

PERSPECTIVE

Promoting Health Care Transparency and Competition



State Blocking Medical Competition

Number 2006-7

By Kevin T. Kavanagh

On July 2, The [Commonwealth Journal in Somerset published](#) a front-page article that provided insight into how the Fletcher administration is monitoring and controlling rising health care costs and how it determines whether an area needs a certificate of need for an additional hospital to control costs through competition.

After talking with Jeff Barnett, director of the state's Certificate of Need Office, the paper's editor concluded that if a hospital's income is not more than 50 percent above the state average, the hospital would not be overcharging. However, the state does not use the prices charged to determine whether competition is necessary. [Instead, it uses hospital revenues.](#)

Since Medicaid and Medicare dilute the average revenue of hospitals across the state, we estimate that in our area, charges to patients with private or no insurance would have to be as high as 200 percent above the norm before the criterion is triggered and we can get another hospital.

To put it another way: If health care were gasoline, it would have to cost \$8 a gallon in southeastern Kentucky before Frankfort would allow another gas station to open and lower the price with competition.

The newspaper did not mention that [the regulation](#) also requires all the hospitals in surrounding counties to meet the certificate-of-need criterion before a new hospital can be built.

This would make it virtually impossible to build another hospital in Pulaski County, which is surrounded by counties that have hospitals. I am perplexed as to why the state had to perform an in-depth study over two months to determine this when the regulations are written in such away that it is almost impossible to build another hospital anywhere in Kentucky.

The service-area definition does not make sense medically and is [not in the requirements for expansion](#) or relocation of existing hospitals, only for the construction of additional ones. This serves only to promote the status quo and protect existing hospital corporations at the expense of Kentuckians' health.

In counties that are without a hospital, this is even more critical. The regulations are not only inhibiting competition but are preventing acute-care hospitals from being built in Jessamine and Bullitt counties.

Jessamine County's bid for an acute care hospital was recently turned down. Instead, the county was approved for two acute ambulatory care centers, which combined will cost more than building the proposed acute-care hospital. Ambulances cannot stop at these facilities but by law must speed past them across county lines.

I can think of no greater example of wasting health care resources and not providing the needed protection to the

Summary
(Total Word Count 731)

The State of Kentucky by Using Hospital Revenues Instead of Charges to Judge Hospital Cost Effectiveness Grossly Under Estimates the Cost of Hospital Care to the Consumer.

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citizens of Kentucky, than what is taking place in Jessamine County.

One hospital in Eastern Kentucky, according to the [Institute for Health and Socio-Economic Policy using 2003 to 2004 data](#), has a charge-to-cost ratio of over 600 percent that is more than two and a-half times the national average. This hospital is in a county surrounded by counties that also have hospitals, and thus, a certificate of need for an additional facility could not be issued.

Health savings accounts are key to the future of health care in Kentucky. They are based on competition. To make them work, consumers must have easy access to reliable information regarding health care costs and quality.

Kentuckians do not need information on costs that is diluted by using revenue data and that hides the

actual prices. Kentuckians do not need virtual monopolies in rural and suburban areas resulting in little or no choice of health care provider.

The prices charged to the insurance company are often protected from public scrutiny by non-disclosure clauses in contracts between insurance providers and hospitals. However, patients are paying a larger and larger percentage of the cost and may even pay all of the initial charges

with their health savings accounts.

Kentuckians should know what the charges are on the front end and be able to compare prices between facilities.

Other data that also should be readily available to the consumer include:

- Nurse-to-patient staffing ratios.
- Infection rates.
- Rates of bed sores and ulcer formation.

Why is it that in health care, a service vital to us all, prices are hidden and competition stifled? If the Fletcher administration is serious about being "focused on the task of making Kentucky a better place to work and live," (Courier Journal 7/7/2006) drastic changes must be made in the administration's health care policy.

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This article is an edited version of an article that appeared in the Lexington Herald Leader on July 31, 2006

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