chair Monnes Anderson	Asks if Medicaid uses DRG for reimbursement.

205	Bauman	Explains that Medicaid uses cost based reimbursement. Elaborates.
225	Chair Monnes Anderson	Asks if cost-based is higher or lower than DRG.
230	Bauman	Answers that it varies. Elaborates.
230	Chair Monnes Anderson	Asks who uses cost-based reimbursement.
235	Bauman	Answers type A and B hospitals. Elaborates.
255	Chair Monnes Anderson	Asks to confirm that outpatient services are more expensive than inpatient services in hospitals.
256	Bauman	Affirms. Provides examples.
260	Chair Monnes Anderson	Asks for data to support example provided.
265	Bauman	Answers yes. Continues discussing how payers determine the amount allowed or priced.
285	Chair Monnes Anderson	Asks if self payers have a sliding pay scale related to their income.
295	Bauman	Responds yes and explains how the pay scale works.
302	Chair Monnes Anderson	Asks if the pay scale is public knowledge.
304	Bauman	Answers not typically.
310	Bauman	Discusses how hospitals break-even if they are paid less than charges.
335	Sen. Kruse	Asks if the chart recognizes profit for Medicare.
340	Bauman	Answers no.
342	Sen. Kruse	Clarifies question
345	Bauman	Answers clarification.
360	Bauman	Discusses the difference in hospital financial statements.
382	Sen. Kruse	Asks if hospitals can write off all or almost all capital expenditures.
387	Bauman	Answers that she would not know that information.
388	Sen. Kruse	Comments on possible rules for regulation.
390	Chair Monnes Anderson	Asks if hospitals have the same criteria for reporting charity care.
398	Bauman	Answers yes and explains how.
400	Chair Monnes Anderson	Clarifies that it includes all hospitals.
402	Bauman	Affirms.
405	Sen. Kruse	Comments on Bauman's testimony about profit from Medicaid and Medicare, but no profit from charity care. Asks how they negotiate charity care.
415	Bauman	Answers.
420	Sen. Kruse	Clarifies that what they don't receive in self-pay is considered charity care.
422	Bauman	Affirms. Elaborates.
425	Chair Monnes Anderson	Closes informational meeting on health care financing issues for hospitals and opens an informational meeting on Oregon's acute care hospitals: capacity, utilization and financial trends.

TAPE 23, A

OREGON'S ACUTE CARE HOSPITALS: CAPACITY, UTILIZATION AND FINANCIAL TRENDS – INFORMATIONAL MEETING

005	Bruce Goldberg	Director, Health Policy Research Office. Introduces himself.
015	Tina Edlund	Manager, Research and Data Manager, Oregon Health Policy and Research Office. Submits and presents slide presentation

		on Oregon's acute care hospitals: capacity, utilization and financial trends **(EXHIBIT C).**
040	Edlund	Begins discussing background of Oregon's Acute Care Hospitals.
085	Chair Monnes Anderson	Asks what most type A and B hospitals receive.
087	Edlund	Clarifies that most Type A and some Type B hospitals are considered critical access facilities and receive 100 percent of reasonable cost from Medicaid and 101 percent reasonable cost from Medicare.
090	Sen. George	Asks if there is a relation between reasonable cost and rational cost.
095	Edlund	Understands that it is just based on there cost report and varies.
097	Goldberg	Adds that that they are Medicare cost reports submitted to federal government.
098	George	Confirms that it is on individual hospital basis.
100	Goldberg	Affirms with standards.
102	Edlund	Discusses hospitals as part of the healthcare delivery system. Discusses hospitals cost account for 30 percent of the overall Medicaid budget.
113	Chair Monnes Anderson	Asks if the 30 percent has been consistent.
115	Edlund	Affirms. Adds since 1995 it has been consistent.
118	Edlund	Reviews chart of capacity: Licensed beds per 1,000, Oregon versus Region and U.S. (2003).
130	Edlund	Reviews chart of occupancy trends, 1995-2003 and Oregon vs. region and U.S.
153	Chair Monnes Anderson	Clarifies that with HMO's advent, hospitals become more efficient and caused the decrease in the number of beds available.
155	Edlund	Answers that length of stay declined.
159	Goldberg	Clarifies the report chart dates and discusses managed care.
165	Edlund	Reviews workforce chart.
175	Sen. Kruse	Asks if chart is broken down geographically
178	Edlund	Answer no and offers to return information to the committee.
180	Goldberg	Adds that report is broken down by hospitals types.
183	Edlund	Discusses utilization of hospitals services: top ten DRG's, Oregon, 2003.
190	Chair Monnes Anderson	Comments that many services on list involve females and delivery. Comments on more women using hospitals in the child bearing age and women above.
210	Edlund	States that she cannot confirm data. Points out that utilization of hospital services chart are numbers and not dollars.
211	Kruse	Clarifies that normal newborns includes well baby.
212	Edlund	Affirms and confirms only initial services in hospital is included.
215	Goldberg	Adds why normal newborn is number one on list.
220	Edlund	Reviews chart for admissions per 1,000 population and average length of stay (in the hospital).
230	Chair	Asks if the health safety commission created in the 2003 session is researching relapses.
235	Goldberg	Answers that he is unaware.
238	Sen. Kruse	Comments on continuum of care outside of hospitals in Oregon versus other states. Asks for data on continuum care that is

