

PA 14-168

SB35

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2014**

**VOL.57
PART 21
6912 – 7260**

mhr/md/ch/cd/gm
HOUSE OF REPRESENTATIVES

551
May 7, 2014

Representative Aresimowicz.

REP. ARESIMOWICZ (30th):

Thank you -- thank you very much, Mr. Speaker.

Mr. Speaker, I move we immediately transmit any items acted upon in the House waiting further action in the Senate.

SPEAKER SHARKEY:

The motion is for immediate transmittal of all bills needing further action in the Senate.

Is there objection? So ordered.

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker.

I know we're not done yet, but for a journal notation just to record that Representative Larry Miller is ill and is not voting today. Thank you, sir.

SPEAKER SHARKEY:

Thank you, sir.

Mr. Clerk, will you please call Calendar 544.

THE CLERK:

House Calendar 544, favorable report of the joint standing committee on Judiciary, Substitute Senate Bill 35, AN ACT CONCERNING NOTICES OF ACQUISITION,

JOINT VENTURES AND AFFILIATION OF GROUPS MEDICAL
PRACTICES.

SPEAKER SHARKEY:

Representative Ritter.

REP. RITTER (38th):

Good evening, Mr. Speaker.

SPEAKER SHARKEY:

If you can pause for a second until we get this
on the board.

Thank you, Mr. Clerk.

Please proceed.

REP. RITTER (38th):

Good evening, Mr. Speaker.

Mr. Speaker, I move for the joint committee's
favorable report and passage of the bill in
concurrence with the Senate.

SPEAKER SHARKEY:

Question's on acceptance of the joint committee's
favorable report and passage of the bill in
concurrence with the Senate.

Will you remark, madam?

REP. RITTER (38th):

Thank you, Mr. Speaker.

Mr. Speaker, by quick explanation, there are two amendments on this bill. The first one is Senate Amendment "A." I might like to call it and it will be immediately followed by Senate "B," which will strike Senate Amendment "A."

The Clerk has in his possession an amendment, LCO Number 4106. I ask that he call it and that I be allowed to summarize.

SPEAKER SHARKEY:

Will the Clerk please call LCO 4106, which was previously designated as Senate Amendment "A."

THE CLERK:

Senate "A" 4106 introduced by Senator Looney, et al.

SPEAKER SHARKEY:

The gentleman seeks leave of the Chamber to summarize. Is there objection?

Seeing none, you may proceed with summarization, madam.

REP. RITTER (38th):

Thank you, Mr. Speaker.

Mr. Speaker, I move adoption.

SPEAKER SHARKEY:

The question before the Chamber is adoption.

Will you remark?

Representative Srinivasan on Senate "A."

REP. SRINIVASAN (31st):

Good evening, Mr. Speaker.

I rise here in strong support of this amendment.

Thank you, Mr. Speaker. .

SPEAKER SHARKEY:

Thank you, sir.

The question before the Chamber is adoption of
Senate Amendment "A."

Will you remark further?

If not, let me try your minds. All those in
favor of Senate Amendment "A," please signify by
saying aye.

REPRESENTATIVES:

Aye.

SPEAKER SHARKEY:

Those opposed, nay.

The amendment is adopted.

Representative Ritter.

REP. RITTER (38th):

Mr. Speaker, the Clerk has in possession an
amendment LCO Number 5690, I ask that he call it and I
be allowed to summarize.

SPEAKER SHARKEY:

Will the Clerk please call LCO 5690, which has been previously designated Senate Amendment "B".

THE CLERK:

Senate "B" LCO 5690, Martin Looney, et al.

SPEAKER SHARKEY:

The gentleman seeks leave of the Chamber to summarize.

Is there objection?

Please proceed, madam.

REP. RITTER (38th):

Thank you, Mr. Speaker.

Mr. Speaker, this amendment, which effectively becomes the bill, has been the subject of an awful lot of discussion this year in front of the General Assembly. It basically concerns required notice of acquisitions, joint ventures and affiliations of group medical practice that be given to the Attorney General.

In addition, Mr. Speaker, it adds some additional transparency to the certificate-of-need process in cases where hospitals are undergoing a transfer of ownership. I move adoption.

SPEAKER SHARKEY:

The question before the Chamber is adoption of
Senate Amendment "B".

Will you remark?

Senate Williams.

REP. WILLIAMS (68th):

Thank you, Mr. Speaker. Good evening, again.

Just briefly in support of the amendment and,
then, of course, the underlying bill. I want to thank
some folks who got involved in this issue, obviously,
Representative Ritter, the Governor's office, Senator
Fasano, Senator Looney, Representative Srinivasan,
Representative Sawyer, and others have been
particularly involved in this bill.

Here we are. We find ourselves on the last night
of session within one hour to go for the second time
in a row in the last two years. We are talking about
this very complex issue, but I think it is the product
of good bipartisan compromise. We -- many of us
recognize the need for this legislative change in
order for a for-profit entity to be enable to be
involved in a medical foundation in Connecticut. I
think that it is -- would have been possible had we
not passed this law but this certainly tightens up the
language, gives us some additional protections with

regard to this CON process on acquisition of doctors practices, and this strikes the right balance so that we can move forward and several hospitals can wind up actually being rescued financially as a result of this bill.

So thanks to all those who are involved. I would urge members to support the amendment and the underlying bill. Thank you.

SPEAKER SHARKEY:

Thank you, sir.

Would you care to remark? Would you care to remark further?

Representative Janowski.

REP. JANOWSKI (56th):

Thank you, Mr. Speaker.

I rise to just comment on the underlying bill. I want to thank leadership and the Governor for placing a number of good protections in this bill. It's come a long way; however, I do have a small community hospital in my community that is currently in the -- being purchased. And I'm not sure that a for-profit conversion is the best for my hospital. So I thank you what you have done and what the Governor has done; however, I will not be supporting the bill.

SPEAKER SHARKEY:

Thank you, madam.

Would you care to remark further on Senate
Amendment "B"?

Representative Belsito.

REP. BELSITO (53rd):

Thank you, Mr. Speaker.

I'd like to speak a little bit on this bill. In my area, we have two hospitals that are now on the verge of going out of business. This bill makes it complicated for them to be taken over by a private corporation. Without this takeover, we will see these two hospitals fail within two years. I hope you give that some consideration because we will be without any hospital within our area.

It's time to let business go on. This is America. And if the hospital can be taken over and run profitably, more power to them.

Thank you very much, Mr. Speaker.

SPEAKER SHARKEY:

Thank you, sir.

Would you care to remark further on Senate
Amendment "B"?

If not, let me try your minds. All those in favor of Senate Amendment "B," please signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER SHARKEY:

Those opposed, nay.

The ayes have it. The amendment is adopted.

Would you care to remark further on the bill as amended? Would you care to remark further on the bill as amended?

If not, staff and guests to the well of the House. Members take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll. Will members please return to the chamber immediately.

SPEAKER SHARKEY:

Have all the members voted? Have all the members voted? Members please stay close to the chamber. We have a half an hour left. Lots of work to do. Please stay close to the chamber.

If all the members have voted, the machine will
be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Senate Bill 95, as amended by Senate "A" and "B"
in concurrence with the Senate.

Total Number Voting	147
Necessary for Passage	74
Those voting Yea	143
Those voting Nay	4
Those absent and not voting	4

SPEAKER SHARKEY:

The bill passes, as amended, in concurrence with
the Senate.

Will the Clerk please call Calendar 527.

THE CLERK:

House Calendar 527, favorable report of the joint
standing committee on Judiciary, Senate Bill 237, AN
ACT PROHIBITING THE STORAGE OR DISPOSAL OF FRACKING
WASTE IN CONNECTICUT.

SPEAKER SHARKEY:

Representative Albis.

REP. ALBIS (99th):

Thank you --

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Thank you. The General Law Committee will meet tomorrow morning 15 minutes before the start of the first session. Looks like it's the House, but 15 minutes before the start of the first session. It's outside the hall of the House, we're considering one bill. Thank you, Mr. President.

THE CHAIR:

Thank you. Any other announcements or points of personal privilege? If not, Madam Clerk, return to the call of the Calendar.

THE CLERK:

On page 10, Calendar Number 286, Senate Bill 35. AN ACT CONCERNING NOTICE OF ACQUISITIONS, JOINT VENTURES, AND AFFILIATIONS OF GROUP MEDICAL PRACTICES. Joint Favorable Report, Public Health.

THE CHAIR:

Thank you. Senator Gerratana.

SENATOR GERRATANA:

Good evening, Mr. President.

THE CHAIR:

Good evening.

THE CHAIR:

Thank you. Mr. President, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

THE CHAIR:

On acceptance of passage. Will you remark, Madam?

SENATOR GERRATANA:

Thank you, Mr. President. Mr. President, this bill requires parties to certain transactions that change the business or corporate structure of a medical group

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practice to notify the attorney general. Mr. President, the Clerk has an amendment. Will he please call LCO Number 4106?

THE CHAIR:

Madam Clerk.

THE CLERK:

LCO 4106. Oops. Amendments. Senator Looney, Senator Gerratana, and Senator Fozziano.

THE CHAIR:

Fasano. Senator Gerratana.

SENATOR GERRATANA:

Thank you, Mr. President. Mr. President, I move adoption of the amendment.

THE CHAIR:

On adoption, will you remark?

SENATOR GERRATANA:

Thank you, Mr. President. This amendment expands the certificate of need requirements to include transfers of ownership of a group practice to a hospital or hospital system, captive professional entity, medical foundations, or other entities that are owned by or affiliated with a hospital. Thank you, Mr. President.

THE CHAIR:

Thank you, Senator. Will you remark further on the amendment? Will you remark further on the amendment? If not I'll try your minds. All those in favor please signify by saying aye.

SENATORS:

Aye.

THE CHAIR:

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All those opposed anyway. The ayes have it.
Amendment "A" is adopted. Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President. Mr. President, I would move that the bill as amended be referred to the Appropriations Committee.

THE CHAIR:

Thank you, Senator. So ordered.

SENATOR LOONEY:

And also, Mr. President, move that the bill be immediately transmitted to that committee, and not held.

THE CHAIR:

Thank you. Without objection so ordered. Madam Clerk.

THE CLERK:

Page 10, Calendar Number 287, Senate Bill 257. AN ACT CONCERNING HEPATITIS C TESTING.

THE CHAIR:

Senator Gerratana.

THE CLERK:

And there are amendments.

THE CHAIR:

Senator Gerratana.

SENATOR GERRATANA:

Thank you, Mr. President. Mr. President, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

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CONNECTICUT
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**PROCEEDINGS
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**VETO
SESSION**

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Senator Witkos, will you yield, sir? Senator Witkos, will you yield, sir to Senator Looney.

SENATOR WITKOS:

I apologize, Madam President. Yes, I'll yield to Senator Looney.

THE CHAIR:

Thank you. Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. And if we might pass that bill temporarily and then if the Clerk would call as the next item from Calendar Page 36, Calendar 286, Senate Bill 35.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On Page 36, Calendar 286, Substitute for Senate Bill Number 35 AN ACT CONCERNING NOTICE OF ACQUISITIONS, JOINT VENTURES AND AFFILIATIONS OF GROUP MEDICAL PRACTICES. Favorable Report of the Committee on Public Health. Senate Amendment Schedule "A" has been adopted.

THE CHAIR:

Senator Gerratana.

SENATOR GERRATANA:

Thank you, Madam President. Madam President, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

THE CHAIR:

Motion is on acceptance and passage. Will you remark, ma'am?

SENATOR GERRATANA:

Yes, thank you, Madam President. Madam President, the Clerk has an amendment, LCO Number 5690. If he would call and I be allowed to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO Number 5690, Senate "B", offered by Senators
Looney, Gerratana and Fasano.

THE CHAIR:

Senator Gerratana.

SENATOR GERRATANA:

Thank you, Madam President. I move adoption.

THE CHAIR:

Motion is on adoption. Will you remark, ma'am?

SENATOR GERRATANA:

Yes, thank you, Madam President. Madam President, the Amendment before us is a strike-all Amendment, and I am going to go briefly through each section just so members know what's going on.

Section 1 involves transactions between, I'm sorry, transactions involving physician group practices. This was in the original Senate Bill 35. These are reporting mechanisms to the Attorney General.

There's also a reporting mechanism for transactions involving hospitals in Section 1, and then additionally finally in that Section 1 is also a reporting mechanism for affiliated group practices that are 30 or more physicians to file a written report with the AG on a yearly basis and the criteria for that report.

Section 2 and 3 regard medical foundations. In Sections 2 and 3 we establish that medical foundations are both, are always nonprofit, but that they may be established by for-profit or nonprofit hospitals, health systems and medical schools.

We also in that section separate out and define what for-profit foundations, those entities who are for profit can found by way of a medical foundation and also nonprofit medical foundations. It delineates a structured and, a structured way to do so and directs both nonprofit and for profit how to go about doing that.

Section 4 is the right to be treated by a doctor of patient's choice. This is very appropriate if you're a patient in a hospital. You can ask that your own physician, probably your primary care physician be able to see you and treat you in the hospital setting.

Section 5 and 6 are a certificate of needs. There is some requirements under this. We changed our certificate of needs statute. One is the transfer of ownership of a group practice of eight or more physicians to any entity and that establishes, adds that to our certificate of needs statutes.

We also have some changes under the CON. The bill requires OCHA to also consider some other findings and produce findings on whether the applicant has satisfactorily demonstrated that the proposal will not harm the diversity of healthcare providers and patient choice.

In Section 8 there is a CON review time and hearing and the bill sets the length of time that the Office of Healthcare Access has to review applications for a certificate of need involving certain transfers of group practices and specifies when OCHA must hold those hearings.

