



Carolinas HealthCare System

House Select Committee on CON and Related Issues
Mount Holly, North Carolina

November 1, 2011



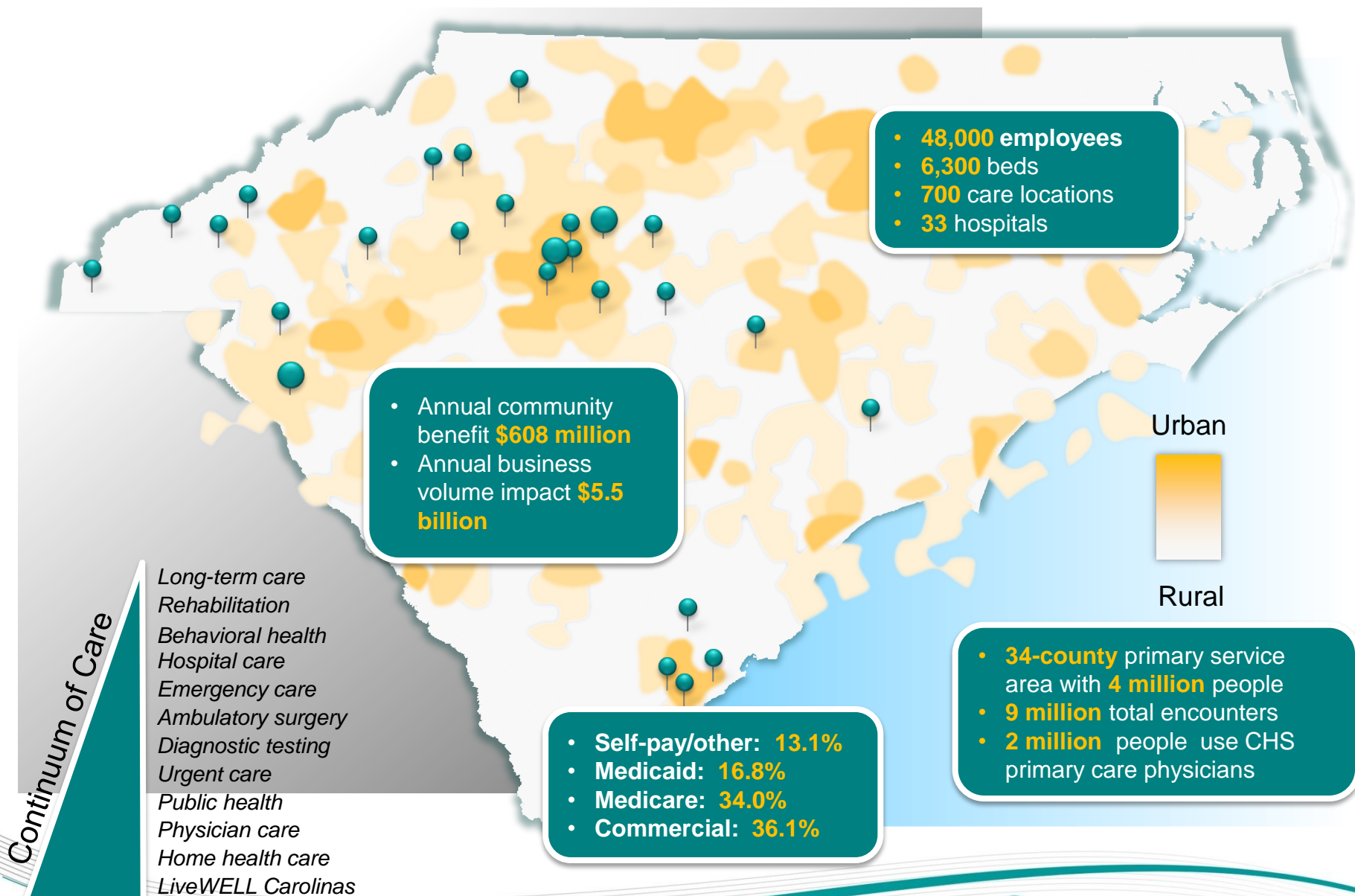
Carolinas HealthCare System
Uncompromising Excellence. Commitment to Care.

