Health & Human Services Committee
Presentation On Community Health Systems' Monopolistic Overcharging Abuse In Carlsbad, New Mexico By: John Heaton & Tom Martin Co-Chairs Mayor's Hospital Reform Committee August 26, 2015

MAYOR'S HEALTH CARE COMMITTEE CONCERNS
PURPOSE:
• Demonstrate OVER Charging abuse
• Define Service Deficiencies
• Define Impact On Business
• Define Impact On Business Recruitment
• Suggest Solutions

INTREPID POTASH INFORMATION AND STUDY RESULTS
**SHARED OBJECTIVE**

- For the citizens of Carlsbad and surrounding areas to enjoy high quality healthcare at a reasonable cost.

**CHS Stated Objectives**

- CHS Health Systems, Inc.—
  "We believe that smaller populations support less direct competition for hospital-based services and these communities generally view the local hospital as an integral part of the community."

**National Data**

- Modern Healthcare’s analysis found that the average hospital operating margin in 2013 was 3.1%, down from 3.6% in 2012 based on data available for 179 health systems.
Reported Financials
Carlsbad Medical Center

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Revenue</td>
<td>$147,446,560</td>
</tr>
<tr>
<td>Outpatient Revenue</td>
<td>$203,397,380</td>
</tr>
<tr>
<td>Total Patient Revenue</td>
<td>$350,843,920</td>
</tr>
<tr>
<td>Contractual Allowances</td>
<td>$280,906,560</td>
</tr>
<tr>
<td>Net Patient Revenues</td>
<td>$109,937,360</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$75,664,328</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$34,273,032</td>
</tr>
<tr>
<td>Other Income:</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Non Patient Rev.</td>
<td>$1,997,777</td>
</tr>
<tr>
<td>Total Non Patient Revenue</td>
<td>$1,997,777</td>
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<tr>
<td>Total Other Expenses</td>
<td>$0</td>
</tr>
<tr>
<td>Net Income or (Loss)</td>
<td>$36,270,809</td>
</tr>
</tbody>
</table>

CHS
Community Health Systems

- Santa Fe New Mexican – Aug 5, 2014

"Hospital firm owes feds $100 Million in over-billing scheme"

- Admission rates from the emergency departments at three of the company's New Mexico hospitals – Alta Vista Regional Hospital in Las Vegas, Carlsbad Medical Center and Eastern New Mexico Medical Center in Roswell – were in the top 90 percent of hospitals nationwide.
Community Health Systems' hospitals charged the highest sticker prices for medical services in the state, according to The New Mexican's analysis of 2012 hospital price data.

Another Fine Department of Justice
"Community Health Systems' Professional Services Corporation and Three Affiliated New Mexico Hospitals to Pay $75 Million to Settle False Claims Act Allegations"

Charge Comparisons
- MRI – Lower Extremities
- Knee Surgery
- Colonoscopy
- Intolerable CMC Model
- Gall Bladder Surgery
MRI—Lower Extremities
No Joint, No Contrast

- CMC $3,327
- Carlsbad Open MRI $ 625
- Lubbock Covenant $ 682
- Albuquerque Low $ 691

Knee Surgery
Arthroscopic Meniscus Tear

- CMC $23,000
- Artesia $11,500
- Albuquerque Range $ 3,875
- UMC Lubbock $ 4,700
- Other Lubbock Surg Center $ 3,400
- El Paso (Providence) $ 3,414

Colonoscopy—Preventive

- CMC $10,220
- Artesia $ 6,155
- Nor-Lea $ 5,300
- UMC Lubbock $ 2,100
- Lubbock Surg Cnt $ 1,800
- El Paso $ 1,500
- Albuquerque $ 1,100
Intolerable CMC Model
• Gall Bladder Surgery at CMC — $25,606
• RT Airfare for two to Hawaii at $1,466
• 7 Day Island Cruise for 2 on NCL $3,000
• Gall Bladder Surgery in Honolulu $12,200
• Cost Savings by Sending Employee to Hawaii $8,900

