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The following is an interpretation by Health Watch USA of handwritten notes from an LRC Staff member who attended the Kentucky Subcommittee on Health Care Costs. Please consult the original document to check our interpretation. Items in () are interpretations of poorly written entries and have a higher likelihood of being in error. Please review the source document before making any conclusions from this document.

Note: PRTF: Psychiatric Residential Treatment Facilities

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## **Subcommittee of Health Care Costs 6/1(8)/97**

Senator Rose states that the subcommittee is not looking at long term care. Otherwise wants to look at costs and access. Agrees with Rep Heleringer's comments.

### **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 – (??) and Dr. Morrissey – Alabama both testified CON is not effective.

Home Health is an example. 1990 – 115 (providers), 1995 – 115 providers. Costs increased 78% in 5 years – increased people and costs.

Access – CON not effective for 2 reasons.

1. CON has no mechanism for () access. PRTF example – can't solicit applications. Private market determines where services are needed,
2. In attempts to control costs, CO(N) actually limits access. Example – Open heart surgery had app. for (redacted) and was turned down on quality – not (??) procedures.

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

### **Charlie Kindall, State Health Planning and 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% State Wide  
1995 – Hospital Occupancy 44.1% State Wide  
and only 100 more beds.

Had to do with how services are paid for. None of this had to do with the State Health Plan.

CON has been effective in creating barriers and 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 MRIs, (ones in doctor's office are not regulated).

Summary – CON is focused more on control and not increasing access

### **Sen. Rose**

Said staff has had difficulty in getting info. from other states that have done away with the CON. Save it sounds like cabinet would recommend doing away with CON or revise it. What else would they recommend?

### **John Gray**

Control quality through regulation -- licensure and accreditation.

Access – CON is a barrier. By doing away with CON will increase access.

Costs – Managed care and get away from cost based reimbursement.

### **Charlie Kendall**

Purchasers of health care will control quality.

### **Rep Damron**

What do you think will happen if we do away with CON and keep cost – based reimbursements?

### **John Gray**

Costs to Medicaid program will explode. Example – Home Health when federal regs. changed.

### **Rep Damron**

There is not much we can do about cost – based reimbursement unless the feds. go along. Therefore, maybe look at CON but don't do away with.

Has cabinet ever done cost benefit study (????)

**John Gray**

No

**Rep Damron**

Said there is a 10 bed P.C. home that has to meet the same regulations as 100 bed facility and these costs are too high.

**Rep Burch**

(???) cabinet is not telling the whole truth about CON. All of these (Home Health, PRTF, Open Heart) 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 with CON there will be nursing homes all over added and the tax payers will have to pay for it. KY should do something else to control costs.

**Rep Heleringer**

CON had 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 Heleringer**

Trend is for the market place to control costs.

**John Gray**

Over the years, CON has been diluted by the legislature and courts. \$30 million projects are going through, yet home health is controlled. CON swallows camels and chokes on gnats. Micromanages.

**Rep Heleringer**

CON is very costly because it is so closely litigated and 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 operating 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 physicians can only refer to one hospital.

**Rep Heleringer**

Competition has never been given a chance to work in KY. Should (mandate ??? ??? in the state has to) 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 with CON in KY is going to do is to break the budget and tax payers can't afford this.

**Rep Herron**

Agrees with Rep Damron – Keep CON on Medicaid services – If we don't protect Medicaid, there will be no money after 6 months.

? – On Task Force 2000 – 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.