Agenda

- Carolinas HealthCare System
- Certificate of Need regulation
 - CON as good public policy
 - CON benefits
 - CON challenges



Carolinas HealthCare System



Medical Education and Research



- **Education**

- UNC School of Medicine for third and fourth year students
- 26 residency and fellowship programs
- Three health sciences schools

- **Research**

- Published over 300 publications
- Clinical trials





Mission Statement

The mission of Carolinas HealthCare System is to create and operate a comprehensive system to provide healthcare and related services, including education and research opportunities, for the benefit of the people it serves.





CON as Good Public Policy



First, why have CON regulation? The healthcare industry is complex and very different from any other industry.

1. The government sets prices
2. Price is not a factor in most buying decisions
3. The overwhelming majority of services are consumed in the last few years of the consumer's life
4. Care must be provided by hospitals regardless of the consumer's ability to pay
5. Consumers do not make buying decisions alone; payers and physicians are almost always involved in the buying decision

CAN YOU NAME ANOTHER INDUSTRY THAT COMES ANYWHERE CLOSE TO OPERATING IN THIS MANNER?



Some critics of CON regulation suggest the simple application of the free-market system will increase competition, lower healthcare costs and improve patient outcomes

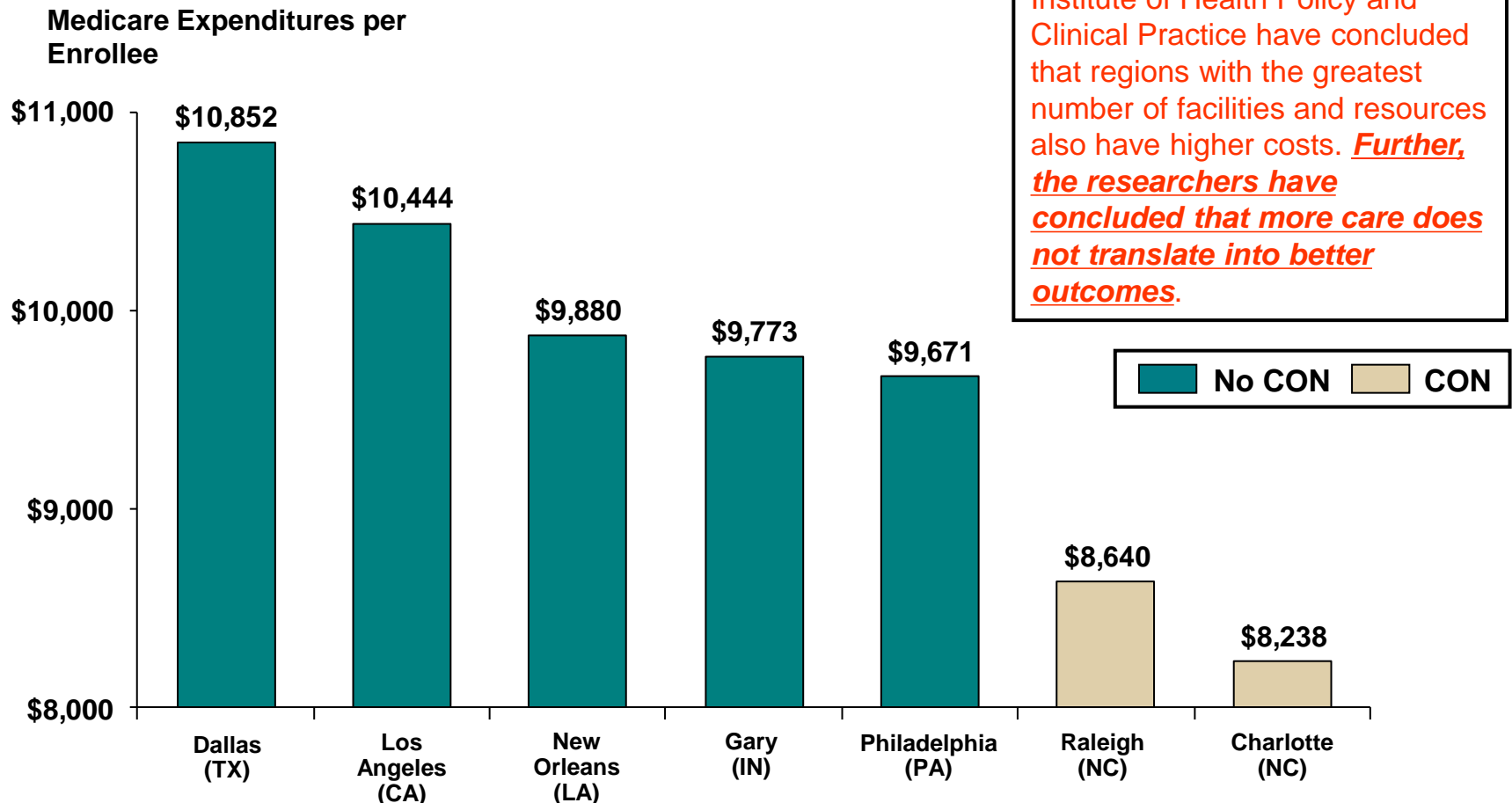
This proposed solution for our industry is not that simple

