

Senate Health & Welfare Committee – Pay Equity Testimony – 04/17/2015

Amy Cooper, Executive Director, Healthfirst – Vermont's Independent Practice Association

Hi I'm Amy Cooper, the executive director of Healthfirst, Vermont's association of independent physicians. we represent about 160 independent physician members across the state.

I'm here to address the issue of the payment differentials that exist between independent physicians and hospital-employed physicians who are providing the same service.

Because of different fee schedules, doctors in independent practice are paid less for the same procedure than doctors in hospital-owned practices. Unsurprisingly, this has resulted in hospitals buying up physician practices, in order to profit from this arbitrage, and independent physicians selling their practices to hospitals to remain afloat:

From a patients perspective, one day they are seeing their independent dermatologist who BCBS pays (\$109) for a skin biopsy of a single lesion the next week the independent practice becomes hospital owned and now the charge is \$349 paid by BCBS and the patient is on the hook for the whole amount if deductible not reach, or the higher co-insurance if deductible has been met. Keep in mind that these physician offices are on par in the community and are not hospital based. This payment difference creates a financial incentive for hospitals to purchase independent physicians' offices and convert them to HOP facilities without changing their location or patient mix.

99213 - \$77 vs \$178.

SKIP These pay differentials between independent and hospital employed physicians have become dramatically worse in Vermont over just the last couple of years because now nearly all the privately insured patients are on the BC BS community fee schedule, with starkest payment differentials. At the end of 2013, Vermont Managed Care, a plan which paid equal rates to unvmmc-employed and independent physicians was dissolved, also in 2013 the state moved all its employees over to the BCBS community fee schedule, and in October of 2013, thousands of patients were made to purchase insurance on the exchange, taking on BCBS as their insurer.

What we are advocating for is that the legislature ensures that private insurers make equal payments to physicians for providing the same services. This would mean redistributing the current money in the system for professional services fairly, for example by choosing a median rate pay all physicians for the same CPT code. (You may hear that rates for unvmmc are so much higher because they need to pay for graduate medical education, but the truth is that many independent physicians teach residents and get paid nothing for it, and unvmmc has at least 5 other large revenue streams to support their education mission).

The reason we believe this ought to be fixed now is that patients are paying the much higher rates directly through deductibles and co-pays when independent practices are forced to sell their practices to hospitals to remain in business. Patients are also harmed when independent physicians reluctantly decide to leave the state because reimbursement rates are too low to sustain a business. When this happens Vermonters not only lose access to these services, and they lose the CHOICE to receive care in a more personal, flexible physician-owned practice.

We believe this issue needs to be addressed now, because our independent physicians are being forced to sell to hospitals or go out of business at an alarming rate. In Vermont, we have only about 25-30% of our physicians in independent practice and that number is declining; that's compared to nationally where 60% of physicians remain in private practice.

There are a variety of ways this issue could be addressed The problem could also possibly be addressed as part of an all-payer payment model here in Vermont, and indeed equitable pay for the same services is on the table in all-payer model discussions, however there are no guarantees that such a model will ever be implemented here.

We are proposing a statutory solution because we believe this is the most straightforward, transparent, fair, and timely way of addressing the issue before it's too late.

Sec 15 of S135

*(b) A health insurance plan shall reimburse a participating **physician-level provider who is licensed under 26 VSA Chapter 7, 10, 23, 33 or 81** and who is providing a covered health care service that is within his or her scope of practice at the same rate as applied to other physician-level providers providing the same covered health care service.*

(c) Subsection (b) of this section shall not affect a health insurance plan's:

*(i) Implementation of a health care quality improvement program that offers separately identifiable enhanced payments designed to promote cost-effective and clinically efficacious health care services, including but not limited to pay-for-performance payment methodologies and other programs if they are fairly applied and available to **all physician-level providers licensed under 26 VSA Chapter 7, 10, 23, 33 or 81** that are designed to promote evidence-based and research-based practices; and*

(ii) Authority to pay in-network providers differently than out-of-network providers.