Sections 9 and 11 for nonprofit hospital conversions and our statute there, that there be a hearing. In Section 9 there is a hearing on a CON determination letter once that is issued, that there would be a hearing on the contents of the determination letter

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and the hearing would be held in the municipality -
where the new hospital would be located.

Section 10 is conditions on approval. The bill specifically allows the Commissioner and Attorney General when approving an application to place any conditions on their approval that relate to the purposes of the conversion law.

Section 11 is factors in DPH Commissioner's determination. We just add the word high quality after there's a statement in there about assuring continued access to affordable healthcare and also high quality. High quality usually goes to structures and improvements to the hospital.

The bill also specifies that the continued access is after accounting for any proposed change impacting hospital staffing.

Madam President, I hope the Chamber will approve this adoption, this Amendment. Thank you.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

Thank you, Madam President. I want to thank Senator Gerratana and Senator Welch for the work on this matter.

I also want to thank a number of people that made this happen. This has been going on for almost two weeks if not better. Madam President, Dina Berlin at the Democrat Senate Office, Jim Maturowski and the Republican Office, the Governor's Office, Mark Ajakian and Luke Terry, I said Terry already. Of course, Marty Looney and I have worked on it and if I didn't mention it, I think I did, Sean Williams.

Madam President, we were in a position that this Legislature could either lack the will to do something. I also should mention the Attorney General's Office, Bob Clark, who was extraordinarily

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helpful in putting this matter together. Everybody, LCO, everybody had their hands in this.

Madam President, we could have done nothing and sat back and wait to see what happened in the corporate world with profit hospitals and foundations, see what litigation shook out and we would wake up in November, I should say, January and February to either something that was a total mess, perhaps it worked or perhaps it didn't.

But with this piece of legislation, we are a controller of our destiny. We get to go forward in a manner that best suits the healthcare need of the State of Connecticut.

Madam President, Obamacare, whether it's good or bad, the Affordable Care Act, has created vertical integration. The business market and the hospitals have responded to that vertical integration.

Our current laws did not allow that to respond in the for profit world. This gives that ability to happen.

Madam President, this is a big step forward. I will say this, unequivocally, this Legislature by passing this, and I think it will pass in the House, needs to watch what's going on. This is moving at record pace. We need to be aware and we need to react, and those people that are involved in this agreement, which is anything between the nonprofit hospitals, the for-profit hospital unions. We want to make sure the union workers are protected, that they're treated fairly in the system.

We want to make sure our patients are treated fairly in this system and we are going to be watching, and to the extent that doesn't happen, this Legislature will react.

So with that, Madam President, I look forward to the passage of this bill and I cannot speak more highly of the bipartisan effort it took to get this, between staff and Legislators and I think this is a good product and that's what we do here in the State of Connecticut. Thank you, Madam President.

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THE CHAIR:

Will you remark on Senate "A"? Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Madam President, speaking in support of the Amendment, wanted to commend Senator Gerratana as the Chair of the Public Health Committee for all of her work throughout the Session on this concept and also Senator Fasano, whose work on this and the amount of hours that he put into helping negotiate this in so many ways with so many parties, I think is a real tribute to the bipartisan effort that he cited.

Also, Dina Berlin, Jen (inaudible) also did a tremendous amount of time in reviewing all of the drafts trying to clarify the language, researching the meaning of particular terms of art that might be used in this area to produce the multiple versions of this bill that finally came together in LCO 5690.

As Senator Fasano said, the problem that we're facing in medical care, at least one of the problems is that the world is changing so quickly, and it is changing in some ways more quickly than we have a chance to contemplate or regulate in terms of public policy.

The act, one of the major concerns --

THE CHAIR:

Ladies and gentlemen. I know the hour is getting late. Our Majority Leader is speaking. Could we please have a little quiet in the Chamber? Thank you.

SENATOR LOONEY:

Thank you. One of the major concerns, Madam President, is the acquisition of medical practices by hospitals and that now under this bill will be subject to a regulatory process of certificate of need to determine issues related to whether sufficient diversity of options will be available in the community when that happens on a large scale.

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So again, I think that the Amendment does address what has become a substantial problem and a substantial challenge in a short period of time and would urge passage of the Amendment, which then in fact, does become the bill. Thank you, Madam President.

THE CHAIR:

Will you remark? Will you remark? If not, I'll try your minds. All those in favor of Senate "A" please say aye.

SENATORS:

Aye.

THE CHAIR:

Opposed? Senate "A" passes. Senate "B"? Senate "B".
I apologize. It was Senate "B" that passed.

Mr. Clerk. Mr. Clerk, will you call for a Roll Call Vote. The machine will be opened.

THE CLERK:

An immediate Roll Call has been ordered in the Senate.
Immediate Roll Call has been ordered in the Senate.

Immediate Roll Call has been ordered in the Senate.
Immediate Roll Call ordered in the Senate.

THE CHAIR:

If all members have voted, all members have voted, the machine will be closed. Mr. Clerk, will you please call the tally.

THE CLERK:

Bill Number 35.

Total number voting	36
Necessary for passage	19
Those voting Yea	35
Those voting Nay	1
Those absent and not voting	0

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THE CHAIR:

The bill passes. Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Madam President, I move for suspension for immediate transmittal to the House of Representatives of Calendar Page 36, Calendar 286, Senate Bill 35.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President. If the Clerk would call as the next item from Calendar Page 29, Calendar 586, House Bill 5402 and after that, or a couple of more items we will have a Consent Calendar to present.

THE CHAIR:

Thank you, Senator. Mr. Clerk.

THE CLERK:

On Page 29, Calendar 586, Substitute for House Bill 5402 AN ACT CONCERNING WAIVERS FOR MEDICAID-FINANCED, HOME AND COMMUNITY-BASED PROGRAMS FOR INDIVIDUALS WITH ACQUIRED BRAIN INJURY.

THE CHAIR:

Senator Bye.

SENATOR BYE:

Thank you, Madam President. I move acceptance of the Joint Committee's Favorable Report and passage of the bill in concurrence with the House.

THE CHAIR:

**JOINT
STANDING
COMMITTEE
HEARINGS**

**PUBLIC
HEALTH
PART 2
547 – 976**

2014

But today we are going to honor our administrator, Beverley Henry, for 20 years of state service. Beverley, come on up. This is for you. Congratulations. I'm sure it won't get three million hits on Twitter. Congratulations, Beverley, we're so delighted for you and we're so very, very lucky to have you here. Your experience lends so much to our Committee and the work that we do.

So I will turn it back over to my co-Chair who will start our hearing.

REP. JOHNSON: And the first people we have here to speak are Secretary Ben Barnes and our Attorney General, George Jepsen. Please come up to the microphone. Welcome.

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SECRETARY BENJAMIN BARNES: Thank you very much. Good morning. It's a great pleasure to be before you today and to be joined by Attorney General Jepsen. I'm going to leave most of the substantive remarks to the Attorney General because I think he has taken -- I think it's fair to say that he -- he has taken great leadership on this issue. His office developed this proposal, and I think it is extremely -- it's extraordinarily timely. When the Attorney General's Office identified that this was an area where they would like to pursue legislation this year, we at OPM and the Governor's Office were immediately convinced that this was a good approach to take.

We have been struggling with how to -- how to understand the changing business of health care in order to ensure that the interests of Connecticut residents, the people on our Medicaid program, the people in private insurance, all Connecticut residents are -- are well protected when they go and seek medical care in -- in -- from all the number of

providers in the state. It's extraordinarily difficult for us to be sure that that is -- that that is happening especially as the -- in the quickly shifting sands of the organization and business of health care. So this -- this proposal is very timely, and I think will -- will give us ultimately the -- a great deal more important tools that we need to -- to understand and -- and ensure the quality and appropriate -- appropriateness of -- of the health care institutions that serve our residents. So I'm going to turn it over to Attorney General Jepsen.

ATTORNEY GENERAL GEORGE JEPSEN: Thank you, Secretary Barnes. I'd like to acknowledge Bob Clark from my staff and all of his excellent work on this -- this issue. Where's Bob? He's always right behind me. I'm testifying in support of Senate Bill 35 which is AN ACT CONCERNING NOTICE OF ACQUISITIONS, JOINT VENTURES, AND AFFILIATION OF GROUP MEDICAL PRACTICES. Connecticut's health care industry is in a state of very rapid change involving integration both horizontally and vertically.

By horizontal integration we're talking about hospitals acquiring other hospitals and spreading out geographically across the state. This has significant antitrust implications. My office has investigated several acquisitions, but we've not found any violations of antitrust statutes to date, but it's something that we monitor very closely. These horizontal -- this horizontal integration is -- is very visible. When two hospitals are going to merge or one is going to be acquired by another, everybody knows about it. And generally speaking it triggers the FTC's investigation as well because of the size and scope of the merger.

Vertical integration of the health care industry in the state is far more subterranean and below ground. It takes place when either physician groups merge together or, more frequently, when a private physician group, an independent physician group is acquired by a hospital. This has very significant implications for health care costs in this state because -- for several reasons. First of all, when an independent physician group is acquired by a hospital, the hospital can then - - is entitled to charge what we call a facility fee, an add-on to the patient's bill. In addition, it's well established that hospitals have far greater bargaining power with insurance companies, insurance providers, and therefore are able to generally negotiate higher rates for -- for the same services.

So you could be a patient who has gone to the same dermatologist or -- or cardiologist for years and years, and you walk in and you don't see them. On the door there's a little sign that says it's been acquired by a particular hospital. And when you get your bill, it's a higher bill for the same service. The professional fee is higher, but also there's a facility fee that's been added to it. The potential for very significant antitrust implications is -- is very strong because quietly we're waking up to the fact that a single hospital by acquiring essentially all of the specialists in a particular area, are creating monopolies across the state in -- in practice areas.

So that -- and I'm not -- I don't want to be specific in any -- I'm not going to offer any specific examples, but the risk is that we're going to wake up a year or two or three years from now and find that virtually -- that monopolies exist on specialties across the

state. The purpose of this bill is to shine a spotlight and illuminate what's going on. It doesn't mean that -- that acquisition of these physician groups is in itself a bad thing. But my office has existing statutory authority to investigate the -- the antitrust implications of these acquisitions, but we don't know they're going on. And so this -- the core of this proposed statute is simply to provide my office with the notice it needs to enforce its existing powers.

And I will conclude by saying that nothing in this bill expands the power that my office currently has. And I would use by analogy, a law that was passed a couple of years ago. My office has power to investigate data breaches where a business or a not-for-profit is hacked into or loses personal data, and my office has the power to investigate and seek protection for the privacy and personal information that's been compromised.

This Legislature, at our request, passed a statute requiring businesses and not-for-profits to notify my office of a data breach so that we could do our job. And the rate of reporting data breaches more than quadrupled with the passage of the law. Instantly the number of data breaches that were being reported shot up and allowed us to do our job to protect consumers. It's our hope that this law will allow us to similarly protect consumers in this -- in Connecticut. Thank you.

REP. JOHNSON: Thank you, so much for your testimony and I really appreciate both of you being here today to work with the Legislature to help us work through some of these very important issues that will really put a change, I think, on the face of how we do health care in

Connecticut over the next several years. So it's very important to -- to us to hear from you about exactly what we should be doing here, how your work is going in the Attorney General's Office and also the Governor's Office, and to make sure that we have done what we need to do to make sure health care delivery systems are -- are providing the same level of care and also that our communities are receiving the kind of health care that they expect and have been expecting over the last several -- hundred years in most instances.

So with that in mind, I'd like you to go into some of the specifics in terms of what -- what your vision is for some of the changes, how you need to make adjustments in the -- in the existing legislation. Even though you say it's not expanding your power, I think it's important for us to hear some of the -- some of the, you know, issues that -- that you foresee us having to deal with and some of the changes that we need to make.

ATTORNEY GENERAL GEORGE JEPSEN: In antitrust matters, it's much easier to prevent something from happening than to unwind it and undo it once it's -- it's passed. And so this proposed legislation would simply allow my office to do its job in being notified of a merger or an acquisition so that we can examine it for the antitrust implications that would take place in that -- that -- the area that the hospital serves. And it would do so in three ways. There's first of all, right now we're -- the federal law is the trigger the Hart-Scott-Rodino Law. The FTC is -- is required to be notified by the hospitals involved in a merger. It only makes sense for us to receive similar notification.

The second -- the second change in the law

would require 90 day notification where there's going to be what we call a material change to a group practice structure. And that essentially covers when group practices merge or when, more frequently when a hospital acquires a group practice. And this allows us simply to have the information available to -- to do the kind of analysis that we're already empowered to do. But we can't -- when we don't find out about these -- these acquisitions, we're not in a position to protect the public's interest.

And the third piece that would require an annual filing by hospitals to report on which physician groups they -- they currently own and administer. This is a -- I think it is a very strong piece of legislation. It is far short of outright regulation that takes place, for example, in other states that might be intrusive. It merely provides my office with the information we need to protect the public interest. There's pieces of it -- I've read the testimony from the -- the hospital association and from the doctors, and there are parts of the bill that -- that we're happy to sit down and -- and work on with them.

For example, you know, where -- instances where the 90-day requirement might be too stringent, and we can look for ways to -- to soften that. Or where the physician groups involved might be very small and there might be some flexibility on how -- how we don't burden unnecessarily small physician practices. But the real thrust of the bill, again, is not to expand any authority I currently have, but merely to provide sunlight to a process so that we can protect the public interest as currently required by law.

REP. JOHNSON: Thank you. And I think that that's very well taken because the funds of the State,

we really need to be concerned about a lot of mergers and acquisitions. We have a very small state here, densely populated, but nevertheless small and having choice for people I think is going to be one of the things that we're going to have to be looking at. So I appreciate your -- your ability to see into the future and -- and bring this forward.