- The free-market system has an impressive track record for spurring economic growth
- A primary goal of free-market enterprise is to increase consumption...in healthcare we are trying to reduce consumption
- The industry conundrum: how can we bring down healthcare costs through a totally free-market system where the goal is to sell more services?



Dartmouth University research: regions of the U.S. with more facilities and resources have higher costs

Researchers at the Dartmouth Institute of Health Policy and Clinical Practice have concluded that regions with the greatest number of facilities and resources also have higher costs. **Further, the researchers have concluded that more care does not translate into better outcomes.**



Source: The Dartmouth Institute for Health Policy and Clinical Practice, 2008 data.





The Benefits of CON Regulation



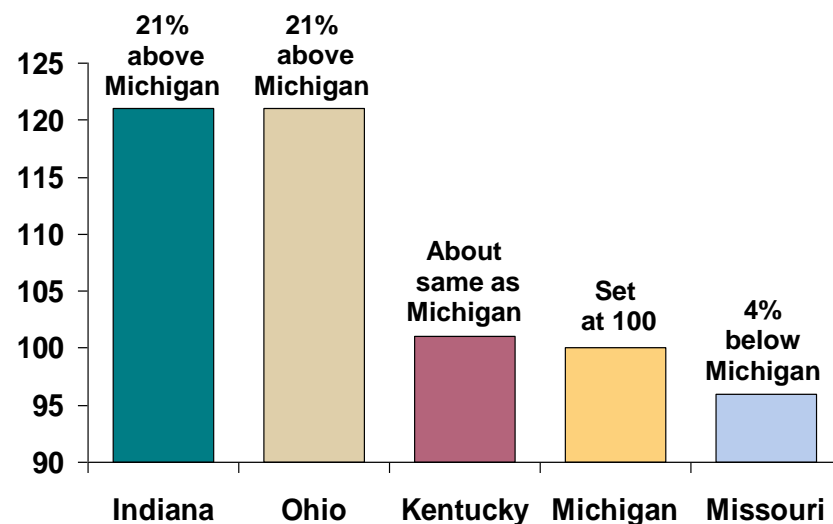
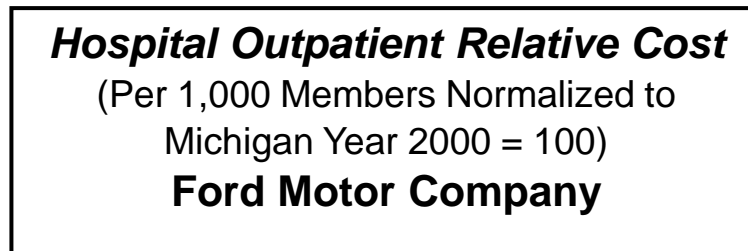
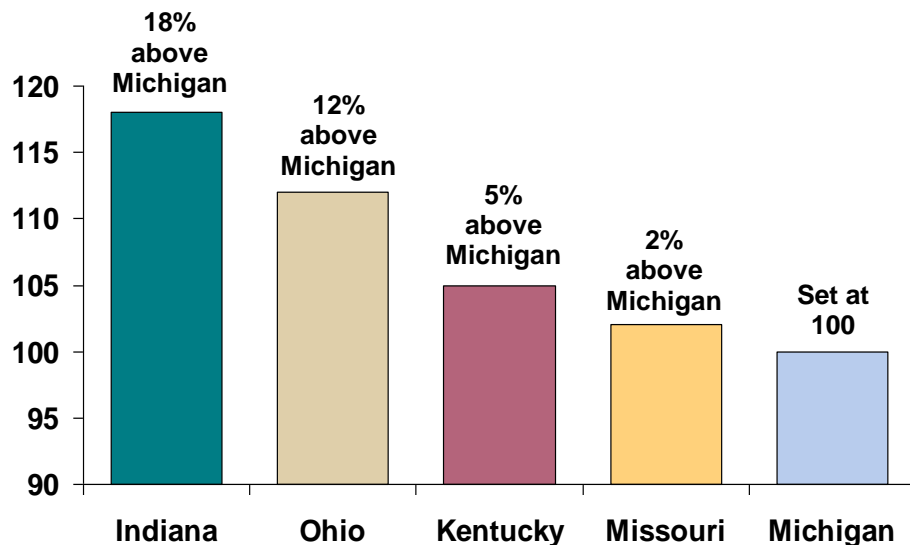
Based on independent research, there are three critical and direct benefits of CON regulation