		performed outside of hospitals in Oregon, versus other states that perform the care in the hospitals.
242	Edlund	States that the office does not have data. Understands though, that there are not as many end-of-life care in hospitals in Oregon.
250	Sen. Kruse	Comments on short stay in hospitals and cost.
255	Chair Monnes Anderson	Comments on elderly care in hospitals.
258	Edlund	Reviews chart for impatient days per 1,000 population.
267	Edlund	Discusses measuring financial health.
280	Chair Monnes Anderson	Asks if hospitals can invest their profit.
285	Edlund	Answers that she is not aware of specific regulations for not for profit hospitals, assumes that they can.
290	Sen. Kruse	Confirms the for profit hospitals can.
292	Edlund	Affirms. Explains difference.
296	Chair Monnes Anderson	Comments on raising money for hospital in her district and adds that money is invested. Asks if that money is taken into account.
305	Edlund	Affirms. Explains that it is taken in under the total margin. Discusses what is covered under total margin.
310	Edlund	Continues discussing hospital finances
320	Chair	Clarifies that the statistics on page 16 of the testimony is for all hospitals.
322	Edlund	Affirms.
323	Chair Monnes Anderson	Clarifies that some hospitals have a profit and others do not.
328	Goldberg	Adds that in the report, individual hospital statistics are available.
333	Edlund	Reviews chart for median operating and total margins.
342	Chair Monnes Anderson	Comments on high profits in the mid 1990's. Asks if the high profit is significant.
353	Goldberg	Answers that significance varies by who is looking at the data.
355	Sen. Kruse	Comments on ratio of expenses to profits.
360	Edlund	Continues discussing median operating and total margins of DRG hospitals.
370	Sen. Kruse	Clarifies what is included in the total margins.
373	Edlund	Answers clarification.
375	Chair Monnes Anderson	Clarifies earlier comment that normal business receives three (3) to five (5) percent profit. Asks if the comment referred to business in general or just for hospitals.
380	Edlund	Answer that it is specific to hospitals. Comments that some DRG hospitals are better than other DRG hospitals.
390	Edlund	Continues discussing median operating and total margins for Type A hospitals.
403	Chair Monnes Anderson	Asks how Type A hospitals are subsidized.
405	Edlund	Answers question. Explains how most Type A hospitals have communities that have formed health districts, 13 in all, that support and assist hospitals.
410	Chair Monnes Anderson	Confirms that all of the Type A hospitals have formed health districts.
412	Edlund	Answers no, not all.
414	Chair	Asks how many Type A hospitals are in those 13 districts.