SECRETARY BENJAMIN BARNES: I -- I would add that I think that the data that will be generated from this -- from this bill if passed would be extraordinarily valuable to the -- to the state government as well. In rough terms, state -- the state resources and federal match on those resources account for about \$7 billion worth of health care expenditures in the State of Connecticut every year. We are in -- in many respects the largest or among the largest payer to many providers across the state.

And as we are asked to support health care institutions in one way or another through rate actions, through eligibility changes, and through all the various manifestations of our -- of our support of the health care system, we are forced to make those decisions without complete understanding of the business relationships among those providers. So, for instance, when a hospital makes an assertion about its financial condition, we are often unable to have specific information about the -- the full nature of that hospital's owned or related business entities. So it is -- it is difficult if not impossible for us to evaluate the -- the financial condition of one provider versus another, which we need to do all the time as part of our rate setting and part of our regulatory and budgetary process.

In addition, I am especially concerned about maintaining the -- the ability of our Medicaid

patients to receive care from the provider that they choose. We've done this by increasing rates in the primary care area as recommended in this budget that's before this General Assembly now. We've done it through I think improved management under the ASO system, our provider participation is up. We'd like it to continue to be up, but we need to make sure that we are fully knowledgeable about the business structure of major providers across the state so that we can ensure that the patients that we are providing care for have maximum ability to choose the location and the source of their medical care.

REP. JOHNSON: Those are all very excellent points and they are things that often run through my mind when I'm sitting on this Committee or sitting on the Medical Assistance Policy Oversight Council. These are things that we really have to look at. We have different types of medical service providers popping up in different places, and I often wonder what is the cost of that and how are we diverting funds from one entity to the other. And also what -- what -- how is this, you know, creating either more expense or more difficulties for the existing institutions to operate and provide services with the staffing levels that they need. So these are -- these are very, very excellent points.

My co-Chair has some additional comments.

SENATOR GERRATANA: Thank you, Chair. I just wanted to thank you, Attorney General Jepsen, and, of course, the Governor and you, Ben Barnes, for coming before our Committee today and for raising this very, very important issue. I think it's absolutely required that we understand and that people understand what is happening out there in the marketplace and

the competition. I've talked about this for many, many months, Public Health Committee will be coming out with a bill which will expand a little bit on this pretty soon. Of course, we will have a hearing on it, but this issue and your role, I thank you so much for your leadership in this. It's so important. Thank you so much, Chair.

REP. JOHNSON: Thank you.

Additional questions?

Yes, Representative Srinivasan.

REP. SRINIVASAN: Thank you, Chair. Good morning, Chairs. Thank you very much for coming out this morning too for your testimony. As I look at this, is this one more layer of documentation that the hospital mergers have to do given the fact that they already have to do -- go ahead before the Federal Trade Commission and the Hart-Scott-Rodino Antitrust, all of those requirements have to be met before the merger or acquisition occurs? Are we introducing one more layer or what are we accomplishing with this layer compared to the other ones?

ATTORNEY GENERAL GEORGE JEPSEN: That issue has been raised in certain quarters and (inaudible) it's a red herring. When a hospital lawyers up to acquire physician group, they have to do a lot of work, a lot of paperwork. This adds one piece of paper, a very short of piece of paper to an already long list that they are utterly capable of providing. And this is what allows -- maybe they prefer to operate in the dark, maybe they would prefer to build -- acquire practices across the board so they can -- they do have an effective monopoly in a local area and charge rates as they want. This

is just a piece of paper that alerts my office so it can enforce the law and protect consumers, promote competition, and reduce costs. It's a very valuable piece of paper.

REP. SRINIVASAN: Thank you. And, Chair, if I may, is this a notification to your office or is it pending approval as well?

ATTORNEY GENERAL GEORGE JEPSEN: We're not regulators, there's no approvals required. This is simply shining sunlight onto a process that operates currently in the dark. It provides us with the information we need. And the overwhelming majority of these mergers or acquisitions are going to be approved or are going to pass muster and we won't -- they won't be slowed down at all. But without the information, these mergers or these acquisitions exist, we are powerless to do our job which is to promote competition and reduce costs and protect the public interest.

REP. SRINIVASAN: Thank you, Chair. And one final question, could you -- can you envision a scenario where, in your opinion, antitrust laws have been broken and what would be the plan of action at that particular point towards the hospital or the group if the same information doesn't come from the other organizations obviously they have comply with as well?

ATTORNEY GENERAL GEORGE JEPSEN: Well, if we're provided with the notification and we find through our investigation that antitrust implications do exist, that a monopoly is being created within a particular geographic area in a particular specialty, we can take steps through existing -- the current statutory authority that we have to prevent such a merger from going into -- from taking place. Again as I mentioned earlier, it's easier to stop these

things than it is to unwind them once they've been done. And without -- because this is such a growing issue, this will actually I think create an orderly process that will be helpful to the hospitals and the physician groups because the alternative is, you know, two weeks -- we'll get wind of an acquisition and two weeks before they're expecting to close on the acquisition, we have to send out subpoenas, which we have current authority to do. And talk about disruptive is when you think you're going to close on a deal two weeks later and you're served subpoenas that you by law have to comply with. So this provides an orderly structured process that is not demanding, that does not place any significant or meaningful administrative burden on -- on a hospital doing -- making the acquisition. But it does allow us to protect the public interest.

REP. SRINIVASAN: Thank you very much. Thank you, Chair.

REP. JOHNSON: Thank you:

Additional questions?

Yes, Representative Conroy.

REP. CONROY: Thank you, Chair. And thank you, gentlemen, for bringing this to our attention. I'd just like you to explain to me a little bit more about the 90-day time period, how you arrived at the 90 days. And also when would the effective date of that transaction be, is it the date when you signed the agreement, when the closing is?

ATTORNEY GENERAL GEORGE JEPSEN: It -- it would be, as I understand it, and, Bob Clark, correct me if I'm wrong, the 90 days would clock from when the agreement between the two entities is

executed. The 90 days is a period that we deemed -- strikes a balance between not being burdensome on the parties. These are typically very significant transactions, and they're in the works for a long time before they -- the papers are actually signed. And the -- it's a period that allows us to do our job. Ninety days is a sufficient period of time for us to do an examination.

REP. CONROY: Thank you. Thank you, Chair.

REP. JOHNSON: Thank you.

Representative Ziobron.

REP. ZIOBRON: Thank you, Chair, and good morning. In looking through the -- the bill and some of the testimony regarding the bill, there seems to be an issue regarding the what some perceive as an uneven playing field when it comes to the report that's going to be required on a yearly basis. And I point out that large physician practices are not going to be required to produce that report. So I have two questions relating to this subject.

The first is why aren't those large physician groups being included, and secondly, what are you going to do with the report? I find often myself I get yearly reports emailed to me as a Legislator, and, you know, it just seems like it's -- it's an exercise. But what are you really going to do with the information once it's received? So I'd like to specifically know what you're going to do with the information that you receive on a yearly basis?

ATTORNEY GENERAL GEORGE JEPSEN: You raise a good question about the large physician groups and I'd be -- I'd be flexible to including them in the legislation as well. I think that's a

very -- that's a good insightful point. With respect to the information itself, as Secretary Barnes said, state government puts \$7 billion into the health care industry in the state. You know, we -- these are taxpayer dollars that are being spent, and it is our job to make sure that they are being spent wisely.

In this rapidly changing world of -- of health care delivery in the state with the rapid consolidation and integration that's taking place, we need to have a roadmap of how the health care industry is -- is structured. This is what allows us to understand what's going on in New Haven. You know, Saint Raphael's has been acquired essentially by -- by Yale. How -- how widespread in dermatology, oncology, cardiology, how -- what's the level of concentration of all these specialties under one roof? And so it allows us to understand where the competition can exist. And so it's -- it's information that we don't have because they operate in the -- in the dark right now. And it would -- it's helpful to us again to enforce the laws that we are -- we're supposed to be enforcing.

Let me just repeat one thing, that data breach law, it's incredible what happened. You know, when there's a data breach, you know, some not-for-profit loses, a hospital loses patient records, or some business gets hacked into and your -- your Social Security numbers or your credit card numbers are -- are stolen, our job is to follow up with the business, find out if -- if, in fact, consumers' information was compromised, is it a situation of no harm, no foul, what -- what was -- what is being done by the business to make sure that this doesn't happen again, is it appropriate that they be fined for their -- their negligence? With the notification, so we're -- we're there -- it's

our job to protect consumers.

With the passage of the law two years ago that requires a notification to my office, the number of disclosures quadrupled overnight. And so that means that it's not because there are more -- more businesses were getting hacked into, it's that we're being provided the information we need to protect consumers. And this is an exact parallel.

REP. ZIOBRON: Thank you, and if I could continue, Chair, data breach is a touchy topic for me, sir, and that's because the State of Connecticut had an enormous data breach where the Department of Labor released 1099 forms to folks and shared their Social Security numbers with complete strangers. So, you know, I certainly understand how important it is to protect our information. And I would like to see more done to explain that issue at DOL. But since you brought it up, I just have to let you know. And my constituents are very upset that their data was shared from the State of Connecticut.

If I could just go back, I'd like to know -- I don't think you addressed or maybe I didn't understand you, specifically what you're going to do with the report -- that yearly report. Besides reviewing it, so is the intent to once a year review it so you can understand who is in practice, to see if there's a shortage maybe in one area? I'm trying to understand what you're going to do with the actual report that's given to you once a year.

SECRETARY BENJAMIN BARNES: I would add a couple of things. There are a number of initiatives going on around state government and within the community of interest around health care and health care reform that have to do with

understanding who -- who the providers are
There's an all-payor claims database being
developed under the auspices of Access Health
CT. There are initiatives around physician
licensing and improving the technology
surrounding physician licensing in the
Department of Public Health.

I know there are -- there's a widespread
interest that I think a number of folks will
testify to you today as an indication of the
interest in -- in the health community in
understanding the -- the -- who the -- who the
providers are and what their relationships are
with one another. So I suspect that the
information, at least speaking as someone
outside the Attorney General's Office, we
will -- we will collect that information from
them on a periodic basis in order to maintain
our records up to date as to who those
providers are and -- and what has changed.

I think the health care advocate will
undoubtedly be very interested in this so that
they can be aware of the -- of the, you know,
when their interested in a transaction
involving one health care provider that they
understand the relationship of that provider to
other organizations in the state. So I think
there are a lot of users who will -- who will
use it either for individual investigations or
analysis of individual cases or for maintaining
accurate, complete data -- data on the -- the
entire portfolio of providers across the state.

ATTORNEY GENERAL GEORGE JEPSEN: Just to illustrate
and perhaps be a little clearer, information in
a vacuum is -- is just a distraction. And so
let's say Hospital X sends us a notice that
they've acquired a physician group of four
dermatologists, let's say. Four
dermatologists, that's a big area no big deal.

But what if with that information in that annual report, we can discern that that hospital already owns 24 other dermatologists - - employs 24 other dermatologists and this is the last independent physician group that's not affiliated with the hospital. The -- that annual report provides the context by which we can evaluate and understand the implications of any particular deal.,

REP. ZIOBRON: Thank you very much. Thank you, Chair.

REP. JOHNSON: Thank you.

Yes, Senator Welch:

SENATOR WELCH: Thank you, Chair. Thank you both for coming to testify this morning. I truly believe there's some noble goals in here, but I also think some legitimate concerns have been raised by both CHA and the Medical Society. And I don't know if either of you had the opportunity to look at their testimony and consider some of the thoughts that they've had to share. Two that -- that come to mind are, one, with respect to CMS, potentially impact on small practices where you have one doctor who doubles his or her practice by adding another. I -- I can see that being a little bit burdensome and then yet also not necessarily going towards the end goal which is antitrust. And then the other one from Connecticut Hospital is essentially how come we're only talking about hospitals and say not large physician practices where you might have a concern of a monopoly if they don't have the same requirements. Either of you feel free to --

ATTORNEY GENERAL GEORGE JEPSEN: Taking them in reverse order, before you came in I addressed

the large physician group and that we're flexible on that. And -- and we're also flexible on -- on the protecting smaller practices with a couple of caveats. First, we -- we think this really applies only to two or more because it refers to a physician group and a single practitioner. is not, under my understanding that would not be considered a group. And there may be ways that we can have flexibility when say two physicians are merging with two other physicians. Maybe an expedited review and -- and allowing the transaction to go forward before the 90-day period is -- is over. So there's room to work.

The caveat is that we don't work somebody to be able to game the system. You know, what happened -- we're all familiar with what if a hospital is acquiring a large physician group and they dissolve it, the physician group goes out of business, you know, 20 doctors or 30 doctors. They just go out of business for 24 hours, and then individually they get picked up by the hospital. We don't want hospitals to be able to game the system so that they can -- they can keep things in the dark. That's why two or more I think is -- is in certain context an important requirement.

Secondly, it's not inconceivable that if two doctors joined up with two doctors in a specialty in a rural area that that would form an effective monopoly in that area. Or that two plus two plus two plus two down the road creates a -- a monopoly. So there -- there are serious policy considerations that say even at a low level two or three doctors that the -- that that information is important to the antitrust work that's a core of our mission. But I do want to -- we're happy to work with you for flexibility where -- where the antitrust considerations probably would not be

implicated.

SENATOR WELCH: Thank you. And my apologies for missing the beginning of your -- your testimony. So just so I'm clear from what you just said, when -- when you talk about flexibility, you mean openness to maybe massaging the language that we currently have or with respect to just how it's enforced down the road.

ATTORNEY GENERAL GEORGE JEPSEN: Flexibility on the language.

SENATOR WELCH: Great. Thank you. Thank you, Chair.

REP. JOHNSON: Thank you.

Any additional questions?

Yes, Representative Perillo.

REP. PERILLO: Thank you very much. I know we throw the word monopoly around and it sort of brings a bad thought to everybody's mind. I understand why having a monopoly of steel manufacturers is bad because the one that's last can jack up the price on steel. I understand why a monopoly of airlines is bad because they can jack up the price on tickets. But the reason why physician practices and hospitals are consolidating and creating larger systems is not so they can jack up the prices on patients, it's so they can better negotiate lower rates with insurers.

