

WRITTEN TESTIMONY
OF
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Senator Fasano, and members of the Round Table, thank you for inviting me here. I would like to share what I have learned by examining the cost of radiology examinations performed by hospitals versus those done at private outpatient imaging centers, which also offer state of the art radiology. While I derived this information from a radiology perspective, my observations are not unique to radiology. These are the key points:

- There is an intentional lack of price transparency by those in control of the market: hospitals and insurers. That should stop.
- Transparency, along with freedom of choice, are both essential for employers and employees to cope with increasing financial pressures, and the rising cost of health care.
- Expanding hospital monopolies have leverage over patients, physicians, businesses, and even insurance companies, leading to higher prices, and less freedom of choice.
- The steering of patients to higher priced hospital facilities, whether by hospital employed physicians, or by private physicians who are dependent upon referrals from hospital employed physicians, should stop.
- Insurers, taking the path of least resistance by giving in to hospital leverage, are maintaining their profits by squeezing more and more money out of the patients, the private physicians, and community businesses. Robbing Peter to pay Paul is what makes it hard for private physicians to stay in business, and is what drives them into the arms of hospital systems. Passing laws to monitor and micro-manage the acquisition of private practices is too little too late, and would be unnecessary if the private practices weren't being drained of their financial resources.
- People and businesses are unwittingly being forced to pay a hidden tax, without any voice or vote in the matter, levied upon them by individuals who are unelected by, and unaccountable to the public.

Pricing data is difficult to obtain because of an intentional lack of price transparency that would not be tolerated for a minute by consumers, or state legislatures, in any other industry. It is not made public by the hospitals, or the insurance companies. Insurance company confidentiality agreements actually prohibit private physicians from advertising their lower rates to the public. The market is obviously dysfunctional. Pricing transparency is essential for employers and employees who are under financial pressure, especially if they have high deductible, cost sharing, or HSA plans. It is also required if there is to be any hope of achieving a more competitive, affordable, and accountable health care system.

Some patients are beginning to price shop, now that they are paying more out of pocket for their care, but their efforts are stymied by the lack of any effective price transparency, and

by consolidating hospital systems which are limiting freedom of choice by influencing the referral of patients to their higher priced facilities, and eliminating competition. Patients, in a moment of vulnerability, are typically reluctant to speak up, and go against the wishes of their physician. If there is no freedom of choice, then transparency is irrelevant. Health care provider price transparency, and freedom of choice, are equally important.

What is the pricing situation like? Hospital contracted rates are generally two to three times as much as private outpatient facilities for diagnostic imaging tests such as MRI and CT. It recently came to my attention that a patient with a high deductible plan had to pay New Milford Hospital over \$350 for a routine outpatient chest x-ray that at my facility would have only cost the patient about \$40, more than eight times the difference in price, with no difference in quality. Had the hospital, her insurer, her physician, or her employer informed her ahead of time, she would have chosen to go to my facility, and saved over \$300. Contracted rates for studies like MRI, CT, and mammography at New Milford Hospital can be several times those of private facilities. Thousands of dollars in savings are possible for higher priced exams like CT and MRI. For example, a CT of the abdomen and pelvis with contrast, that may cost about \$550 at my facility, can cost over \$3,900 at New Milford Hospital (and over \$2,300 at Danbury Hospital). A cervical spine MRI that costs around \$780 at my facility can cost over \$2,100 at the New Milford Hospital. Unsuspecting patients with high deductibles are being stuck with exorbitant bills costing thousands of dollars.

In Norwalk, the situation is worse. With the acquisition of the Norwalk Radiology and Mammography Center (NRMC) by Norwalk Hospital (now merged with Danbury and New Milford Hospitals), there are no longer any affordable advanced imaging alternatives in the City of Norwalk. NRMC, which had been charging the lower rates of a non-hospital facility, began charging the higher hospital rates after it was acquired. For example, a CT scan of the abdomen and pelvis which previously may have cost about \$550, suddenly overnight cost over \$3,100 at the same facility. In effect, people and businesses are unwittingly being forced to pay a hidden tax, without having had any warning, voice, or vote in the matter. Hospital executives, unelected by and unaccountable to the public, have assumed control of the most important infrastructure in Connecticut. They are making pricing decisions behind closed doors that impact us all, and keeping those prices from us. Hospital CEO's are making themselves wealthy, while impoverishing the public. This is reflected in rising premiums, deductibles, copays, and coinsurance. It is stifling business growth. I am seeing financially strapped patients travel from Norwalk to my facility in Danbury, which provides free and discounted care, because they could not afford the charitable hospital's rates. Clearly something is wrong, and I believe that the Legislature, DPH, the AG, and probably the Department of Consumer Protection, should take notice.

How could there be such a price disparity between hospital and private facilities? The answer is that hospital monopolies, growing with apparent impunity, are exerting increasing leverage over the people in their community, businesses, and the insurance companies. Hospitals use their state protected inpatient monopolies as leverage in negotiations with insurers to extract and maintain higher prices in both the inpatient and

outpatient sectors. This has serious side effects. The insurance companies, in an attempt to maintain their profits, turn around and squeeze more and more money out of the more vulnerable private sector (patients, physicians, and businesses), in effect siphoning money away from the private sector, and into the more expensive hospital systems. As a result, we are seeing private physicians and facilities, squeezed by insurance companies, join the hospitals in the hope of piggybacking on their higher contracted rates, further limiting choice, and driving up costs for the community. The tying of inpatient to outpatient services in negotiations between hospitals and insurers should be investigated, and brought out into the open.

Hospitals maintain that they must charge such high rates in order to fund their expansion plans, and pay for uncompensated care, even as the Affordable Care Act decreases the amount of uncompensated care by expanding public and private insurance coverage. Whether such expansion plans are prudent, and whether the community wins or loses from paying for uncompensated care and hospital expansion in this secretive and roundabout way are unknowns taken on trust, and are hotly debated questions being asked around the country. It should be noted that people have started voicing concern that some hospitals have gone from being charitable organizations to uncharitable big businesses focused more on the bottom line. Others feel that the rest of the business world has its equivalent of uncompensated care in the form of internal and external inventory theft and fraud, yet it manages to keep prices down, innovate, and expand without draining the public's resources and creating a crisis similar to that which we see in health care. That is all the more reason for operational, and price transparency.

But, both price transparency and freedom of choice are pointless if there is nowhere else to go. Private facilities offer an affordable high quality alternative, but they are rapidly disappearing and there is little time left to act. Please act now. Maintaining, and encouraging, competitive alternatives to the expanding monopolies is essential. That requires creating a more even-handed environment and payment system so that hospital competitors are not driven out of business by, or into the arms of, the hospitals which have the power to cause the insurance industry to pay them far more than their competitors.

These changes in the control and delivery of health care are hurting consumers, and stem from a market created more by historical accident than by intelligent design. The result is a loss of the things we value; freedom of choice, personalized care, and fair pricing. Lack of physician autonomy is threatening the doctor patient relationship. These changes are not inevitable, or the natural result of an evolving modern health care system. They are self-inflicted. The good news is that it is within our power to correct. Thank you.

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