



News from:
COMPTROLLER KEVIN LEMBO

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**COMPTROLLER LEMBO TESTIFIES ON HEALTH CARE COST
TRANSPARENCY AND FACILITY FEES**

Comptroller Kevin Lembo, who oversees the state's health care plan, testified today in support of four legislative proposals to eliminate inappropriate health care fees and provide patients with greater access to information about health care costs and quality so that they can make informed health care choices.

Lembo's office is conducting investigations into the use of so-called "facility fees" by certain health care providers, as well as similar cost disparities that relate to increasing hospital and provider consolidation.

In testimony to the state legislature's Public Health Committee, Lembo recommended measures to prohibit inappropriate facility fees and supported proposals to review significant price variations in the market across providers, and establish transparency tools that would allow patients to determine which providers offer the most quality and affordable care.

"The changing landscape calls for an in-depth evaluation of the state's oversight, regulation and infrastructure that oversees and supports our health care system to ensure the best quality and value care for Connecticut residents," Lembo said. "Many of the proposals being heard today and other initiatives being discussed this legislative session would help us to better understand and respond to some of the cost issues related to hospital and provider consolidation."

Senate Bills 809 and 993, An Act Concerning Facility Fees

Lembo, who oversees a health plan serving hundreds of thousands of state and municipal

employees, retirees and their dependents, has been investigating the use of “facility fees” across Connecticut.

Facility fees are charges submitted by certain health care facilities to cover overhead costs and materials associated with providing care. They are in addition to professional fees, which cover the cost of professional services provided.

In general, facility fees provide a mechanism for hospitals and certain outpatient facilities to charge for the overhead costs they incur for procedures performed at the facilities they maintain. An issue has developed when facility fee charges are applied to professional services that do not require special facilities.

Lembo’s investigation has found that the practice of implementing new facility fee charges at provider offices that historically only billed professional fees has occurred at some health care systems – but is not widespread.

To prohibit inappropriate facility fees, Lembo recommended that the state adopt new policies – similar to what Anthem recently instituted – stipulating that facility fees charged in a professional provider office location are not eligible for reimbursement. Anthem also now rejects any claims with facility fees that are billed with office visit evaluation and management codes.

“I would like to note that while the vertical consolidation of our health care system may not be resulting in significant proliferation of new locations charging facility fees, my office remains concerned that market concentration will drive health care costs higher,” Lembo said. “There is significant evidence that suggests hospital mergers lead to higher prices.”

Senate Bill 810, An Act Establishing a Special Commission of Provider Price Variation

Lembo testifies that he supports the establishment of a Special Commission on Provider Price Variation and urged the Public Health Committee to consider including the Office of the State Comptroller as part of the commission.

“Through review of the claims data for the state employee plan, my office has identified significant price variation across providers,” Lembo said. “Price variation has a significant impact on costs, especially in the context of a fee-for-service system in which there is little incentive for providers to consider costs when making referrals.

“It is hoped that as the reimbursement system continues to move toward shared savings and global payment models that the incentives will shift and patients will be referred to high-

value providers – high quality, low cost – thereby improving the efficiency of our health-care system. The existing price variation results in an increased cost to the health-care system as a whole, resulting in higher costs for employers and individuals alike.”

Senate Bill 813, An Act Concerning Health Care Price, Cost and Quality Transparency

Lembo also testified in support of a measure to improve health care price, cost and quality transparency in the state.

“Adequate cost and quality information is essential in a world where we are asking patients to be directly involved in their care and providers to take on risk based upon the total cost of care for their attributed patients,” Lembo said.

In order for price and quality transparency to be effective, Lembo said such tools must be easy to understand – and consumers want cost and quality information that is specific to their circumstances.

“When done right, it allows patients to get the most value out of their health care dollars, improving outcomes and reducing costs,” Lembo said.

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