Effectively, you know, dissuading and making it harder for systems to form and grow in effect lowers the ability of the entire system to shrink costs. Is my understanding, I mean maybe that's too elementary, but the larger the

system, the better their negotiating power with the insurer. So if we're preventing that system growth, we're also preventing the shrinking of reimbursement, correct?

ATTORNEY GENERAL GEORGE JEPSEN: Respectfully, I disagree. The -- in the first place, this is not opposing all acquisitions or mergers. I've already testified that in my judgment the overwhelming majority would -- would be approved, that would not bring any antitrust implications at all. Secondly, when -- when hospitals negotiate with insurer companies and they have greater leverage, they generally are looking for higher rates not lower rates.

SECRETARY BENJAMIN BARNES: I -- I would add that it is certainly in the interest of the State's efforts at health reform inside of Medicaid and I think even throughout the -- throughout the entire universe of payers in the state, is to encourage better health outcomes and lower costs through essentially vertical integration of -- of health care delivery systems so that primary and preventive care would be -- would be linked with -- with other levels of care, specialty care, for instance, so that, you know, you have better access to timely specialty care, that you would be able to treat disease in -- more cost effectively and with a better outcome by doing it sooner by having the interests of the health outcomes of individuals be driving the behavior of larger organized health care delivery systems.

That is part of health reform undoubtedly, and I don't think that this is intended to get away from that. I am concerned, however, that I mean to use the example that Attorney General Jepsen used before, if all of the dermatologists in a region are -- if all of those practices are owned by a single entity,

then when one of the major insurers goes out to develop their network, they need to be able to have dermatology services in the Torrington area if they're going to get people in the Torrington area to sign up for their insurance.

And all of a sudden dermatology services just - - I know nothing about dermatology in Torrington, so I'm making this up, but dermatology in Torrington is going to be more expensive because there's only going to be one entity that provides that service in that region. And the health carriers have no choice but to enter into contractual agreements to have dermatology services in that area, so they will pay the prevailing rate in that area without any recourse to -- to the market.

REP. PERILLO: Thank you. And just my final comment, just thanking you, Attorney General Jepsen, for correcting me in my thought on pricing. I've got a three-week old at home and I'm not sleeping very well, but thank you.

REP. JOHNSON: Thank you. Thank you, Representative.

Any -- any additional questions?

Thank you so much for being here today with us and thank you for your good information and your willingness to work with us on these very difficult and important issues, much appreciated.

The next person on the list is Deputy Commissioner Katharine Lewis. Welcome.

DEPUTY COMMISSIONER KATHARINE LEWIS: Thank you.
Good morning.

REP. JOHNSON: Thank you for being here today. Good

morning.

DEPUTY COMMISSIONER KATHARINE LEWIS: Good morning, Senator Gerratana, Representative Johnson, and Public Health Committee members. My name is Katharine Lewis, I'm Deputy Commissioner in the Department of Public Health. And with me is Marianne Horn, she is Legal Director for the Department of Public Health. And I'm here to testify today on Senate Bill 295, AN ACT CONCERNING THE DEPARTMENT OF PUBLIC HEALTH'S RECOMMENDATION REGARDING WAIVER OF SOVEREIGN IMMUNITY.

The Department of Public Health, or DPH, supports Senate Bill 295 which deletes Connecticut General Statute Section 19a-24. This provision treats the Commissioners at DPH and the Department of Developmental Services, or DDS, differently from all other state agency commissioners in that it allows a claim for damages in excess of \$7,500 to be brought against them as a civil action in state court, bypassing the Claims Commissioner. Deletion of this outdated provision will make clear that claims against the State, including those against the DPH and DDS must be filed with the Claims Commissioner pursuant to Connecticut General Statutes beginning Section 4-141. Thank you for your consideration of this testimony.

REP. JOHNSON: Thank you. So you want to go into some of the detail, and how we came to do this now, and give us a little background, and show us why there were differences in the first place perhaps, and what's -- what led you to the conclusion that you shouldn't have any differences, if that makes sense.

DEPUTY COMMISSIONER KATHARINE LEWIS: I'm going to ask Marianne Horn to respond. Thank you.

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March 5, 2014
10:30 A.M.

Thank you. Thank you so much.

JAMES MCGAUGHEY: Thank you.

REP. JOHNSON: Senator Fasano. Welcome.

SENATOR FASANO: Thank you.

REP. JOHNSON: Good morning.

SENATOR FASANO: Good morning. How are you today?

REP. JOHNSON: Good. How are you doing?

SENATOR FASANO: -- I should know that, right, after 12 years, and growing and taking over a significant part of the market. And I believe that what I think that the bill seeks to do is just to make sure that this movement in centralizing almost all medical services in the county are being done for the right reasons and not the wrong reasons. The reason why I suggest that is I don't think you're going to hear from a lot of doctors who are in favor of Senate Bill 35, at least from my neck of the woods. The truth of the matter is they're afraid. I don't say that lightly and I don't say that without evidence.

Over the past year I have met with a number of doctors and I have even had some conversations with Senator Gerratana on this matter, that they felt pressured, pressured by Yale to having to move into the Yale services. And that pressure comes from economics. When a patient goes to the emergency room at Yale, I've been told through the doctors, verified through one patient through the doctor allowing me to make the call, that sometimes they can't get their own physician if they're not either on the call list or if they're not affiliated with Yale. So there's a push to push Yale

affiliated, not visiting rights -- doctor visiting rights, but affiliated with Yale to get their patients.

I'll be introducing an amendment, perhaps I could give it to this Committee beforehand that you can add to this that under the Patient Bill of Rights gives the patient the right to seek the doctor, if it has visiting privileges at that hospital, that they have that right established as part of the Patient Bill of Rights. But I think what's happening is the inability of people to have competitiveness in the medical area is a significant problem. Lack of competitiveness is an issue. One of the only private hospitals to exist is Milford. And a year ago, all the OBGYN's at Milford were sort of bought out by Yale and Milford had to go find other OBGYNs. And that's what's happening.

And I think by some reporting to the Attorney General's Office, some oversight, I don't think the bill goes far enough, frankly, but, you know, in this building you take what you can get. So I'm willing to say okay for now, but I don't think the bill goes far -- far enough. I think there should be some initial inquiry to find out whether or not these mergers are done really not based upon the strength of finance, and I'm not saying bullying, but I guess that's the best word I can use, but because it makes sense for the business to join another business.

The Affordable Act -- the federal Affordable Act -- health care act has sort of caused this to happen by virtue of the dynamics within the Affordable Act that caused smaller firms to have larger costs, lower reimbursement rates, and stuck in this financial issue. For that, it is what it is and that's one business

reason. But if the other business reason that unless you join with us, being the mega-hospital in the area, we can effectively force you out. And how you do that is you use your ERs, use your computer system which is in this case Epic, and your ORs. And between those three, effectively you can take private practice out of business.

For example, you go in with an infectious disease issue, if you're not part of Epic and you go to the emergency room and you say what doctor can I go see, Epic is only going to pull up those doctors that are affiliated with Yale. And those are the referrals. You do that long enough, you've -- and you're the only emergency room in New Haven County, you've effectively transferred all those new patients to your network of patients. So things like that that give some concern. And if you're going to buy Epic, you've got to buy it through Yale because you get a discount, and they own the market on Epic. I mean it goes on and on and on.

I think this Committee -- it's too much in the short year, but I think this Committee should look at this before the next year on how you can understand this system better. Your challenge is going to be, in my view, getting doctors to come talk to you. I had a doctor who was going to come today. And he saw the movie *Blue* -- I'm going to get it wrong now, *Blue Jasmine* -- *Jasmine*, Woody Allen movie. And it's about a person who is a Madoff character who I guess the wife -- they're married or they're living together, I don't know which, but Madoff character. And she turns him in and rather than she saying all the things that were bad, rather than him being persecuted, she was persecuted. I'm not going to tell the ending of the movie like he told me, but bad things happened to her.

And he woke up on Sunday and said, Len, I'm not coming to testify because my livelihood is connected with Yale, and I can't testify as to what's going on. And that's a difficult position for people to be in. And it's sad to think that they're in that position. So that will be your challenge. And it's not just happening here in Connecticut. I will give to the Committee an article that's dated March 2, 2014, from the *New York Times* where they talk about an issue on Kentucky, and then they talk about other places. So this is a monster issue across the country.

I applaud the Governor's Office and the Attorney General for bringing this forward. I think they're on the right track. This Committee has always, always been the most considerate Committee to patients, patient care, and the need to having quality medical attention in the state. You guys have done fantastic things and haven't been afraid to be on the cutting edge of new legislation. So I urge you, and I know you'll do the right thing in this case because you always do. And it's a great Committee. Not better than Planning and Development, but, you know, it still ranks. So I look -- I look forward to working with you on this bill further and I thank you for your attention.

REP. JOHNSON: Thank -- thank you so much for your kind remarks. And also we are certainly willing to take a look at your amendment, and please provide us with the language today so we can start working on it. And, you know, this is very, very helpful testimony to us and it's really good to have you here, Senator.

So with that, my co-Chair has some remarks.

SENATOR GERRATANA: Senator Fasano, thank you so much for coming and testifying also. I do appreciate it and you're right, we -- you and I have had many discussions on this issue and other issues surrounding health care in the state.. I thank you so much for your input and also for your very considered remarks. I -- I very much appreciate that and hearing from you today. I look forward to working with you as we go forward with this big issue, it is. And I have been working on it for many months now, so I certainly understand. Thank you, sir.

SENATOR FASANO: Thank you, Senator.

REP. JOHNSON: Any additional questions?

Thank you so much for being here today.

SENATOR FASANO: Thank you so much for having me.

REP. JOHNSON: Next on the list is Representative Godfrey. Good morning.

REP. GODFREY: Good morning.

REP. JOHNSON: Thank you for being here, Representative.

REP. GODFREY: Representative Johnson and former Representative Gerratana, always a delight to be in a room with you. And I'm delighted to be here with the Public Health Committee tackling the care coordination for chronic disease, H.B. 5386, a continuing concern not only to Connecticut, but all the states. I'm Bob Godfrey from Danbury, Connecticut. I'm the Deputy Speaker of the Connecticut House of Representatives and I'm Past Chairman of the Council of State Governments (CSG) which was founded at the height of the Great Depression in 1933 and is the only national organization

REP. SAYERS: Just a quick question, the technology, I know in the past anytime we try to do things around data between various agencies, there's a difference in the technology and sometimes one computer system doesn't speak to the other. And so I'm wondering if that's going to be a problem with this bill going forward.

COMMISSIONER TERRENCE MACY: I don't know. I think more and more we're trying to do web-based datasets and that eliminates a lot of the compatibility issues. So we'd certainly, I mean that -- that will be a question to address and overcome. It's certainly a valid point.

REP. JOHNSON: Any additional questions?

Thank you so much, Commissioner, for being here with us today and for your excellent testimony. We really appreciate your remarks and we look forward to working with you as we move this legislation and maybe, you know, make some changes that will work out for everybody. So thank you.

COMMISSIONER TERRENCE MACY: Thank you very much.

REP. JOHNSON: Okay. The next is Senate Bill 35.

And the first person on the list is Matt Katz. Good afternoon and thanks for being here, Mr. Katz.

MATTHEW KATZ: Thank you, Representative Johnson, and members of the Public Health Committee. I feel like I've cleared the room. That's probably the president that's clearing the room. On behalf of the Connecticut State Medical Society and 9,000 physicians of the State Medical Society, as well as six state medical specialty societies that signed on to

the testimony, we present this testimony to you on Senate Bill 35, AN ACT CONCERNING NOTICE OF ACQUISITION, JOINT VENTURES, AND AFFILIATIONS OF MEDICAL PRACTICES. We appreciate this Committee, the Administration, and the Attorney General's attempt at acknowledging the rapidly changing landscape here in Connecticut within the health care delivery system.

Unlike many surrounding states, Connecticut has historically and still continues to be a very much small practice, independent state when it comes to the health care delivery system. Though the realities of the marketplace are such that it is rapidly changing and we need to acknowledge that and we believe this bill does look to attempt to acknowledge, recognize, and put some understanding around what is happening within the marketplace. So we support the intent of Senate Bill 35 and to ensure that the Attorney General is aware of large consolidations in the health care delivery market, to ensure no antitrust laws are violated, no monopoly or monopsony is created.

So that said, we do have some concerns about how this bill is drafted and how it may impact those small physician practices and the rapidly changing landscape here in Connecticut. We welcome the opportunity to work with this Committee, the Attorney General, and the Administration to address our concerns. I want to point out real quickly those two concerns. First, in Section 1c it would essentially require any two physicians whether they're in current practice or want to come together and practice to provide the same level of specificity and information that a very large entity or health system would have to provide. Recognizing that in partnerships especially today that we're encouraging physicians to come together and patients under medical homes and

ACOs, this could create a very difficult situation for those small practices.

Second, the language requires that the parties provide 90-day notice to the Attorney General before any merger, acquisition, or consolidation occurs. We think that this would limit access to care for patients when there is a bankruptcy or other form of deterioration of an existing practice where another practice is trying to take over those patients and provide that care. This -- those things happen oftentimes in Connecticut in a shorter period than 90 days and we wouldn't want to wait 90 days to ensure patients access to care. So that has to be looked at as well.

Finally, in 1c it simply states material changes includes and then lists five specific things. The concern would be that it is too broad and needs to be more specific because what it includes or could include maybe left to the -- to the eye of the beholder. And we often know that when things aren't specified in Connecticut law, we have sometimes had difficulties later. So we'd look for some greater specificity. So we support the intent, but we have some concern about the specific language. We believe the patients, the public need to know when large consolidations occur and we believe the Attorney General needs to have certain information. But we're concerned about the impact on small practices.

