MEMO

FROM: AMY COOPER, EXECUTIVE DIRECTOR, HEALTHFIRST

RE: SENATE AMENDMENT TO H.29

BACKGROUND: Large health systems and hospitals have unequal bargaining power with commercial insurers, which allow them to command reimbursements that are far higher (often 200-300% greater) than the reimbursements paid to independent physicians for providing the same services. This leads to an inability for independent practices to economically compete or survive. Consequently, dozens of independent doctors have either gone out of business, left the state, or been acquired by hospitals in the last few years.

- 29 independent practices, that we know of, have been acquired since 2009
- 40 independent physicians have left state, retired early, closed practice, or sold to FQHC or Hospital, in the past 18 months
- Independent doctors play a vital role in health care system
    - provide an option for patients who want to provide care outside a hospital system
    - provide critical primary care services in many rural counties
- While reimbursements to our hospital systems increase above the rate of inflation every year for the past several year; reimbursements to independent doctors have increased by 1-2% *in total* over the past 7 years.
- Independent practices are Vermont small businesses that employ hundreds of Vermonters. The cost of their employee's health insurance has risen by 100% over the past 7 years
- 6,000 children in Franklin County were left with out a regular doctor when Mousetrap Pediatrics and Franklin County Pediatrics (independent practices) closed their doors in December 2015
- Vermont has a dearth of independent practices to begin with, with only 15% of doctors here are in independent practice (300 / 1,933), compared to 50% of doctors nationally (according to research from the American Medical Association)

HISTORY OF THE ISSUE IN THE VERMONT LEGISLATURE:

- ACT 144 of 2014 charged the Secretary of Administration with recommending whether the State should prohibit health insurers from reimbursing physicians in independent practices at lower rates than those at which they reimburse physicians in hospital-owned practices. In November 2014 the Administration offered a report to legislature with some data, but no recommendation.

- ACT 54 of 2015 asked the Green Mountain Care Board to review plans for "fair and equitable" reimbursement to be submitted by commercial insurers no later than July

1, 2016. The plans submitted by insurers included no timelines or commitments to provide equitable payments, however they did reveal significant payment disparities.

- ACT 143 of 2016 required the GMCB to update the legislature on progress towards achieving fair and equitable reimbursement by December 1, 2016. The GMCB's report said that the issue could be addressed later, under an ACO / All Payer Waiver, but no timelines or commitment to help ensure equitable payment was offered.

ANALYSIS OF H.29:

1) **In addition to independent doctors, for the majority of community hospitals this proposal will likely lead to an increase in rates**, particular those community hospitals in the most rural parts of the state. This is because most of these hospitals are reimbursed by Vermont's dominant insurance provider, Blue Cross Blue Shield, for professional fees at a comparable rate to independent providers.[1] [2]

2) Is limited to reimbursements for professional services provided. **Facility fees are not included in this language**. If small community hospitals are getting paid extra facilities by commercial payers for services, they could continue to get those even when this bill passes and a plan is developed and implemented by the Green Mountain Care Board.

3) The bill is limited in scope to tasking the Green Mountain Care Board, after working with all of the stakeholders, to come up with a plan to achieve fair and equitable payments for independent doctors to the maximum amount achievable.

4) Following the lead of Medicare this bill will require "site neutral" professional fee payments to those practices that are prospectively acquired by hospitals, taking away the incentive for independent physicians to acquire practices then immediate charge consumers the higher rates that hospitals are able to leverage through their unequal bargaining power.

[1] Report on Payment Variation in Physician Practices, November 26, 2014 presented to the Health Care Reform Oversight Committee by Robin Lunge, Kara Suter, & Steve Kappel: "The findings in this report illustrate that the majority of payers in Vermont do not reimburse hospital-owned office practices higher on average than physician-owned office practices for the 10 most common procedure codes for primary care services. [However] The analysis found some variation in the commercial market attributable to [UVM Health Network] academic medical center affiliation."

[2] GMCB Act 143 of 2014, Section 4 Report to the Legislature, February 1, 2017 finding: "BCBSVT reimburses physician practices that become affiliated with an academic medical center (AMC) by the higher AMC fee schedule. Physician practices that affiliate with a **community hospital** generally do not see a change in the BCBSVT fee schedule."