

# SENATE COMMITTEE ON HEALTH POLICY

February 28, 2005  
1:00 P.M.

Hearing Room B  
Tapes 27 - 30

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:**  
Hospital Rate Regulation – Informational Meeting  
SB 502 – Public Hearing  
Panel discussion on hospital rate regulation and transparency – Informational Meeting

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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.

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<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>TAPE 27, A</b>		
003	Chair Monnes Anderson	Calls the meeting to order at 1:04 p.m. Opens an informational meeting on hospital rate regulation.
<b><u>HOSPITAL RATE REGULATION – INFORMATIONAL MEETING</u></b>		
035	Robert Murray	Executive Director, Maryland Health Services Cost Review Commission. Submits PowerPoint presentation on the Maryland Hospital Rate Setting System ( <b>EXHIBIT A</b> ).
040	John Colmers	Senior Program Officer, Milbank Memorial Fund. Discusses the origins, history and operations for hospital rate setting in Maryland.
090	Colmers	Continues discussing the origins, history and operations for hospital rate setting in Maryland.
140	Colmers	Continues discussing the origins, history and operations for hospital rate setting in Maryland.
190	Colmers	Continues discussing the origins, history and operations for hospital rate setting in Maryland.
233	Chair Monnes Anderson	Asks who makes up the seven member commission for Maryland's Rate Regulation program.
235	Murray	Answers question.
243	Sen. Kruse	Asks if the member's serve terms with the Governor.
245	Murray	Answers yes, they serve four year terms and are appointed by the Governor.
246	Colmers	Adds how the Governor can remove a member.
252	Sen. Kruse	Clarifies that the Governor cannot remove a member without cause.
255	Colmers	Affirms and states that it has never happened.
257	Sen. Morrisette	Asks to confirm that a consumer advocate is part of the seven member commission.

260	Colmers	States that he believes that there have not been a specific member as a consumer advocate and adds that there has been a labor leader.
265	Murray	Clarifies that there have been consumer advocates in the past and how positions can vary.
267	Sen. Morrisette	Comments that there should be a position for just consumer advocates.
270	Murray	Describes the background of the Governor's selecting well qualified citizens and how they bring their expertise to the commission.
275	Colmers	Discusses the benefits of having a smaller commission.
300	Colmers	Continues discussing the origins, history and operations for hospital rate setting in Maryland.
350	Colmers	Continues discussing the origins, history and operations for hospital rate setting in Maryland.
400	Colmers	Continues discussing the origins, history and operations for hospital rate setting in Maryland.
430	Colmers	Discusses operational dynamic for Maryland's hospital rate setting program.
<b>TAPE 28, A</b>		
010	Sen. Morrisette	Comments on patients who owe tremendous amounts of money to hospitals.
015	Colmers	Discusses how Maryland hospitals set rates and that there is a provision for uncompensated care for people without health insurance.
030	Chair Monnes Anderson	Verifies that hospitals have different rate settings and that the commission works with each hospital.
035	Colmers	Affirms. Provides further explanation.
045	Colmers	Continues to discuss operational dynamic for Maryland's hospital rate setting program.
055	Colmers	Continues discussion of the origins, history and operations for hospital rate setting in Maryland.
075	Sen. Kruse	Clarifies that commission regulates what the hospitals charge, but do not regulated what the physicians charge for services in the hospital.
077	Colmers	Affirms.
080	Sen. Kruse	Asks if that is the same with surgical centers.
082	Colmers	Answers that it depends on the location of the center and provides further clarification.
095	Sen. Kruse	Comments on the large cost from physicians and how they are not regulated in Maryland. Asks how it is not an issue if it is unregulated.
097	Colmers	Answers that the physicians' charges are 40 percent. Notes that it is a big cost and provides further explanation.
120	Colmers	Continues discussion of the origins, history and operations for hospital rate setting in Maryland.
170	Colmers	Continues discussion of the origins, history and operations for hospital rate setting in Maryland.
200	Colmers	Review charts for cost per Equivalent Inpatient Admissions (EIPA) and hospital uncompensated care.
230	Chair Monnes Anderson	Asks Colmers to explain the chart again.
232	Colmers	Re-explains.
247	Sen. Morrisette	Asks if people with low incomes paying medical bills, receive