REP. JOHNSON: Thank you so much for your helpful testimony. I really appreciate it. Certainly we'll take a look at some of your recommendations to see if they are workable. But I think that when you add -- sometimes when you add language there becomes more of a limitation, and the Attorney General's testimony today along with the Secretary's

testimony today are -- they agree that perhaps they'd have some flexibility there as well.

So I think that your remarks certainly are well taken with respect to small practices of physicians and the fact that we need to have people coordinating care and working in person-certain medical homes. But I'm not sure what we want to go into a lot of detail because of the -- because of the fact that we don't want to put limitations in -- in there when we have a review going on. And there are so many interacting factors with the financial systems and the changes in our -- our landscape in terms of health care delivery systems.

MATTHEW KATZ: Representative, I can definitely understand and recognize the need for flexibility as the market changes and issues of consolidation change. But having some better understanding or guidelines of what determines a material change I think would be helpful in this context so that we know where those guiderails are so as practices look at whether it's merging or -- or hiring new physicians, they understand what information they have to provide and at what level requires them to then provide that information.

So those I think are the guiderails we're looking at, so we have a better understanding if a practice of three doctors in a remove part of Connecticut is looking for a fourth, or if we lose a physician and we need to retain a new physician, what does that mean as to what a material change would be tied to that partnership or that relationship that would cause them to have that same period of notice and that same requirement of paperwork and weight before they would actually hire someone.

REP. JOHNSON: So also I was just thinking as you

were speaking the fact that you might have a specialty area that's a very, very limited and not many other physicians anywhere in the state practicing in that particular area might be also another consideration. I don't know if that's something that you were thinking.

MATTHEW KATZ: Absolutely. I think that we -- we have to -- that's why the -- the importance of having and understanding of what material change is in the context of when things have to be provided or when things have to be delayed. And the concern I think is more the delay in the access to care, the hiring, the acquisition when there's a bankruptcy taking over that practice and those patients. Those are the things that I -- they happen very rapidly sometimes within a week if -- if care is necessary for patients, and we wouldn't want to jeopardize access to care in those cases. So I think you're right, having some of those parameters or guidelines I would say at least mapped out so we understand what is the intent of material change from a marketplace perspective I think would be helpful in guiding us.

REP. JOHNSON: In terms of doctors and their practices, are there backup ethical laws, for example, some -- some other types of practice -- professional practices require some type of a backup. So when you're talking about a bankruptcy or that sort of thing, do you already have existing requirements for backup?

MATTHEW KATZ: There are some laws associated with what you have to do with retentions -- retention of records, notice of patients, but there isn't as much as you would expect when it comes to coverage of those patients if that one particular physician that is in that practice passes away or goes into bankruptcy and what

occurs and how you address that. Right now the medical society often helps practices in transition find other physicians to take over those patients to potentially even take over their practice if necessary, but it's really those patients so that they have care.

If -- if you're taking over some aspect of that practice, this could actually -- it could engage this law and cause a delay. There -- there is -- there call groups, on-call though different than actual maintenance of that practice. But there are some standards within the state, some laws tied to patient privacy protection as well as retention of medical information and attempts at notifying patients when something is going to happen that's known. But when it's unknown, it's -- the law is somewhat nebulous.

REP. JOHNSON: Do you think in this -- the way that the economy is going and the changes in health care delivery systems are moving, that there might be a need for taking into consideration more requirements for single practitioners to have some sort of coordination or backup?

MATTHEW KATZ: My fear would be the more we request of private practitioners, the less private practitioners we may have because they're already overburdened within those primarily small communities within Connecticut and limited when it comes to resources. So if we're asking them to do more, I'm afraid we're going to have more of them close up shop, retire early. We already have the third oldest physician population in the country and we have a hard time retaining physicians, getting them to the state. And the report just came out that 83 percent of our residents leave the state -- residents being physician-trained residents and fellows, not residents in

general.

So we have a hard enough time attracting and retaining, I wouldn't want to do anything that jeopardizes that but I do understand the need to make sure that we have access guarantees. And I think some of the things that are being done here at the state through whether it's those health neighborhoods with the complex care committee or looking at ACO-like entities may help address some of that, but again those entities may cause some of this to go into effect and that means that there may be some additional delays in access or coverage. But I do think things like health neighborhoods and ACOs, if constructed well, could address some of this.

REP. JOHNSON: What about the Medical Society itself, what kind of support do you think that they could give to single or small practices?

MATTHEW KATZ: I would like to give it -- well, we give -- we give support in the sense of providing documentation as to how you have to close the practice, how you notify patients, what you have to do for record retention. We also help when they're looking at retiring or looking at recruiting. I have even used Jewish guilt to try to bring physicians to Connecticut. I have not been very successful. I've used Jewish mother guilt and getting mothers of young physicians to try to impress upon them the need to come back home to see grandchildren. But it has been very difficult with our -- our environment of practice here in Connecticut with one of the three states still in crisis for medical liability, and generally the high cost of living that we all experience, and the rapid consolidation, and some -- some antiquated CON laws.

It's very difficult to attract young physicians and retain them, but we do all we can on the daily basis. There isn't a day that goes by that we do not hear from a physician or a physician practice looking at today consolidating, looking at trying to recruit but having a problem, looking at being purchased by a hospital, the difficulties of whether the whole group is going to be purchased, part of the group is going to be purchased, how they can survive in this environment. We -- we do all we can. There are antitrust limitations that we can't then engage in certain activities as well for them or on their behalf. But we do try to educate and we do try to find them resources.

REP. JOHNSON: Well, thank you so much for being here.

Are there any additional questions?

Thank you for your great testimony and we look forward to working with you as we move through the session. Thank you so much.

MATTHEW KATZ: Thank you, Representative.

REP. JOHNSON: Next person is Barbara Simonetta. Okay.

Deborah Chernoff. Welcome, then. Please state your name for the record.

DEBORAH CHERNOFF: For the record, my name is Deborah Chernoff, I'm the Public Policy Director for District 1199, SEIU, the largest union of health care workers in Connecticut. We do represent members who work in acute care hospitals. I'm here to testify in support of S.B. 35. You've heard a great deal about it this morning, but this bill would empower

Connecticut to collect more information on proposed mergers, affiliations, and other joint ventures in which hospitals and health care providers engage as they seek to maximize the revenue they make in our state.

The recent entry of out-of-state for-profit entities into the non-profit acute care sector should give policymakers cause for concern as these entities move towards consolidated control of large and critical sectors of our state's health care landscape. The opaque natures of these deals and transactions must be opened to public scrutiny so together we can decide what's in the best interest of our state. S.B. 35 is a good first step towards ensuring that these transformations benefit not only the acquiring entities but patients, communities, taxpayers, and employees. Absent greater transparency, we will not have the information we need to evaluate whether permitting for-profit hospitals to expand operations in Connecticut is wise public policy.

Not only does such expansion mark a sea change in the nature of acute care services, but the profit motives and health care are an uneasy mix at best and one that raises serious questions about access to services, pricing, and commitment to long cherished community values. We need to remain mindful of the scandals involving some of the country's largest for-profit hospital chains like Columbia HCA which was fined hundreds of millions of dollars of Medicare fraud in 2000 and is once again the subject of a federal probe into its practices in Florida. We should be seriously considering mechanisms for cost containment to control the rising prices of prescription drugs and specialized medical services as for-profit institutions play a more

significant role in the delivery of essential health services.

At 1199 we are all too familiar with how for-profit out-of-state entities can structure their businesses to allow profits derived from public monies to be shielded from public view while leaving the publicly regulated entities displaying paper losses. Like hospitals, nursing homes receive substantial revenue from publicly-funded programs. Let me just wrap up by saying this, the members of District 1199 urge your support for S.B. 35. We also look forward to working with you on other legislation that will provide benefits to the home communities of our hospitals and protect the dedicated caregivers and employees who get caught up in the aggressive push of for-profit hospitals into our state as we have already seen happening in the Waterbury Hospital. And with that I conclude and ask for any questions.

REP. JOHNSON: Thank you so much for your testimony and for being here today. It's very much appreciated. I know that you have the experience with the skilled nursing facilities and some of those have been a concern of mine as well. When we look at the changes from for -- from non-profit to for-profit, whether it be in the hospital area or the skilled nursing facility area, having transparency is probably of the utmost importance because we've seen where patients have had to be transferred out of skilled nursing facilities because the resources in those circumstances have been removed from the facility and taken to another state perhaps. Do you have any information on that?

DEBORAH CHERNOFF: I have a lot of information about what happens in nursing homes. You know, it -- this is a very different landscape -- health

care landscape than it used to be. And we're talking about, you know, hundreds and millions and billions of dollars in public funding. And there are all too many opportunities with the creation of these incredibly complex business entities that have relationship to each other and that are related parties or holding companies and that are really designed to make money. Now some of these practices, frankly, are just as prevalent in some of the larger not-for-profit hospital structures.

You heard Senator Fasano testify earlier about the consolidation of the only New Haven hospital in Saint Raphael's and some of the concerns that that raises. I happen to live in New Haven also, so it's a concern for me. But, you know, I think the reason we think this is a good first step although not a sufficient step is frankly it's, you know, a little sunlight is a very healthy thing. I wish we were getting more of it right now, but -- but I can't -- there can't, you know, all of these operations are as up-front and as publicly beneficially as they've been described.

And there's absolutely no reason that we shouldn't be able to see what's going on and be able to evaluate it for ourselves given the fact that it's our taxpayer dollars. And not only that but the fact that hospitals increasingly are both the major employer in many urban centers and the major community resource for health care and affiliated issues makes it even more important that we make sure that they're there not just to provide investment opportunities for a few people, but the benefits for all of us.

REP. JOHNSON: You mentioned that you would like to see additional changes to this that would increase transparency, do you have anything

specific?

DEBORAH CHERNOFF: The kinds of changes that we're talking about go beyond I think the intent of this particular language, although it's a good first step. But things like if we're going to have some of these large for-profit entities moving into our state, you know, what kind of community benefits can they guarantee and provide? There are some very important concerns about pricing especially when you get into highly specialized drugs like drugs for cancer, and, you know, buying up enough medical specialties so that those specialties become more -- more expensive.

There are also concerns about access to certain kinds of services since for-profit hospitals do tend to concentrate on the more profitable, you know, for example, certain kinds of cardiac surgery, bariatric surgery, all of those things that can generate significant revenue. And less profitable types of treatments may fall by the wayside or become harder to obtain in your local area. Those are all concerns of ours. We're also concerned, frankly, with what happens to employees when these big mergers happen and acquisitions happen.

We are having an issue at Waterbury Hospital which is the subject of interest from an out-of-state for-profit entity (Inaudible) Hospital where the subcontractor now apparently in a attempt to make itself more attractive to this potential purchaser has changed working conditions and laid off 17 of the most senior employees for -- for no apparently good reason except that it makes them more attractive financially. Those are all concerns of ours and because hospitals are such large employers, frankly they should be concerns of all the cities in which they're located.

REP. JOHNSON: Additionally, the hospitals have a -- have not had to pay property taxes.

DEBORAH CHERNOFF: We're well aware of that in New Haven.

REP. JOHNSON: In any event, thank you so much for your testimony.

Are there any additional questions?

Thank you for being here today and taking the time to speak with us, much appreciated.

DEBORAH CHERNOFF: Thank you.

REP. JOHNSON: Next person on our list is Gloria Timpko from UNITE-HERE. Welcome. Please state your name for the record

GLORIA TIMPKO: My name is Gloria Timpko. Good morning or good afternoon, Representative Johnson, and the members of the Committee on Public Health. I am in favor of Senate Bill 35. I have worked for Yale University in the Department of Cardiology, Section of Heart Failure and Transplant, for the past 13 years. I'm a senior administrative assistant and would like to speak to you about my experience with provider-based billing at Yale New Haven Hospital. When I started in 2001 at Yale in cardiology our clinic was managed by the university and as such we had input on day-to-day operations.

However, in 2012, the clinic became managed by Yale New Haven Hospital and is now part of the growing provider-based clinic in the New Haven area. Our clinic treats and cares for hundreds of outpatients each year. Along with other clinical departments, the Yale School of

Medicine is the largest specialty doctors' practice in Connecticut. An aspect of my job often allows me to act as a patient advocate for our patient population. And over the past year I have fielded calls from these patients inquiring about additional bills that they are now receiving. They are being seen at the same facility, by the same physicians, the same nurses, however, they are now getting two additional bills. This is because as a hospital-based clinic, the hospital is allowed to charge facility fees on top of whatever patients are paying to providers.

All of a sudden we were technically owned by Yale New Haven Hospital. Many of these heart transplant patients are on fixed incomes with high expenses for the many post-transplant medications they require to prevent rejection of their new organ. These patients specifically within weeks and months of transplant need to be seen on a weekly basis for the first couple of months following their transplant and, therefore, the cost of their medication and now the rising clinic visit cost are proving to be a severe burden to our patients. Uninsured patients or those with high deductibles who experience routine appointments suffer significantly bigger bites out of their family budgets.

I have also experienced the rising cost of health care from a personal perspective. I'm the caretaker of my elderly mother who is on a fixed income. And recently when she was seen by her physician had to pay two bills, one at the provider's office which is her normal copay, and three weeks later I received another bill which was significantly higher than her usual copay. When I inquired at the time of her visit if there would be an additional fee, the office staff had no idea what I was talking

about and stated that just her normal copay would be required at the time of the visit and the balance to be billed to the insurance company. The fact that the office staff and physicians are not notifying patients of their coinsurance liability is concerning since there is not much a patient can do after the fact.