- Lower healthcare costs
- Better clinical outcomes
- Improved access for the underinsured

Supporting independent research examples follow



Research example: employer healthcare costs are lower in CON states

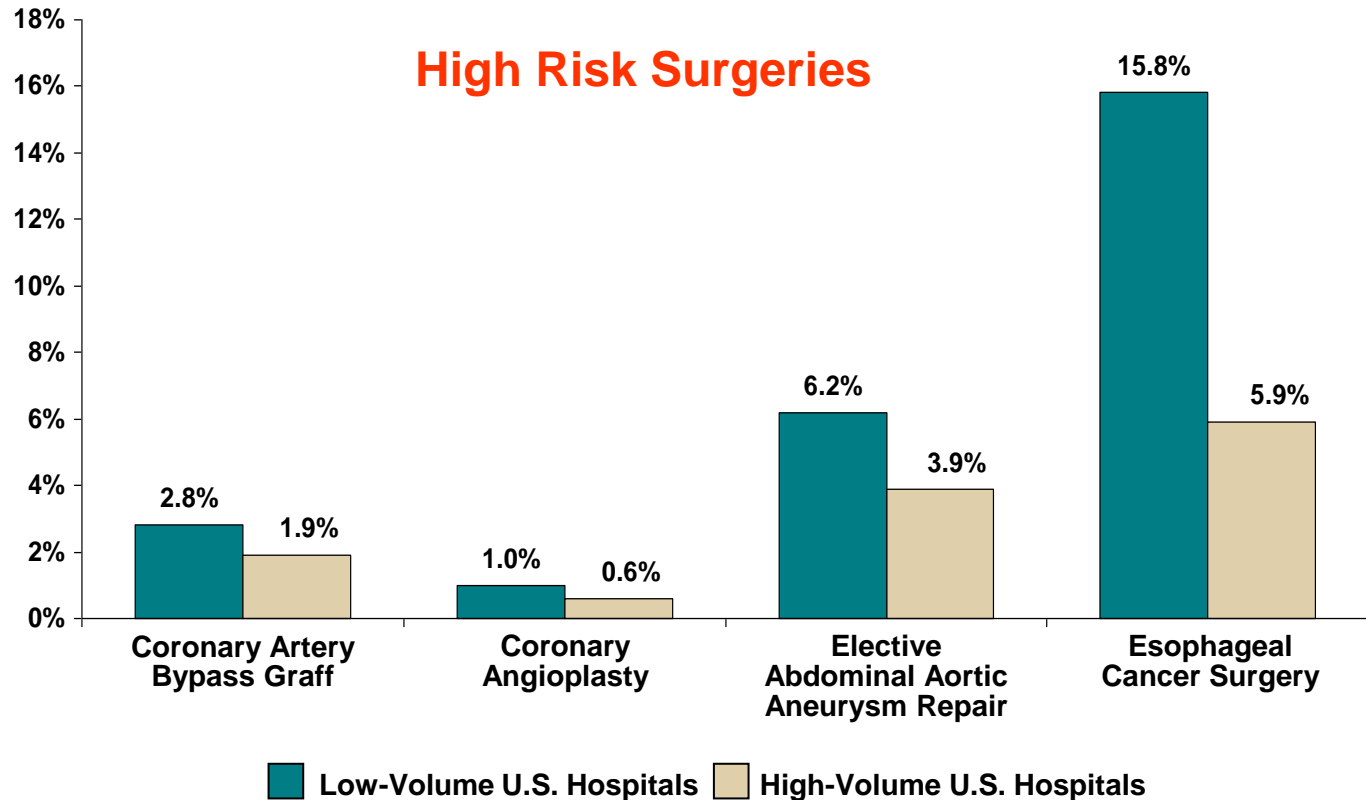


Source: The Wall Street Journal, January 20, 2004.