Gall Bladder Surgery
• CMC $24,628
• Honolulu $12,200
• Roswell Lovelace: $10,424
• Lubbock UMC $3,748
• Lubbock Covenant $7,059
• Albuquerque Low $9,093
• El Paso Low $4,581

MEDICAL SERVICES DEFICIENCY
• Many Doctors Have Left Due to Hospital
  No Cardiologist, E&T, Dermatologist, GI
• Public Frustration Due to Revolving Door
  of Physicians
  – New Doctor Retention Poor
  – Physician-Patient Relationship Very Personal
  – Woman’s Health Major Problem
• Certain Specialties Unavailable
Intrepid's Current Initiatives

- Established a Health Clinic
- Hired Benefits Value Advisor with BCBSNM
- Introduced High Deductible Program
- MOVING ALL CARE OUT OF CARLSBAD
- Recruiting Healthcare Providers--Lubbock

Providing Travel Benefits

- Qualifications for Travel Benefits
  - Must be available through CMC
- Mileage Reimbursement
- Cash Incentive Based on Cost
- Hotel Reimbursement
  - 1 day max for outpatient
  - 3 day max for inpatient

"America's Top 50 Health Care Thugs"

- .... Community Health Systems operates 25 of the hospitals on the list, Hospital Corp. of America operates another 14.
  "They are price-gouging because they can," said Gerard Anderson, a professor at Johns Hopkins Bloomberg School of Public Health, co-author of the study in Health Affairs. They are marking up prices because no one is telling them they can't."
THE
STATE LEGISLATURE
SHOULD TELL THEM THEY
CAN’T

IMPACT ON LOCAL BUSINESS

- Hospital Costs Are Increasing Insurance Costs – CHS Very Hard to Negotiate

- Dramatic Impact On Bottom Line
  - Some Companies Compete Internationally
  - U.S. Health Care Costs Twice Other Countries
  - Public Entities Must Freeze Salaries to Offset
IMPACT ON BUSINESS RECRUITMENT

• High Hospital Costs Affect Business Recruitment
  - Medical Insurance Costs Are A Significant Cost Center For All Businesses
  - All Businesses Consider Health Care Costs Before Locating
• Medical Costs Are Major Concern When Recruiting Retirees
• Medical Services and Specialists Are A Major Concern of Retirees

POSSIBLE SOLUTIONS

• Demand CHS Sell Hospital
  - Another Hospital Group
  - City/County Buy Hospital & Hire Operator
  - Hospital Financing Authority Available
• Develop Significant Competition
  - Create An Agreement With Outside Hospital
  - Provide Major Clinic With Specialties
  - Create a Surgi-Center
  - Imaging and Full Scope of Outpatient Services
• All Concerned Companies Create An Insurance Pool and Negotiate With Hospital As Group Plan
• Seek Possible Legislative Fix
• Companies Direct Employees Away for All Non-Emergency And Elective Care

Legislative Solution

• Sole Community Hospitals Are Monopolies and also Utilities
• County Hospitals Charges Are Controlled Thru Political Pressure on Commission
• There Is NO Control Over Private Hospital
• Legislation Designates SCH as Monopoly
• SCH then Controlled by SCH Rate Review Board
• Rate Review Board set SCH Rates
  - Board would hold Rate Hearings like Utilities
Maryland Approach

- Price Control Board for all SCP Hospitals
- Establishes a Gross Revenue Cap for Each
- Adjust Cap Annually based on Population, whether over or under, special services, etc
  - If under Cap amount added to next year
  - If over Cap amount subtracted from next year
- Targets a Controlled Growth by Inflation
- Promotes Wellness
- Reduces Utilization & Gaming System
- Successful – Only State With Medicare Waiver

QUESTIONS ABOUND