I have personally seen the rate at which hospitals specifically Yale New Haven Hospital are buying up doctors' practices. It's a makeover of our health care system, but one which currently has little oversight. Senate Bill 35 is a good step forward in that when Yale New Haven took over our clinic, there was no process of review at all. Giving the Attorney General a chance to review these transactions will help protect the public. I strongly support the data reporting requirements in Senate Bill 35. Making hospitals disclose which practices they own or control which will allow patients, insurers, and policymakers to start to get a handle on the much higher costs that facility fees charge at hospital-owned clinics are imposing on our patients.

However, all sudden price increases may not be prevented through antitrust review. When a hospital buys its first practice in a market, the price for that practice could go through the roof even though there would be no change in traditional tools used by regulators to measure the threat of a monopoly. The Committee should adopt all the provisions of Senate Bill 35 and add a requirement that these transactions go through review for the impact on access and cost through a certificate of need. I appreciate you hearing me out.

REP. JOHNSON: Thank you so much for your testimony and taking the time to be here today. It's

much appreciated. Just a couple of questions on the increase in cost and perhaps you can enlighten us a little bit about facility fees which I believe is being reviewed in General Law at this time and may come to this Committee later. So why don't you tell us a little bit about how everything has increased in cost and then a little bit about how the facility fees have been worked into this and how they're not really -- they're something of a burden to the patient but not necessarily part of the insurance reimbursement system.

GLORIA TIMPKO: Correct. So I'll speak personally to the fact of my mother's bills when -- having knowledge of what's going on in these provider-based facilities. When I took her to the physician's office, I normally inquired whether they were provider-based, they had no idea what that meant. And when I inquired on whether or not there would be an additional fee, again they said no. The bill that she received after her visit was four times higher than what she normally pays for her copay. Personally I don't see the bills from my job. I don't see the actual bills from the patients, I hear from them, them telling me I'm paying \$50 when I used to pay \$25, or, you know, it's gone up to \$100. And that's where the patients are having a concern because they feel they are being seen at the same facility, same doctors, same nurses. They love their care, but they are significantly seeing their health care costs rise.

REP. JOHNSON: Very good. Thank you so much.

Are there any additional questions?

Thank you for being here today.

GLORIA TIMPKO: I appreciate your time. Thank you.

REP. JOHNSON: Thank you.

The next person on our list is Jim Iacobellis.
Good afternoon and welcome.

JAMES IACOBELLIS: Good afternoon. Good afternoon, Representative Johnson. I apologize if my voice goes during the middle, I'm struggling through a cold. But I appreciate the opportunity to spend time here with the Public Health Committee to talk about Senate Bill 35.

REP. JOHNSON: Please state your name for the record.

SB35
JAMES IACOBELLIS: My name is Jim Iacobellis, I'm the Senior Vice President of Government and Regulatory Affairs for the Connecticut Hospital Association. It might be easy to just say what Matt Katz said. Matt Katz I think captured what are some of our concerns with the bill. But let me first -- first by saying we understand that health care is going through significant and dramatic changes. As a matter of fact, it wasn't so long ago that I spent a couple of hours here in front of the Public Health Committee talking about a variety of these changes, and this bill is -- is the impetus from the Attorney General and the Administration to try to understand some of what is going on out there. And we understand and appreciate that, but as drafted we have some concerns.

And our concerns have to do with being able to understand what is required and when something is required. So I think I'll just simply point out what are a couple of the -- our concerns. The first has to do with the bill appears to be really overly broad in its reach in that it requires notice to the Attorney General upon

any material change in a group practice. And as I think Matt Katz talked about, if you have a one person practice and you had another physician to that practice, that would require notice to the -- to the Attorney General. These sort of changes happen all the time both in independent practices as well as hospital-owned practices.

So I think to better understand what the bill's focus is would allow us to better understand what type of notice and who should be giving that notice. Whether the Attorney General and the Administration want to see notice every time a physician retires and the corporate practice changes, or every time another physician is added into that practice, or whether we're looking at a material change and try to figure out what is a better definition and what is really meant by material change.

The other issue we have talks about the timing of this notice. The timing is required within 90 days of the transaction date.. And the way I think about this is when you think about purchasing a house, you sign a contract and then you do a closing. We're not sure what that 90-day period refers to, is it the signing of the contract or is it the closing date. And we know that not every contract that is signed goes to closing and we know that the time period from every signing of every contract to the closing is different, it could be from one week to ten months. So we need -- and I -- and I appreciate the Attorney General's comment about understanding the complexity of this 90-day and wanting to comply with it, but as written it is -- it is unworkable we think.

We also have concerns that the annual reports that are required create an unlevel playing field for hospitals and large independent

physician practices in that it is only hospitals that would be reporting annually to the Attorney General and office of -- the Department of Public Health, where there are some large independent practices out there that may be even larger than hospital practices. So we would like to take a look at that and level that playing field.

And also take a look at the provision that the Attorney General has in there concerning the -- the records -- the notice being submitted are under their antitrust authority and what exactly that means. And we've had conversations with the Attorney General's Office and I -- I give them great credit for wanting to understand on the ground the practical impact of how this would work so nobody inadvertently isn't able to comply with the law, and I give them credit.

And we have had conversations and they've offered to continue to have conversations and I appreciate this morning their saying that they will continue to have conversations to better understand I think what are some of the triggers of this law. So those are -- I've submitted written testimony which details this, but those are the areas that we would like to continue conversations with this Committee as well as the Attorney General and the Administration.

REP. JOHNSON: Thank you so much for your testimony. And I really do appreciate the analogy between this -- this process and a closing because so much of -- so much of that really is very similar. And it would be great to have nailed down some of the timeframes as well. So that's a very interesting point that you raise.

JAMES IACOBELLIS: Because you can -- you can sign a

contract for a house and close in a week and then you would never get the 90 days or you could never to a closing and then you have provided information to the Attorney General. It would put in question all of the information he gets until the end of the year and whether it's accurate or not.

REP. JOHNSON: Very, very good point.

Are there any questions?

Well, thank you. Thank you so much and we're looking forward to working with you to iron out some of the language so that there will be, you know, a good way -- a good procedure that we have here but also we get the transparency that we need to make sure that health care access stays the same in Connecticut. So thank you for being here.

JAMES IACOBELLIS: Thank you.

REP. MILLER: Our next speak will be Sue Nesci followed by Marghie Giuliano and this is number 5386, House Bill.

SUSAN NESCI: Good afternoon. I'm Sue Nesci, I'm Vice President for Public Policy for the Arthritis Foundation here in New England, and I'm speaking on behalf of Raised Bill 5386, AN ACT CONCERNING CARE COORDINATION FOR CHRONIC DISEASES. We support this bill, we do have some concerns that it is primarily a data collection bill and we'd like to see it be more a care coordination bill. This is from the Arthritis Foundation, but the Committee also has a letter from either other voluntary health agencies suggesting three additions to the bill.

One, that the plan not be limited to just

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2014



**Testimony of Barbara Simonetta
President, CT Health Care Associates/NUHHCE/AFSCME
Before the Public Health Committee
In Support of SB 35
March 5, 2104**

I am testifying today on behalf of CT Health Care Associates/AFSCME, a union of nurses and other health care employees representing hospitals and providers all over Connecticut. I am testifying in support of SB 35, An Act Concerning Notice of Acquisitions, Joint Ventures and Affiliations of Group Medical Practices. CHCA-AFSCME represents 550 nurses and technical employees at Waterbury Hospital, which is actively pursuing a sale they have called a "joint venture" with Tenet Corporation of Texas.

This bill empowers the state of Connecticut to collect more information on proposed mergers, affiliations and other joint ventures that hospitals and health care providers pursue as they seek to maximize revenue.

The recent entry of out-of-state, for-profit entities attempting to purchase hospitals are a concern as they attempt to control of large sectors of our state's health care industry.

These complex deals should be open to public review in order to let the public and policymakers decide what is in the best interest of the state.

SB 35 is a good start in that process. It should be a starting point for how we ensure that these transformations benefit not only the acquiring entities, but patients, taxpayers and employees.

It is important that we enact transparency measures like those prescribed in SB 35 before any future affiliations are approved. These out-of-state corporations like Tenet Corporation are attempting to acquire Connecticut hospitals at bargain basement prices, while demanding that caregivers give up their benefits, such as sick time and pensions, and accept cut rate pay to pump up their bottom line.

But what is included in that bottom line for these corporations? Is it multimillion dollar salaries for top officers and people like Tenet's CEO, who is not a healthcare provider but was an investment banker at Merrill Lynch? A CEO who oversees a company that was twice convicted of multimillion dollar Medicare fraud, and was recently sued on new allegations of kickbacks and fraud related now to the Medicaid program?

That's why we need protections like those afforded by SB 35 and more being considered in this legislative session.

Connecticut Health Care Associates, 261 Center Street, Wallingford, CT 06492 203-265-2297



Testimony of Deborah Chernoff, Public Policy Director
New England Health Care Employees Union, District 1199, SEIU
Before the Public Health Committee, March 5, 2014
*Supporting: SB 35 – An Act Concerning Notice of Acquisitions, Joint Ventures and
Affiliations of Group Medical Practices*

Good morning, Senator Gerratana, Representative Johnson, and distinguished members of the Public Health Committee.

My name is Deborah Chernoff and I serve as Public Policy Director for the New England Health Care Employees Union, District 1199/SEIU, the state's largest union of health care workers, including our members who work in Connecticut's acute care hospitals.

On behalf of our 25,000 members, I am testifying in support of SB 35 – An Act Concerning Notice of Acquisitions, Joint Ventures and Affiliations of Group Medical Practices. This bill empowers Connecticut to collect more information on proposed mergers, affiliations and other joint ventures in which hospitals and health care providers engage, as they seek to maximize the revenue they make in our state.

The recent entry of out-of-state, for-profit entities into the non-profit acute care sector should give policymakers – and all of us in Connecticut – cause for concern as they move towards control of large and critical sectors of our state's healthcare landscape.

The opaque nature of these deals and transactions must be open to public review so that policymakers and taxpayers can decide what is in the best interests of the state. In that process, SB 35 is a good first step, a starting point towards ensuring that these transformations benefit not only the acquiring entities – and their investors or shareholders – but patients, communities, taxpayers and employees.

Absent greater transparency, we will not have the information requisite to evaluate whether permitting for-profit hospitals to expand operations in Connecticut is wise public policy that

meets state's needs. Not only does such expansion mark a sea change in the nature of acute care services in the state, but the profit motive and health care are an uneasy mix at best, raising serious and long-term questions about access to services, pricing, and commitment to long-cherished community values by centrally-important institutions.

We also need to remain mindful of the scandals involving some of the country's largest for-profit hospital chains, like Columbia/HCA , which was fined millions of dollars for Medicare fraud in 2000 – and is once again the subject of a federal probe into its practices in Florida.

At 1199 we are all-too familiar with how for-profit, out-of-state entities can structure their businesses to allow profits derived from public monies to be shielded from public view while leaving the publicly regulated and allegedly “transparent” entities displaying paper losses.

In the nursing home industry, corporations with subsidiaries, vertically-structured related party companies or interlocking boards can show losses in one area, usually the smaller, more regulated entities, while potentially racking up self-directed revenues in those businesses not subject to public review.

Like hospitals, nursing homes receive substantial revenues from publicly-funded programs like Medicare and Medicaid, yet resist public scrutiny under the banner of “proprietary information.” The ability of these operators to inflict serious economic damage on the communities in which they are located and the employees who work for them by potentially disguising the value and practices of their related businesses makes it imperative that we take steps to ensure greater openness and transparency.

Towards that goal, the members of District 1199 urge your support for SB 35. We also look forward to working with you on other legislation that will provide benefits to the home communities of our hospitals and protect the dedicated caregivers and employers who get caught up in the aggressive push of for-profit hospitals into our state, as we have already seen

beginning to happen in Waterbury. Because acute care hospital systems have become in many cases the dominant employers in the cities in which they are located and play such an vital and central role as community centers, it is imperative that we take appropriate steps to ensure that whoever operates those hospitals in the future operates them to our collective benefit, not just for the financial benefit of a few.

GEORGE C. JEPSEN
ATTORNEY GENERAL



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Office of The Attorney General
State of Connecticut

**TESTIMONY OF
ATTORNEY GENERAL GEORGE JEPSEN
BEFORE THE PUBLIC HEALTH COMMITTEE
MARCH 5, 2014**

Good morning, Senator Gerratana, Representative Johnson, and members of the Committee. I appreciate the opportunity to testify here today in support of the SB 35, *An Act Concerning Notice of Acquisitions, Joint Ventures and Affiliation of Group Medical Practices*.

The purpose of this bill is to require notice and reporting in a market that affects every Connecticut consumer. In particular, the bill would give my Office meaningful notice of impending mergers and acquisitions between or among health care providers in this state.

The Attorney General is the primary antitrust enforcement officer for the State of Connecticut. This bill does not afford my Office any *additional enforcement* authority to investigate, prevent or undo a merger beyond what the General Assembly first provided in 1971 with the enactment of the Connecticut Antitrust Act. It would, however, provide us with important *information* that will facilitate my legislative mandate to ensure that competitive health care markets are maintained in Connecticut.

Almost every day, a media outlet -- the *New York Times*, *Wall Street Journal*, *Washington Post* or other regional or local newspaper -- reports another story about health care consolidation in this country. Between 2007 and 2012, there were close to 600 hospital mergers nationally, with 247 of those occurring in 2012. In addition, more and more large health systems have acquired their competitors and moved on to buy up physician groups and freestanding clinics. Connecticut has not been immune to this trend. Over the last several years, we have seen Hartford Healthcare acquire the Hospital of Central Connecticut (which had already been acquired Bradley Hospital) and William W. Backus Hospital; Danbury Hospital merge with New Milford Hospital and Norwalk Hospital; and Yale New Haven Hospital acquire the Hospital of St. Raphael. In addition, we know that for-profit hospitals are eager to expand their presence in the state -- through the acquisition of community hospitals and independent physician practices.