416	Edlund	Answers that she does not have the information.
420	Sen. Kruse	States that the taxing authority is very marginal because of the districts.
TAPE 22, B		
010	Edlund	Continues discussing median operating and total margins.
012	Chair Monnes Anderson	Confirms that Type B can be with in 30 miles within another acute inpatient hospital.
013	Edlund	Affirms.
014	Chair Monnes Anderson	Comments that they do better than Type A hospitals.
015	Goldberg	Clarifies that the statistics are averages.
016	Edlund	Discusses chart of payer mix in 2003.
022	Edlund	Discusses uncompensated care.
035	Chair Monnes Anderson	Asks what the process is for hospitals with patients for billing.
040	Edlund	Answers how it depends on each hospital.
042	Chair Monnes Anderson	Provides example of young male who incurred $5,000 in hospital charges and asks what the process it for the hospital.
043	Edlund	Explains the general process. Adds that it varies per person and if the person is aware of charity care.
047	Chair Monnes Anderson	Asks that not all hospitals have charity care.
050	Edlund	Assumes that every hospital has charity care. Continues to explain process.
055	Edlund	Continues discussing uncompensated care.
060	Goldberg	Adds that everyone pays for uncompensated care in way or the other.
065	Chair Monnes Anderson	Closes informational meeting on Oregon's acute care hospitals: capacity, utilization and financial trends. Opens informational meeting on behind Oregon's healthcare crisis.
BEHIND OREGON'S HEALTHCARE CRISIS – INFORMATIONAL MEETING		
085	Liz Stevenson	Senior Analyst, Service Employees International Union (SEIU). Submits and presents samples of hospital bills **(EXHIBIT D)** and a report on "Behind Oregon's Health Care Crisis" **(EXHIBIT E).**
130	Sen. Kruse	Comments on shift of access to services.
140	Stevenson	Agrees. Continues discussing concerns with health care costs.
160	Stevenson	Begins slide presentation. Reviews chart on annual percentage expenditure increase in hospital care (1980-1988).
175	Stevenson	Reviews chart on Oregon hospital expenditures with all payers
183	Chair Monnes Anderson	Asks if she is has comparisons to other states.
185	Stevenson	Answers no, but adds that it is comparing to national average.
190	Chair Monnes Anderson	Clarifies that in 2002 we were below the national average and in 2003 we were above the national average.
192	Stevenson	Affirms. Continues to review chart.
195	Sen. Kruse	Asks if length of stay has been factored.
199	Stevenson	Answer no, but agrees that it is a factor.
215	Stevenson	Reviews chart for per capital hospital expenditures projection from 2005-2025.
227	Sen. Kruse	Asks if the population growth of the state was a factor.
235	Stevenson	Answers no. Explains the conservative estimate.
275	Stevenson	Reviews chart of average charge per Refined Diagnostic Related Groups (RDRG) in the tri county hospitals with the five most

		common procedures.
290	Sen. Kruse	States that he is interested in factoring in demographics.
300	Stevenson	States how they used the RDRG's uses some demographics.
305	Stevenson	Refers to EXHIBIT D, page one. Comments on discounts available.
360	Stevenson	Discusses concerns with system hospitals.
385	Chair Monnes Anderson	Asks which are considered system hospitals and independent in Portland.
390	Stevenson	Provides list of hospitals under each category.
392	Sen. Kruse	Asks if some of the administrative overhead be due to the economy scale.
394	Stevenson	States that they considered that and how the "lines" are used.
404	Sen. Kruse	Comments on education districts and how in larger districts, more administration is necessary, hence larger costs involved.
415	Stevenson	Emphasizes that the home office is not included.
TAPE 23, B		
005	Stevenson	Reviews chart of median operating margins of hospitals (1997-2002).
030	Sen. Kruse	Notes that Stevenson's report does not show updated information.
035	Stevenson	Clarifies that the report covers non-critical access hospitals.
045	Stevenson	Reviews chart for change in hospital ownership and consolidation over time, acute patient days market share in tri county hospitals.
055	Stevenson	Reviews coming reports on charity care construction.
063	Sen. Morrisette	Comments on two new hospitals in Springfield and importance of data.
070	Sen. Kruse	Points out that there were issues with Eugene's zoning
080	Stevenson	Comments another matrix report that will be in future report.
085	Stevenson	Comments on quality in hospitals report.
095	Sen. Morrisette	Comments on restrained of trade in a Eugene hospital. Speculates outcome.
115	Stevenson	Comments on McKenzie Willamette hospital in Springfield.
125	Chair Monnes Anderson	Asks Stevenson if she has shared report with Dr. Bruce Goldberg.
128	Stevenson	Answers yes.
130	Sen. Kruse	Asks for next report to show data sources and what factors were used.
160	Chair Monnes Anderson	Comments that hospitals are becoming more aware of cost issue and are looking at ways in becoming more transparent.
170	Sen. Morrisette	Comments on difference in data sources and personal backgrounds.
177	Stevenson	Comments on statistics.
185	Sen. Kruse	Comments on statistics and how people can use them to their advantage.
190	Chair Monnes Anderson	Comments on agenda for February 25th, 2005. Closes informational meeting on behind Oregon's healthcare crisis and adjourns meeting at 2:45 p.m.

EXHIBIT SUMMARY

A. Healthcare Financing Issues for Hospitals, written testimony, Ruth Bauman, 5 pp
B. Healthcare Financing Issues for Hospitals, informational graphs, Ruth Bauman, 2 pp
C. Oregon's Acute Care Hospitals, PowerPoint presentation, Tina Edlund, 23 pp
D. Behind Oregon's Healthcare Crisis, Hospital bills, Elizabeth Stevenson, 2 pp
E. Behind Oregon's Healthcare Crisis, report, Elizabeth Stevenson, 19 pp