

SENATE COMMITTEE ON HEALTH INSURANCE AND BIOETHICS

April 16, 1991                      Hearing Room C 3:00 p.m.                      Tapes 59 - 61  
MEMBERS PRESENT: Sen. Bob Shoemaker, Chair Sen. Joyce Cohen, Vice  
Chair Sen. Jeannette Hamby Sen. Lenn Hannon Sen. Frank Roberts VISITING  
MEMBER: Senator John Kitzhaber STAFF PRESENT: Barbara Coombs,  
Committee Administrator Mark Sigel, Committee Assistant MEASURES  
CONSIDERED: SB 1077

These minutes contain materials which paraphrase and/or summarize  
statements made during this session. Only text enclosed in quotation  
marks report a speaker's exact words. For complete contents of the  
proceedings, please refer to the tapes. -

TAPE 59, SIDE A

Witnesses:            Chad Cheriell, Office of Health Policy Kevin Concanon, OR  
Department of Human Resources Larry Aviady, Hyster Company 000 CHAIR  
SHOEMAKER: Calls meeting to order at 3:20 on SB 1077.

012 BARBARA COOMBS: Explains bill. Part of the bill is sunseting of  
the certificate of need program. There will be a needs assessment  
throughout the state. There would also be a comparative review of those  
entities who have proposed to meet additional needs for more hospital  
beds, equipment or programs in order to determine which entities could  
best and most efficiently meet the needs. Submits (EXHIBITS A and B),  
the dash one and dash two amendments. 080 CHAD CHERIEL, OFFICE OF  
HEALTH POLICY: Submits (EXHIBIT C) which explains that the bill does not  
create a massive bureaucracy and does not interfere with the technology  
services already in place. It will avoid extensive unnecessary  
overcapitalization in Oregon's health care system. The certificate of  
need system has been subverted by legal challenges. Reliance on  
competition has led to price increases across the state.

153 KEVIN CONCANNON, OREGON DEPARTMENT OF HUMAN RESOURCES: We support  
this bill because of the importance of containing costs. The Oregon  
Association of Hospitals and SENATE COMMITTEE ON HEALTH INSURANCE AND  
BIOETHICS April 16, 1991 - Page 2

the Department of Human Resources recently settled a lawsuit which  
requires the state to cover 85% of the capital costs associated with the  
provision of inpatient services to Medicaid patients. 200 CHAIR  
SHOEMAKER: Do you know what proportion of those capitol expenditures  
would be reimbursed to the providers via Medicaid funding? Clearly they  
don't get it all back.

208 CONCANNON: No, they don't get it all back. Medicaid is only a small  
part of hospitals' revenue sources. 227 SENATOR HANNON: I'd like to  
know what the cost increases were before the certificate of need (CN)  
process and what they have been under the certificate of need process.  
Also, it would be helpful to point out what the average cost of getting  
approval was under the CN process. 239 SENATOR ROBERTS: We should also  
then subtract whatever the hospitals spend trying to overturn the CN  
decisions. 236 LARRY AVIADY, HYSTER COMPANY: Health care costs now  
amount to 11% of our payroll. Health care costs are one of the most  
expensive components of building our product. 330 SENATOR HAMBY:  
Doctors who own X-ray machines ordered 4 and a half times more imaging  
tests and their fees were 4.4 to 7.5 times higher per test than doctors  
who referred patients to radiologists. It's clear that doctors have  
incentives to order certain procedures and charge more for them. But

there is nothing in this bill to address this particular problem, is there? 345 CHERIEL: That's right. 369 SENATOR ROBERTS: What do we expect quantitatively from this bill? 380 CHERIEL: In one study 60 to 70% of inflation adjusted costs are attributable to technological equipment costs. So whatever we do in this respect will be helpful.