There currently are 31 general hospitals in this state; these hospitals are owned by 20 corporations. Although Connecticut is a relatively densely populated state with adequate hospital choice, the trend toward increased hospital consolidation and acquisition cannot continue indefinitely without at some point raising the specter of anticompetitive consequences. While most hospital mergers are well known to the public before they close and are reported in the news media, a large majority of acquisitions and mergers of medical groups, clinics, and ambulatory surgical centers are not publicized. These acquisitions and mergers often make

economic sense for the parties. While they may, in some instances, lead to greater efficiencies and more integrated care for patients, they also may lead to higher prices, fewer services, and lack of competition. When there is an independent specialty practice, such as cardiology or radiology, there often is competition for those services between the independent group and the local hospital. If the local hospital acquires that practice, however, there may no longer be any choice within a reasonable distance of the community. In a similar vein, large physician group acquisitions or mergers among competing physician groups also go largely unreported and may have the same impact on competition.

Under federal antitrust laws, companies above a certain size¹ must notify the United States Department of Justice and the Federal Trade Commission when they intend to be parties to a merger or acquisition, and must provide certain information regarding the proposal to those agencies. The federal act requiring this notice, the Hart-Scott-Rodino Antitrust Improvements Act, ("HSR") 15 USC 18a, was passed in 1976. Under the HSR Act, the parties may not consummate the transaction until they have responded to the reviewing agency's information requests and the statutory waiting period has expired. This process allows the business community to know whether the federal government has concerns about the possible competitive impact of the proposed acquisition or merger. While most transactions raise no competitive concerns, some do.

The primary purpose of SB 35 is to give the Attorney General sufficient information and time to review proposed transactions within the healthcare industry to assess whether such transactions run afoul of our state antitrust laws. With one exception, Connecticut law presently does not require merging companies to notify my Office of their plans. That exception is in the motor vehicle fuels industry. Section 42-511 of the General Statutes requires any person in the motor fuel industry to provide the Attorney General with a copy of any merger notice submitted to the federal antitrust enforcement agencies. I strongly believe there should be a similar legal requirement for mergers and acquisitions in the healthcare industry, which touches the lives of every Connecticut citizen in a most important way.

The first notification provision in the bill before you would require notice to the Attorney General of transactions in the health care market that must be reported to federal antitrust authorities under the HSR Act. The next section would require notice for any material change to the business or corporate structure of any physician group practice, *i.e.*, a merger or acquisition with a hospital or another group practice. Though most such transactions are not large enough to be a reportable event under the federal HSR Act, they may, by themselves or in the aggregate with several other small transactions, create an unlawful and anticompetitive monopoly in a given community for a given type of service, and thus lead to increased prices and less competition.

¹ In summary, the HSR threshold amount is determined by size of person and size of transaction. The size-of-person test is met if one party to the transaction has \$151.7 million or more in annual sales or total assets and the other has \$15.2 million or more in annual sales or total assets. The size of transaction test is met if, as a result of the transaction, the buyer will acquire or hold voting securities or assets of the seller, valued in excess of \$75.9 million.

Similar to the federal act's provisions, this proposal requires parties to provide notice prior to the effective date of the transaction. The notice and information provided to the Attorney General under this proposal will allow us to assess the potential competitive implications of transactions. If a transaction raises antitrust concerns, the Attorney General may ask for more information under our existing antitrust authority. In many cases, however, there will be no such concerns.

The final section of the bill requires all hospitals and hospital systems to file with the Attorney General and the Department of Public Health an annual report regarding the group practices they own or with which they are affiliated. Such regular reporting will allow the Attorney General to better monitor competition and more readily determine whether a particular transaction reported under the other sections of the bill has competitive implications.

Health care clearly is in a state of rapid change and consolidation. This bill will provide my Office with an important tool to fulfill my responsibilities under our antitrust laws in an area that affects all Connecticut citizens in a unique and profound way.

Thank you for your consideration. I would be happy to answer any questions from the Committee.



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

TESTIMONY PRESENTED TO THE PUBLIC HEALTH COMMITTEE
March 5, 2014

Benjamin Barnes
Secretary
Office of Policy and Management

Testimony Supporting Senate Bill No. 35

AN ACT CONCERNING NOTICES OF ACQUISITIONS, JOINT VENTURES AND AFFILIATIONS OF GROUP
MEDICAL PRACTICES

Senator Gerrantana, Representative Johnson and distinguished members of the Public Health Committee, thank you for the opportunity to offer testimony on Senate Bill No. 35, An Act Concerning Notices of Acquisitions, Joint Ventures and Affiliations of Group Medical Practices.

This bill mandates that the Office of the Attorney General (OAG) be notified of changes in business relationships of physician practices. It also requires that all hospitals and hospital systems file with the OAG and the Commissioner of Public Health a written report regarding the group practices which the hospitals or hospital systems own or are affiliated with.

Section 1(b) requires persons conducting business in this state that file merger or acquisition information with the Federal Trade Commission or the Department of Justice or other information regarding market concentration to which a hospital or health care provider in this state is a party, to also notify the OAG.

Section 1(c) requires that not fewer than 90 days prior to the effective date of a transaction that results in a material change to a group practice structure, the parties to any such transaction submit written notice to the OAG. Among others, such material changes would include: merger; acquisition; formation of partnerships, joint ventures, common entities, accountable care organizations or parent organizations. Such notice shall identify all parties to transactions and provide a summary of the material change including:

- o The nature of the proposed relationship among the parties
- o Names and specialties of each physician practicing medicine at the new practice
- o Names and locations where services are to be provided by the new practice
- o Description of the services to be provided at each of the resulting new locations
- o Primary service area to be covered.

Section 1(e) mandates that not later than December 31, 2014, and annually thereafter, all hospitals and hospital systems file with the OAG and the Commissioner of Public Health a written report describing the activities of group practices owned or affiliated with hospitals or hospital systems. That report shall include:

- o A description of the nature of the relationship between the hospital or hospital system and the group practice
- o The names and specialties of each physician practicing medicine at the group practice
- o The names and locations where services are provided by the group practice
- o A description of the services provided at each location
- o The primary service area served by each location

Access to this information will help ensure that competitive healthcare markets are maintained in Connecticut. It will also inform CON and other public health decisions and enable the OAG to track acquisitions, mergers, and affiliations among providers that would not otherwise be reported. The OAG will be better able to monitor market shares of health care providers in relevant geographic markets. The information will also prevent consequences that could impact health care costs and access issues in state-funded services provided on behalf of Medicaid beneficiaries and state employees and retirees.

I would like to again thank the committee for the opportunity to present this testimony. I respectfully request that the Committee support this bill and I will be happy to answer any questions you may have.

March 5, 2014

SB – 35 Act Concerning Acquisitions, Joint Ventures and Affiliation of Group Medical Practices

Gloria Timpko
54 Bear Hill Road
Bethany, CT 06524

Good Morning Senator Gerratana, Representative Johnson and members of the Committee on Public Health:

My name is Gloria Timpko and I am in favor of Senate Bill 35. I have worked for Yale University in the Department of Cardiology, Section of Congestive Heart Failure and Transplant for 13 years. I am a Senior Administrative Assistant and I would like to speak to you about my experience with provider-based billing practices at Yale New Haven Hospital. When I started in 2001 at Yale and Cardiology, our clinic was managed by the University and as such had input to the day-to-day operations. However, in 2012 this clinic became managed by Yale New Haven Hospital and is part of a growing provider-based clinic in the New Haven area. Our clinic treats and cares for hundreds of outpatients each year. Along with other clinical departments, the Yale School of Medicine is the largest specialty doctor's practice in Connecticut.

An aspect of my job often allows me to act as a patient advocate for our patient population and over the past year, I have fielded calls from these patients inquiring about additional bills they have received when coming to a clinic visit. They are being seen at the same facility, by the same physicians and nurses, however now they are getting additional bills. This is because as a hospital based clinic, the hospital is allowed to charge "facility fees" on top of whatever patients are paying to providers. This is also known as provider-based billing. All of a sudden we were technically "owned" by Yale New Haven Hospital. Many of these heart transplant patients are on fixed incomes with high expenses for the many post transplant medications they require to prevent rejection of their new organ. These patients, specifically within weeks or months of transplant, need to be seen on a weekly basis for the first couple of months following transplant and therefore the cost of their medications and the now rising clinic visit costs are proving to be a severe burden to our patients. Uninsured patients or those with high deductibles who experience routine appointments suffer significantly bigger bites out of their family budgets.

I have also experienced the rising cost of healthcare from a personal perspective. I am the caretaker for my elderly mother who is on a fixed income and recently when she was seen by her physician, had to pay two bills, one at the provider's office, her normal copay and then three weeks later she received another bill which was significantly higher than her usual copay. When I inquired at the visit whether there would be an additional fee, the office staff had no idea what I was talking about and stated that just her normal copay

would be required at the time of the visit, the balance to be billed to her insurance. The fact that office staff and physicians are not notifying patients of their co-insurance liability is concerning, since there is not much a patient can do after the fact.

I have personally seen the rate at which hospitals, specifically Yale New Haven Hospital, are buying up doctors' practices. It is a makeover of our health care system, but one which currently has little oversight. Senate Bill 35 is a good step forward in that when Yale New Haven Hospital took over our clinic there was no process of review at all. Giving the Attorney General a chance to review these transactions will help protect the public.

I strongly support the data reporting requirements in Senate Bill 35 making hospitals disclose which practices they own or control, which will allow patients, insurers and policymakers to start to get a handle on the much higher costs that "facility fees" charged at hospital owned clinics are imposing on patients.

However, all sudden price increases may not be prevented through anti-trust review. When a hospital buys its first practice in a market, the prices for that practice can go through the roof, even though there would be no change in traditional tools used by regulators to measure the threat of monopoly. The committee should adopt all the provisions of Senate Bill 35 and add a requirement that these transactions go through review for the impact on access and cost through a certificate of need.

Sincerely,

Gloria Timpko



The Grove, 760 Chapel St., New Haven CT 06510
Phone (203) 562-1636 • Fax (203) 562-1637 • www.cthealthpolicy.org

TESTIMONY to the Committee on Public Health

March 5, 2014

Re: SB-35, An Act Concerning Notice of Acquisitions Joint Ventures and Affiliations of Group Medical Practices

Ellen Andrews, PhD

Executive Director

Thank you for the opportunity to share our support for SB 35 and to thank the committee for raising this important bill. We also have suggestions for improvements to promote transparency.

We at the CT Health Policy Project have worked for almost fifteen years to improve the affordability of health care for every Connecticut resident. As a consumer advocacy organization, we get calls every day on our helpline from consumers struggling to pay medical bills – both direct provider bills and our state's very high insurance premiums driven, in part, by provider bills. Health care in Connecticut is too often not affordable.

Consolidation of the market resulting from mergers of hospitals and provider groups has been a primary cause of rising health costs in Connecticut as in other states. Beyond this, these mergers and purchases can affect access to care in multiple ways, often by pricing services beyond the means of many patients especially those who have no coverage or have high-deductible plans. Many of these mergers can make significant and troubling changes to the health care system without triggering regulatory review under current law.

SB 35's provision to notify the Attorney General when mergers or acquisitions are pending is important to protect the state's interests. However the bill would be immensely improved by including a broader public notice requirement as well. Patients and communities deserve a chance to weigh in and prepare for a merger as soon as possible. Any possible impact of disclosure on the participants in a merger are dwarfed by the interests of patients and communities that will feel the impact of higher costs and reduced access to care. I also urge policymakers to ensure that the annual report described in Section 7e also be made public and posted online for similar reasons.

It is also critical that the disclosure of financial details of any agreement under Section 7c must be detailed. Very small changes in financial arrangements can disrupt incentives in important ways with significant impacts on patients and communities.

I urge you to pass SB 35, adding transparency provisions, to improve the affordability of health care in Connecticut. Thank you for your time and your commitment to improving the health of every Connecticut resident.



**Support for SB 35 AN ACT CONCERNING NOTICE OF
ACQUISITIONS, JOINT VENTURES AND AFFILIATIONS OF
GROUP MEDICAL PRACTICES**

March 4, 2014

Senator Gerratana, Representative Johnson and Members of the Public Health
Committee:

The Connecticut Psychological Association (CPA) is writing **in support of**
SB 35 AN ACT CONCERNING NOTICE OF ACQUISITIONS, JOINT
VENTURES AND AFFILIATIONS OF GROUP MEDICAL PRACTICES,
a bill intended to implement the Governor's recommendations.

In addition, you are likely aware that physicians can join practices with non-
physician disciplines; for example, ophthalmologists and optometrists are
often in joint practice. In 2013, a statute (P.A. 13 - 157) was also enacted that
allows physicians and psychologists to incorporate together as business
partners and to establish integrated practices that provide both mental health
and medical services. The language in SB 35 appears exclusive to physicians;
however, the intent of the bill appears to also include acquisitions, joint
ventures and affiliations between physicians and non-physician entities.

We therefore suggest an addition or clarification of the language in SB 35 to
include acquisitions, joint ventures and affiliations medical practices with non-
physician practices.

Again, CPA urges your support of SB 35 AN ACT CONCERNING NOTICE
OF ACQUISITIONS, JOINT VENTURES AND AFFILIATIONS OF
GROUP MEDICAL PRACTICES, with a clarification to include medical
groups that have affiliated with non-physician practices.

Barbara S. Bunk, Ph.D.

Traci Cipriano, Ph.D.



**Written Testimony
In Opposition to
SB 35, AN ACT CONCERNING Notice of Acquisitions, Joint Ventures and Affiliations of Group Medical
Practices
Committee on Public Health**

March 5, 2014

Senator Gerratana, Representative Johnson and members of the Public Health Committee, on behalf of the more than 250 orthopaedic surgeons of the Connecticut Orthopaedic Society, thank you for the opportunity to submit written testimony in opposition to SB 35, AN ACT CONCERNING Notice of Acquisitions, Joint Ventures and Affiliations of Group Medical Practices.

