Copies w/ Rep Wellerwoof's comments

Subcommittee on Health Care Costs
6/18/97 Senator Rose states that the Subcommittee is not looking at long term care. Otherwise plans to look at costs and access.

John Gray, CON

CON does not control costs or increase access. Held a series of 5 public hearings. Last hearing on price competition. 2 Experts testified - Dr Price - Ga & Dr Morrisey - Alabama Both testified CON is not effective.

Home Health is an example. 1990 - 115 prov. 1995 - 115 providers. Costs increased 78% in 5 years - increased people & costs.

Access - CON not effective for 2 reasons.

1. CON has no mechanism for assuring access. PRT7 example - Can't solicit applications. Private market determines where services are needed.

2. In attempts to control costs, CON actually limits access. Example - Open Heart Surgery. Had app. for ___ & was turned down on quality - not enough procedures.

Concludes that KY CON doesn't control costs or increase access.

Charlie Kindall, State Health Planning,
& David Meachum

1980's - Tremendous activity in Ky for health planning. Ky retained CON.
37 other states still have some form of CON.

1985 - Hospital occupancy 60% statewide
1995 - " " 44.1% "
and only 100 more beds.

none of this had to do with the State health Plan.

Had to do with how services are paid for.

→ CON has been effective in creating barriers & has slowed growth which has slowed cost increases

David Meachum -
Says his report was aimed more at costs (not access).

CON has not controlled costs.

Most CON criteria now are for controlling growth. CON only controls a portion of MRI's (ones in doctor's office are not regulated).

Summary - CON is focused more on control & not increasing access

Sen. Rose - said staff has had difficul
in getting info. from other states that
have done away w/ CON. Says it
sounds like Cabinet would recommend
doing away w/ CON or revise it.
What else would they recommend?

John Gray - Control quality through
regulation - licensure & accreditation.

Access - CON is a barrier. By doing
away w/ CON will increase access.

Costs - Managed Care & get away from
cost based reimbursement

Charlie Kendall - Practitioners of health
care will control quality.

→ Rep Damon - What do you think will happe
if we do away w/ CON & Resp
cost - based reimbursement?

→ John Gray - Costs to Medicaid prem
will escalate. Example - Home Health
when federal req. changed.

Rep Damon - there is not much we can
do about cost-based reimbursement
unless the feds. go along. Therefore,
maybe look at CON but don't get
away with.
Has Cabinet ever done cost study

John Gray - no

Rep Damron - said there is a 10 bed PC home that has to meet the same regulations as 100 bed facility & these costs are too high.

Rep Burch - Home Health, PRTF, Open Heart

Says Cabinet is not telling the whole truth about CON. All of these need to be regulated. If they do away with CON, Ky will never get any services in rural areas. Something should be done to help get services in rural areas.

Managed Care caused hospital occupancy rates to decline - had nothing to do with CON

If Ky does away w/ CON there will be nursing homes all over added & the tax payers will have to pay for it. Ky should do something else to control costs

Rep Viedesirmps - CON has failed in 4 of the 5 things its supposed to do.

John Gray - yes, helps control quality but this could be done through licensure

Rep Wilkerson – Trend is for the market place to control costs.

John Gray – Over the years, CON has been diluted by the Legislature + courts. #30 million projects are going through, yet more health is controlled. CON dwindles + chokes on goats. Micromanage

Rep Wilkerson – CON is very costly because it is so closely litigated + requires an army of attorneys. Does not control costs or increase access

Rep Burch – How does competition work in health care? How can someone on the spending table shop for services.

John Gray – Managed Care Plans shop for their patients

Julie Rose – What we have now is not creating competition. Instead, it's creating monopolies.

Rep Burch – Do doctors have privileges at all hospitals. How can competition work if the physician can only refer to one hospital

Rep Wilkerson – Competition has never been given a chance to work in KY. Should

have health insurance and a medical Savings Account so they are spending their own money

Rep Damron - The reason competition doesn't work for health care is we don't have an open market. The only thing doing away w/ CON in Ky is going to do is break the Budget and tax payers can't afford this

Rep Simon - agrees w/ Rep Damron — keep CON & Medicaid Services — if we don't protect Medicaid there will be no money after 6 months

T. — on Task Force 2.000 — looking at requiring people to obtain long term care insurance - The state and tax payers do not owe people to pay for their final years in the nursing home.