TAPE 60, SIDE A

Witnesses: Robert Gootee, Oregon Dental Service Health Plan Gordon Labuhn, Business Group on Health Doreen Grove, US Bank Alice Dale, Bargaining Unit benefits Board Scott Haas OR Health Underwriters Association Ellen Pinney, Oregon Health Action Campaign 022 ROBERT GOOTEE, OREGON DENTAL SERVICE: We support SB 1077 because it's an attempt to reduce costs. Submits (EXHIBIT D) which explains that the average health indemnity plan increased in cost 22% in the US in 1990. This breaks down as follows: 9% for medical inflation; 6% due to cost-shifting, 3% for increased utilization, 3% for new technology and 1% for other miscellaneous things. 070 CHAIR SHOEMAKER: Equipment used in the dental profession is probably not affected by this bill, correct? . . . . lbesc minutc~ contain mAterials which peraphmsc end/or sommerizc ststemcmts mede durioq this essAIon. Only text enclosed in quotation marl 8 repoa 8 spcatcr's exact words. For complete contents of the proceedings, plersc refer to the tapes. SENATE COMMITTEE ON HEALTH INSURANCE AND BIOETHICS April 16, 1991 - Pllge 3

073 GOOTEE: Correct.

077 GORDON LABUHN, BUSINESS GROUP ON HEALTH: Submits (EXHIBIT E) which explains that they strongly support legislation designed to control the proliferation of hospitals, equipment and programs. The old certificate of need program had limited success at best. We support eliminating civil penalties and replacing that with a new voluntary public process that promotes logical planning. We strongly support SB 1077.

146 DOREEN GROVE, US BANK CORPS: Strongly supports SB 1077. Dramatic changes need to happen soon. US Bank does not now support SB 790 but we have been looking closer and closer at a Canadian style single payor system. 210 SENATOR ROBERTS: How would your company respond if insurance companies would not provide for third party payments for any services not covered under the OR Basic Health Services Program? 235 GROVE: An employer may choose to provide a richer benefit plan than the Basic Health Services Plan and that is what US Bank will probably do. 250ALICE DALE, OREGON PUBLIC EMPLOYEES UNION AND BUBB: We've spent a lot of time trying to control costs through BUBB activity. So we support SB 1077 because it is so essential to have some means of controlling costs with the sunseting of the certificate of need program. While most investments create a multiplier effect of value, a \$1 million investment in an MRI does not necessarily result in \$2 or \$3 million worth of value. It's questionable whether these machines, used on a massive basis, create much value for society at all. 309 SCOTT HAAS, OREGON HEALTH UNDERWRITERS ASSOCIATION: We do support this bill. We understand what the duplication of technology does to health care costs and insurance premiums. 350 ELLEN PINNEY, OREGON HEALTH ACTION CAMPAIGN: Supports SB 1076 and submits (EXHIBITS F and G) which explains that SB 1077 gives Oregon the power it needs to control the redundant proliferation of expensive medical technology and excess institutional capacity.

TAPE 59, SIDE B

Witnesses: William McMillan, ABCT, Inc. Joan Mahler, Sisters of Providence Tim Goldfarb, OHSU Scott Gallant, Oregon Medical Association  
030 WILLIAM MCMILLAN, ABCT, INC.: Supports SB 1077 and submits (EXHIBITS H and I) without SB 1077 access to health care services will be favored over cost containment and costs will continue to rise. ABCT, Inc. provides mobile medical services to hospitals in Oregon, Washington and Northern California. We provide Magnetic Resonance Imaging, Computerized Axial Tomography, Color Echo Cardiography, Laser lithotripsy and Extracorporeal Shock Wave Lithotripsy.

SENATE COM - 11EE ON HEALTH! INSURANCE AND BIOETHICS April 16, 1991 - Page 4

080 CHAIR SHOEMAKER: How do you think SB 1077 will affect your business?

085 MCMILLAN: During the certificate of need program our business continued to grow we found our market niche. We think this would also be the case under SB 1077.

088 SENATOR HANNON: How much competition do you have? 089 MCMILLAN: Anyone who runs a lithotripter or an MRI is a competitor

100 SENATOR HANNON: The bill has a cap of \$500,000. Are people then going to find methods to buy elements or components to get under the \$500,000 limit? 110 MCMILLAN: Hospitals and entrepreneurial organizations are creative and persistent in attempting to put together programs that meet the letter of the law, rather than the spirit of the law. 118 SENATOR HAMBY: How many partners do you have?