		time allowances.
250	Colmers	Explains how the commission designed a hospital incentive system.
260	Sen. Morrisette	Re-clarifies question.
265	Colmers	Answers re-clarification.
267	Sen. Morrisette	Confirms that there is nothing to preclude patients who are unable to pay medical bills, from the hospital filing a lien on their home.
271	Colmers	Answers no.
272	Sen. Morrisette	Explains that he is questioning the system to make sure that it is geared to helping people make payments.
274	Colmers	Comments on hospitals being able to pay for patients who cannot, so long as they are collect payments from patients that can. Also comments that more people file for bankruptcy due to incurred medical costs.
278	Chair Monnes Anderson	Believes that in Oregon, 50 percent –plus or minus 5 percent- of the people who file for bankruptcy are due to medical care costs. Asks witnesses if they know the percentage for Maryland.
283	Colmers	States that he does not, but adds that medical costs is the number one reason nationally for people who file for bankruptcy.
285	Colmers	Discusses hospital mark-up in Maryland.
335	Colmers	Continues discussion of hospital mark-up in Maryland.
373	Sen. Kruse	Asks for the percentage of business from Medicare and Medicaid in Maryland.
380	Colmers	States that Medicare is on the chart.
381	Sen. Kruse	Clarifies question.
385	Colmers	Defers to Murray.
387	Murray	Answers that in terms of revenue, Medicare is 45 percent, Medicaid is 13 percent, uncompensated care is 8 percent, and the balance is commercial.
398	Colmers	Review chart for Hospital excess profit margins in Maryland.
433	Sen. Kruse	Asks what would be under the category of unregulated activities.
435	Colmers	Provides examples.
443	Sen. Kruse	Assumes that Johns Hopkins Hospital in Maryland, receives a large amount of foundation money.
447	Colmers	States that like other academic medical schools, it is separated from the actual hospital.
457	Sen. Kruse	Asks how hospital foundations and fundraisers are categorized.
462	Colmers	Answers questions about regulated versus non-regulated categories.
<b>TAPE 27, B</b>		
010	Colmers	Discusses how some of the hospitals in Maryland and around the nation, lost money with unregulated services.
013	Sen. Morrisette	Asks if they have examples of hospitals buying land around their facility and leasing it out for profit.
020	Colmers	States that he cannot think of an example.
023	Colmers	Discusses the Medicare waiver in Maryland.
065	Sen. Kruse	Asks why West Virginia has had failure obtaining the Medicare waiver
070	Colmers	Answers that he does not know and speculates.
085	Sen. Kruse	Comments on the need to have the waiver to keep the system operating.
088	Colmers	Adds that waiver has kept the system in operation in Maryland.
105	Colmers	Provides overview of Maryland's hospital rate setting system.

140	Colmers	Discusses factors for political coalition and key success factors.
165	Sen. Kruse	Comments on problem with emergency rooms in Oregon and asks if it is addressed by the commission in Maryland.
173	Colmers	Answers that it is addressed within the commission and elaborates.
200	Murray	Begins discussing data and reporting with the rate setting system.
250	Murray	Continues discussion on data and reporting with the rate setting system.
290	Rick Berkobien	Committee Administrator. Asks how healthcare professionals' salaries compare.
296	Murray	Answers that there is variation and elaborates.
310	Colmers	Clarifies that Maryland is at the national average.
315	Murray	Discusses timeliness with data and reporting with the hospital rate system.
345	Murray	Discusses rate setting methodologies.
395	Murray	Continues discussing rate setting methodologies.
417	Sen. Kruse	Asks if there are general rates, Intensive Care Unit (ICU) for example, or if there are other structured rates within a department.
425	Murray	Answers that it is a general rate and provides a further explanation.
430	Sen. Kruse	Clarifies that no matter what they are in the hospital for, the rate is the same.
432	Colmers	Answers clarification.
450	Murray	Provides another example. Continues discussion on rate setting.
<b>TAPE 28, B</b>		
003	Sen. Kruse	Confirms that it designed for patients to receive exams that are needed.
008	Murray	Defers to later section.
010	Murray	Continues discussing rate setting methodologies.
060	Murray	Continues discussing rate setting methodologies.
078	Sen. Kruse	Asks if there is a conflict between what the doctor prescribes and what the patients receives.
090	Murray	Explains what impacts the patient's quality of care.
105	Murray	Continues discussing rate setting methodologies.
155	Murray	Summarizes and concludes
160	Sen. George	Asks how the rate setting program compares to other states.
168	Colmers	Explains how that has never been compromise for quality of care.
172	Murray	Adds statistics on other states and elaborates.
180	Sen. George	Asks if Maryland considers rate adjustments.
185	Murray	Answer that it depends on the hospital and the issues involved.
195	Sen. Kruse	Ask why the waiver was cancelled.
203	Colmers	Speculates.
218	Sen. Kruse	Questions why the federal government is not allowing waivers anymore if it is saving them money.
220	Colmers	Explains that the waiver is still available.
225	Chair Monnes Anderson	Asks why other states stopped rate setting programs.
227	Colmers	Speculates.
231	Murray	Adds that New York stopped and speculates why.
236	Colmers	Comments on other states in comparison to Maryland.
253	Sen. George	Comments on Maryland's approach and asks if rate setting could be duplicated.
258	Colmers	Explains that the system was built for the state and that Oregon