The healthcare delivery system is going through substantial changes. At this very moment physicians are dealing with a broad array of mandates from government and payers to transform the practice of medicine. This includes payment reform in its many forms, adoption of complicated and expensive electronic medical records, the collection and reporting of patient outcomes data, and a complete and expensive overhaul of disease and injury coding, all while serving our current patients and potentially serving many more as the Affordable Care Act is implemented. For many large physician group practices, while these demands are expensive and complex, they are manageable. For many physicians in small group and solo practice the ability to engage in payment reform initiatives while wading through the ever-increasing list of mandates, is in many cases extremely daunting.

For many physicians, merging with other small and large physician groups is one method for effectively addressing these sweeping changes in medicine. This legitimate business option allows for shared expenses, financial risk, and core competencies with the goal to meet the expectations of external stakeholders while serving our patients and enjoying the intrinsic rewards of our profession. While the mission of medical practices is to serve patients, there is a necessary business component to medical practice that allows that mission to continue and grow while serving patients in an efficient and cost-effective manner. The decision to merge medical practices is really the merger of small businesses that

in many cases support dozens, if not hundreds of employees, provide medical coverage and retirement benefits to those employees, pay taxes, and like other business may have strategic considerations that should not be under the *routine* scrutiny of the government, and should only garner appropriate scrutiny if a clear violation of the public interest is encountered or alleged.

SB 35 clearly singles out the business of medical practice with yet another regulatory burden not applicable to most business entities in the state; in this case pre-announcing strategic business decisions before they are consummated, along with potentially costly market analysis in every case of a proposed merger, even when the vast majority of proposed mergers would in no reasonable assessment suggest market concentration or power contrary to the public interest. It is the position of the COS that mechanisms already exist in state and federal law to address unreasonable concentration of market power, and we are unaware of any crisis in this area in the medical marketplace that would justify this dramatic step towards the regulation of private medical practice.

The COS respectfully feels that clarification needs to be provided as to the nature and magnitude of the risk to public interest addressed by this bill, the criteria by which the required data will be evaluated, the penalties associated with alleged non-compliance, as well as an assessment of the cost of the required market analyses on small physician businesses, as well the cost of lost efficiencies and diminished market power of physicians whose legitimate business interests will be potentially stymied by this proposed legislation.

Thank you for your time and consideration of the orthopaedic community's concerns regarding SB 35, and the Connecticut Orthopaedic Society strongly urges the Committee to oppose this legislation by voting no. Such a vote will support small business owners in every community in Connecticut and patients will benefit from a dynamic medical marketplace that allows physicians to freely associate and collaborate in an effort to effectively meet the already significant mandates and changes facing medical practice.

Submitted by:

Ross Benthien, MD

President-Connecticut Orthopaedic Society



**TESTIMONY OF
CONNECTICUT HOSPITAL ASSOCIATION
SUBMITTED TO THE
PUBLIC HEALTH COMMITTEE
Wednesday, March 5, 2014**

**SB 35, An Act Concerning Notice Of Acquisitions, Joint Ventures And
Affiliations Of Group Medical Practices**

The Connecticut Hospital Association (CHA) appreciates this opportunity to submit testimony concerning **SB 35, An Act Concerning Notice of Acquisitions, Joint Ventures And Affiliations Of Group Medical Practices**. CHA opposes the bill as written.

Before outlining our concerns, it's important to detail the critical role hospitals play in the health and quality of life of our communities. All of our lives have, in some way, been touched by a hospital: through the birth of a child, a life saved by prompt action in an emergency room, or the compassionate end-of-life care for someone we love. Or perhaps a son, daughter, husband, wife, or friend works for, or is a volunteer at, a Connecticut hospital.

Connecticut hospitals treat everyone who comes through their doors 24 hours a day, regardless of ability to pay. In 2012, Connecticut hospitals provided nearly \$225 million in free services for those who could not afford to pay.

Connecticut hospitals are committed to initiatives that improve access to safe, equitable, high-quality care. They are ensuring that safety remains the most important focus—the foundation on which all hospital work is done. Connecticut hospitals launched the first statewide initiative in the country to become high reliability organizations, creating cultures with a relentless focus on safety and a goal of eliminating all preventable harm. This program is saving lives.

Generations of Connecticut families have trusted Connecticut hospitals to provide care we can count on.

SB 35 would require hospitals and physician group practices to meet three new requirements: (1) notify the Office of the Attorney General (and provide copies of filings upon request) when a hospital or group practice makes a filing with the Federal Trade Commission (FTC) or the United States Department of Justice pursuant to the Hart-Scott-Rodino Antitrust Improvements Act; (2) provide the Office of the Attorney General with written notice of any material change to the business or structure of a physician group practice; and (3) require

hospitals and hospital systems to file annual reports describing the activities of group practices owned or affiliated with such hospitals or hospital systems.

SB 35 as drafted is overly broad in its reach and runs counter to the changing healthcare landscape envisioned by the Patient Protection and Affordable Care Act (Affordable Care Act). The Affordable Care Act facilitates massive changes in the healthcare delivery system, because it has become obvious that the manner in which healthcare has traditionally been delivered is simply not sustainable. This includes a necessary shift toward providing healthcare using different, integrated care delivery platforms that depend upon investment in new technologies, creation of alliances, market contractions, and fresh thinking regarding how to align resources. SB 35 will impede these necessary changes to healthcare, and importantly will create a substantial chilling effect upon affiliations, mergers, and acquisitions that are essential to properly modernize healthcare delivery. This is particularly troublesome because, in light of the dramatic shifts in the market for healthcare, all forces in Connecticut should be pulling together to foster them.

SB 35 as drafted is also unworkable. Since it applies to any material change to a group practice with as few as two physicians, SB 35 could be read to require, among other things, notice to the Attorney General every time a new physician joins or leaves a group practice, since 50% growth in the size of the group practice would likely be material. The change in ownership of a physician group practice is a common occurrence, both in independent and hospital-affiliated group practices, as physicians change where they practice, seek employment, retire, go part-time, or simply choose to work with different partners. It is not clear why such small changes in the marketplace should be subject to advance notice requirements.

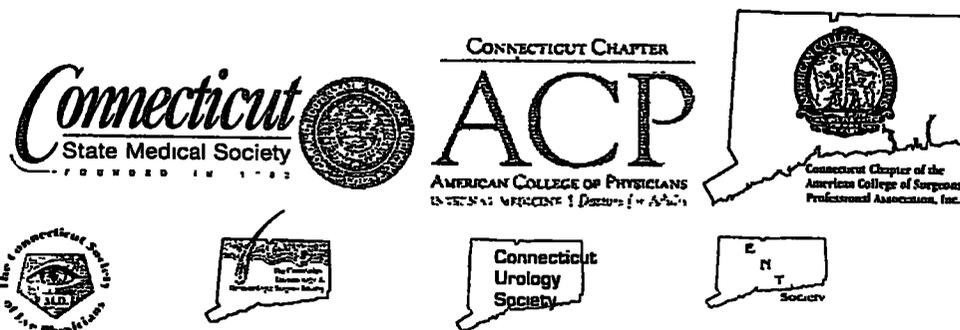
Subsection (c) of the bill contains overly broad requirements for filing with the Attorney General. This type of oversight is concerning, and its public policy goal unclear. Beyond the threshold question of why only healthcare providers should be subject to this oversight, subsection (c) is also unworkable in its application because it requires the filing of notice not less than 90 days prior to the effective date of the transaction. It is not clear what is meant by the effective date of the transaction – is it the date an agreement is signed, the closing date, or the date an ACO or joint contracting effort “goes live”? In many cases it will be impossible to comply with the 90-day requirement without significantly retarding the development of these care models. Many of the numerous transactions and relationships covered simply move too fast once there is agreement on them. In addition, it is not clear what kind of affiliation will trigger the reporting requirement. This could be broadly interpreted to include a simple contractual relationship for the provision of services.

Section (e) of the bill creates an unlevelled playing field with respect to hospitals and healthcare systems on the one hand, and large physician practices on the other. It is unclear why only hospitals and healthcare systems are required to file annual reports while large group practices, including group practices potentially larger than those affiliated with hospitals, aren't similarly required to report. The bill's annual reporting requirements single out hospital efforts to create new integrated care models and could disadvantage Connecticut hospitals' efforts to respond to the changing healthcare landscape.

Section (d) indicates that the Attorney General will specifically employ his antitrust powers in section 35-42 of the Connecticut General Statutes (the Connecticut Antitrust Act) in connection with this reported information. Though the bill states that only notice is required, it is unclear why SB 35 authorizes the Attorney General to employ his antitrust powers with respect to the reported information. If the goal is to ensure that the submissions will be treated as confidential, and thus exempt from a Freedom of Information Act request, section (d) should be rewritten to remove its inherent ambiguity.

The Affordable Care Act provides for what can only be described as one of the most significant overhauls of the country's healthcare system. Its goals - to expand health coverage, control healthcare costs, and improve the healthcare delivery system and the quality of care provided - necessitate fundamental, structural changes in how healthcare services are delivered at every level, including at hospitals here in Connecticut. It is not yet entirely clear what the structure will look like when all the changes are fully implemented, but one thing is clear - it will look drastically different than what we see today. At a time when the Affordable Care Act and other changes across the continuum of care are changing the way care is delivered and the manner in which physician and physician practices are integrating and coordinating care, this increased regulatory burden will have a decidedly chilling impact.

Thank you for your consideration of our position. For additional information, contact CHA Government Relations at (203) 294-7310.



**Connecticut State Medical Society Testimony on
Senate Bill 35 An Act Concerning Notice of Acquisitions, Joint Ventures and
Affiliations of Group Medical Practices
Presented to the Public Health Committee
March 5, 2014**

Senator Gerratana, Representative Johnson and members of the Public Health Committee, on behalf of the physicians and physicians in training of the societies we submit this testimony to you on Senate Bill 35 An Act Concerning Notice of Acquisitions, Joint Ventures and Affiliations of Group Medical Practices. We appreciate the Committee, administration and the Attorney General for acknowledging the rapidly changing landscape that is our healthcare delivery system.

Unlike many surrounding states, in Connecticut we have been fortunate that until recently, independently practicing physicians have been able to thrive and provide quality health care services to patients without influence or interference from for profit corporations. While the realities of the marketplace are quickly altering these figures, more than half of actively practicing Connecticut remain to be independent and in what are considered small practices of ten or fewer physicians.

We support what we believe is the intent of Senate Bill 35 to ensure that the Attorney General is aware of consolidations in the health care delivery market, to ensure that no anti-trust laws are violated and that no monopoly or monopsony is created. That said, we have concerns that as drafted, the bill might have an adverse impact on the ability of smaller physician practice to keep their autonomy and continue to provide quality care without corporate influence. We welcome the opportunity to work with the committee to address these issues.

At this point we must raise two concerns with the legislation as drafted. First, Section 1 (c) would require that any change in a practice with as few as two physicians provide a significant amount of detailed information to the Attorney General when the intent is as simple as recruiting a new physician to the partnership or an agreement by a practice to take over the patients and/or records of an insolvent practice. For example, a partnership can be created by two independently practicing physicians coming together to establish one practice. We do not believe this level of detail was intended by proponents of the legislation; the proposed reporting structure would have a chilling impact on the ability of solo and small group physicians to retain their independence.

Second, the language requires the impacted parties to provide ninety days notice of such transaction to the Attorney General. While significant mergers of health systems, hospitals and others might include a protracted process required by state and federal laws and regulations allowing for a three month notice prior to the transaction, the consolidation or merge of smaller practices can often happen in a much more timely manner. Additionally, in the unfortunate situation of a physician practice becoming bankrupt or insolvent, a ninety day notice window before another practice could take over the patients from such insolvent practice would hamper the ability of patients to receive timely and necessary medical care. We

also offer that the language contained in Section 1(c) simply states "material changes" "include" the five specified items. It does not preclude a determination that other transactions or practice alterations would ultimately be found to be a material change and subject to the requirements outlined in SB 35.

We support the intent behind SB 35 and welcome the opportunity to work with Committee members on the issue.

Testimony of Victoria Veltri
State Healthcare Advocate
Before the Public Health Committee
In support of SB 35
March 6, 2014

Good afternoon, Senator Gerratana, Representative Johnson, Senator Welch, Representative Srinivasan and members of the Public Health Committee. For the record, I am Vicki Veltri, State Healthcare Advocate with the Office Healthcare Advocate ("OHA"). OHA is an independent state agency with a three-fold mission: assuring managed care consumers have access to medically necessary healthcare; educating consumers about their rights and responsibilities under health plans; and, informing you of problems consumers are facing in accessing care and proposing solutions to those problems.

I would like to testify in support of SB 35, An Act Concerning Notice of Acquisitions, Joint Ventures and Affiliations of Group Medical Practices. As the costs of healthcare continue to rise, so does the cost of healthcare delivery. This is especially notable and impactful for independent providers and practices, resulting in an increasing predilection towards consolidation in order to remain solvent and competitive. However, the healthcare market in Connecticut is unique, with distinct regions within our relatively small state, each with distinct healthcare needs and challenges. This trend towards consolidation threatens to limit consumer choice and, ironically, decrease competition.

SB 35 addresses this trend by requiring that group practices provide notice to the Attorney General of its intent to merge with another practice or hospital system. Such notice provides the Attorney General with an opportunity to investigate the proposed merger and assess whether the proposal would have an anti-competitive effect on the primary service area or the state.

Thank you for providing me the opportunity to deliver OHA's testimony today. If you have any questions concerning my testimony, please feel free to contact me at victoria.veltri@ct.gov.