124 MCMILLAN: ABCT is owned by four individuals. 155 JOAN MAHLER, SISTERS OF PROVIDENCE: Submits (EXHIBIT J) which explains that her health care group opposes the bill because it would impose a costly and cumbersome planning and review process that is limited in scope. Instead, they support the continuation of the existing certificate of need program. 243 SENATOR ROBERTS: Can you submit to the committee a document showing how you've reduced costs as a result of operating an integrated, managed care delivery system? 248 MAHLER: We would sure like to be able to do that. We can show how our average cost per admission compares to that of other hospitals. 267 TIM GOLDFARB, OHSU: Presents (EXHIBIT K) which explains that he opposes the bill. OHSU takes the position that capital expenditures should be controlled through a more focused review and approval process. 380 CHAIR SHOEMAKER: I'm confused why you oppose SB 1077 in view of your comments. How would you feel about the bill if it would create a single health resources commission (similar to the Health Services Commission) that it is manageable in size and autonomous of the Legislature?

390 GOLDFARB: I'd be inclined to support it. 415 SCOTT GALLANT, OREGON MEDICAL ASSOCIATION: Opposes SB 1077.

TAPE 60, SIDE B Witnesses: Jim Gardner, Oregon Health Care Association Ed Patterson, Oregon Hospital Association

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete content of the proceedings, please refer to the tape. SENATE COMMITTEE ON HEALTH INSURANCE ~ BIOETHICS April 16, 1991 - Page 5

Steve Telfer, Legacy Health Systems

040 SENATOR ROBERTS: When is your organization going to be concerned about inflation before we are off the cliff of medical costs?

058 GALLANT: Real increases in physician income between 1982 and 1989 ranges from 1.8% to 3.2% per year which is not that much. 110 SENATOR ROBERTS: I think it is very significant that an organization as intimately involved with provision of health care as the OMA is not willing to accept their responsibility for helping to control costs. 122 SENATOR HAMBY: Would the OMA undertake a report on what they could do to reduce duplicative or unnecessary care provision and medical equipment usage?

138 JIM GARDNER, OREGON HEALTH CARE ASSOCIATION: We support the certificate of need program. We are in opposition to this bill.

178 ED PATTERSON, OREGON HOSPITAL ASSOCIATION: Submits (EXHIBIT L) which asserts that SB 1077 walks and talks like a certificate of need program and it is a certificate of need program and we don't like it. Our biggest problems with the bill include the moratorium on new equipment and services and the lack of standards for planning committees. Uncompensated care and undercompensated care accounts for 20 to 25% of hospital costs. We think that if everyone would pay full cost for the care they choose to get at hospitals then we would be containing costs. 375 STEVE TELFER, LEGACY HEALTH SYSTEM: Submits (EXHIBIT M) which explains that the certificate of need program just hasn't worked. TAPE 61, SIDE B Witnesses: Bruce Bishop, Kaiser Permanente Skip McGinty, Kaiser Permanente

007 TELFER: SB 1077 is nothing more than a certificate of need program and CN programs haven't worked because they haven't had enough teeth. 015 SENATOR ROBERTS: We should put some more teeth in SB 1077 then. 079 BRUCE BISHOP, KAISER PERMANENTE: Opposes SB 1077. 090 SKIP MCGINTY, KAISER PERMANENTE: Certificate of need does not work. Opportunities for saving big money are not in getting reducing equipment purchasing and usage but in eliminating unnecessary surgery. 165 CHAIR SHOEMAKER: Adjourns the hearing.

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the taper SENATE COMMITTEE ON HEALTH INSURANCE AND BIOETHICS April 16, 1991- Page 6

Submitted by: Reviewed by: Mark Sigel Barbara Coombs  
Assistant Administrator

EXHIBITS A - SB 1077-1, Coombs, 4 pages B - SB 1077-2, Coombs, 4 pages C - 1077 Testimony, Cheriell, 8 pages D - 1077 Testimony, Gootee, 2 pages E - 1077 Testimony, Labuhn, 3 pages F - 1077 Testimony, Pinney, 4 pages G - 1077 Testimony, Pinney, 2 pages H - 1077 Testimony, McMillan, 2 pages I - 1077 Testimony, McMillan, 2 pages J - 1077 Testimony, Mahler, 4 pages K - 1077 Testimony, Goldfarb, 2 pages L - 1077 Testimony, Patterson, 3 pages M - 1077 Testimony, Telfer, 4 pages N - 1077 Testimony, Governor's Commission, 4 pages O - 1077 Testimony, Klare, 2 pages

LLcac minutes contain materials which paraphtasc and/of summatizc slatements made duting this session. Only text enclosed in quotation marh repon a speaker's exact words. For complete contents of the ptoceedings, please refer to the tapes.