		needs to design it best for Oregonians.
275	Chair Monnes Anderson	Closes informational meeting on hospital rate regulation and recesses meeting at 2:54 p.m.
<b>TAPE 29, A</b>		
010	Chair Monnes Anderson	Reconvenes meeting at 5:34 p.m. Opens public hearing on SB 502.
<b><u>SB502 - PUBLIC HEARING</u></b>		
025	Rick Berkobien	Committee Administrator. Explains the bill.
030	Lynn-Marie Crider	Service Employees International Union, Local 49. Introduces herself.
040	Joe DiNicola	President, SEIU 503 Oregon's Public Employee Union (OPEU). Submits and presents in support of SB 502 ( <b>EXHIBIT B</b> ).
090	Joe DiNicola	Continues to testify in support of SB 502.
100	Crider	Submits and presents written testimony to explain and provide support for SB 502 ( <b>EXHIBIT C</b> ).
145	Chair Monnes Anderson	Refers to sub section three (3) of SB 502. Asks healthcare facility representatives would be not involved in the rate setting commission.
155	Crider	Answers question.
160	Crider	Continues to explain the bill.
190	Chair Monnes Anderson	Asks Crider to repeat where more clarification is needed.
192	Crider	Re-states the section.
195	Chair Monnes Anderson	Clarifies that that the intent of the bill is to cover the ambulatory surgical centers.
197	Crider	Responds yes.
200	Sen. Morrisette	Refers to lines seven (7), eight (8), nine (9), on page one (1) of the bill. States that the section is not clear enough and it needs to be more specific.
204	Crider	Explains why the bill uses broad wording.
207	Sen. Morrisette	Again, states that the section could be clearer.
209	Crider	Continues to explain bill and address concerns.
230	Chair Monnes Anderson	Asks Crider to refer to line numbers instead of section numbers.
232	Crider	Continues to explain each section of the bill.
265	Berkobien	Asks if there will be extra provisions for the Oregon Health Policy and Research Office.
270	Crider	Answers, minimal. Elaborates.
330	Crider	Provides recommendations of the bill.
380	Crider	Refers to list of recommendations in testimony.
410	Crider	Summarizes and concludes.
455	Maribeth Healey	Oregonians for Health Security. Submits and presents written testimony in support of SB 502 ( <b>EXHIBIT D</b> ).
<b>TAPE 30, A</b>		
015	Healey	Continues to discuss support of SB 502.
050	Steve Dixon	Oregon State Public Interest Research Group (OSPIRG). Submits and presents written testimony in support of SB 502 ( <b>EXHIBIT E</b> ).
085	Martin Taylor	Oregon Nurses Association. Testifies in support of SB 502.
125	Tim Nesbitt	Oregon American Federation of Labor – Congress of Industrial Organizations (AFL-CIO). Testifies in support of SB 502.
160	Ellen Penny	Submits and presents testimony in support of SB 502 ( <b>EXHIBIT F</b> ).
230	Ken Rutledge	Oregon Association of Hospitals and Health System. Submits

		and presents written testimony in opposition to SB 502 <b>(EXHIBIT G).</b>
290	Rutledge	Continues to provide reason for opposition to the bill.
340	Rutledge	Continues to provide reason for opposition to the bill.
390	Rutledge	Continues to provide reason for opposition to the bill.
420	Rutledge	Summarizes and concludes.
<b>TAPE 29, B</b>		
003	Chair Monnes Anderson	Asks for the percentage of the costs from uninsured patients.
005	Rutledge	Provides percentages from 2002 and 2004.
022	Chair Monnes Anderson	Comments on hospital's bad debt and the uninsured. Comments that amounts are still too much Oregonians. Adds that they want to find a program that works for Oregonians and cut costs that are being driven up. Adds that SB 502 is a start and hospitals need to address how to cut costs.
047	Rutledge	Comments on current Oregon statistics. Comments on rate regulations and the federal benefits Maryland receive. States that cost drivers need to be addressed first.
095	Chair Monnes Anderson	Asks to confirm that the cost driver is from low reimbursement rates.
100	Rutledge	States that that is one of many. Comments on other cost drivers.
135	Rutledge	Comments on per diem for Oregon and other states.
155	Chair Monnes Anderson	Closes public hearing on SB 502 and opens informational meeting for panel discussion on hospital rate regulation and transparency.

**PANEL DISCUSSION ON HOSPITAL RATE REGULATION AND TRANSPARENCY –  
INFORMATIONAL MEETING**

168	Murray	Discusses other features of the rate setting program in Maryland.
220	Colmers	States that Murray and himself are not testifying in support or opposition of SB 502, but to answer questions. Comments on differences and similarities from Maryland to other states.
270	Chair Monnes Anderson	Refers to a previous comment by Rutledge on costs. Asks if Maryland hospitals rates paid for themselves.
278	Colmers	Asks the Chair if she is referring to regulatory costs or the additional cost of Medicaid.
280	Chair Monnes Anderson	Answers both. Comments on higher reimbursement rates in Maryland then it is in Oregon. Asks if a fee is charged
283	Colmers	Responds yes with Medicare.
285	Chair Monnes Anderson	Asks to clarify if they charge a fee to hospitals to run the program.
286	Murray	Answers that they are financed through user fees. Elaborates
295	Chair Monnes Anderson	Asks how much is from the general fund.
296	Murray	Answers, none.
300	Chair Monnes Anderson	Asks Murray or Colmers to clarify the difference of Medicare between Maryland and Oregon.
310	Colmers	Explains the difference.
332	Chair Monnes Anderson	Comments on number of companies dropping health insurance and asks for the uninsured rate in Maryland.
340	Colmers	Answers that it is about 13 to 14 percent.
343	Chair Monnes Anderson	Asks for the percentage of uninsured in Oregon.
345	Colmers	Answers about 17 percent. States that Maryland's uninsured rate has remained consistent, unlike Oregon's recent spike.

347	Chair Monnes Anderson	Comments that it has been due to the Oregon's Health Plan (OHP).
350	Rutledge	Speculates that it was from a recession.
358	Colmers	Comments on Oregon's increase in cost of bad debt and charity care and why Maryland addresses them both under uncompensated care, instead of separately.
385	Berkobien	Comments on shorter stay in hospitals in Oregon and asks why that may be.
390	Colmers	Provides speculation.
404	Berkobien	Asks why Oregon has a shorter stay than in Maryland.
406	Colmers	Explains that it is not a huge difference, and may be due to differences in medical practice.
432	Sen. Morrisette	Discusses start up costs for Oregon. Asks what kind of waiver Oregon could obtain without paying 200 million dollars.
450	Colmers	Answers question.
<b>TAPE 30, B</b>		
020	Rutledge	Clarifies previous comments on Medicare reimbursements.
045	Colmers	Suspects that it would still cover the uninsured patients.
048	Sen. Morrisette	Asks how a fiscal statement would be prepared and comments on start up costs.
058	Colmers	Explains how Maryland started out.
070	Chair Monnes Anderson	Clarifies that hospitals in Maryland were originally in agreement with the rate setting program. Asks how many hospital officials were on the commission originally and if there was a majority.
073	Murray	Answers that the law in Maryland and in SB 502, prohibit a majority of people who are connected with hospitals. Asks Colmers if there were healthcare officials on the first board.
075	Colmers	Answers, yes.
080	Sen. Morrisette	Asks who ran the hospitals when rate regulation started.
082	Colmers	Answers that it was Hospital Trustees and provides further explanation.
085	Sen. Morrisette	Asks to explain their motivation again.
090	Colmers	Answers question.
094	Sen. Morrisette	Asks how Oregon should set up in terms of hospital trustees.
098	Rutledge	Answers question.
112	Sen. Morrisette	Clarifies question.
115	Rutledge	Answer clarification.
137	Colmers	Comments on quality of staff in the hospitals in Oregon.
155	Colmers	Comments on failures of other states regulating the hospital rates.
172	Sen. Morrisette	Asks what mistakes West Virginia made that Oregon could avoid.
178	Colmers	Suggests that it would be worthwhile to research the information. Offers to return information to the committee.
195	Murray	Comments on Maryland's timing implementing the hospital rate regulation.
210	Chair Monnes Anderson	Comments on need for transparency for hospitals.
230	Rutledge	Comments on possible website of hospital costs.
240	Sen. Morrisette	Comments on community hospitals in Springfield that have closed and that consolidation hurts small hospitals to benefit the larger hospitals.
275	Rutledge	Comments on consolidation of hospitals.
290	Chair Monnes Anderson	Expresses concern for high costs of healthcare.

**EXHIBIT SUMMARY**

- A. Hospital Rate Regulation, PowerPoint presentation, Robert Murray, 20 pp**
- B. SB 502, written testimony, Joe Nicola, 2 pp**
- C. SB 502, written testimony, Lynn-Marie Crider, 7 pp**
- D. SB 502, written testimony, Maribeth Healey, 1 p**
- E. SB 502, written testimony, Steve Dixon, 2 pp**
- F. SB 502, written testimony, Ellen Pinney, 9 pp**
- G. SB 502, written testimony, Ken Rutledge, 11 pp**