Research example: higher volume hospitals have better clinical outcomes

Estimated
Mortality Rates



Source: John D. Birkmeyer, *Leapfrog Patient Safety Standards: The Potential Benefits of Universal Adoption*, November 2000.



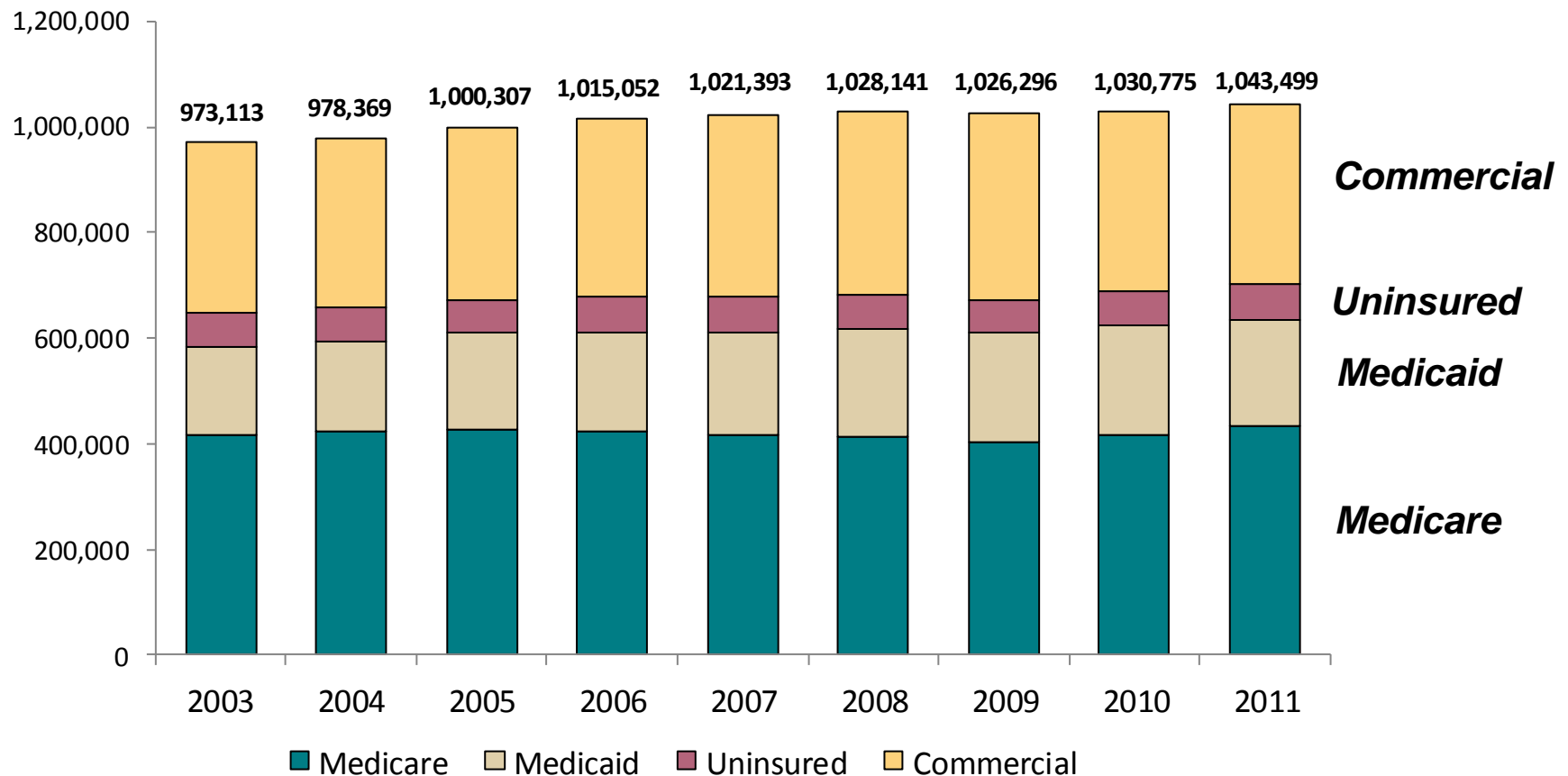
Research example: CON regulations improve access to care for the medically underserved

- **Access to care.** Most respondents agreed that CON regulations protect access to safety net hospitals and access to care in rural communities, either by requiring the provision of charity care or by having applicants address the potential impact on the safety net. Though research on this topic is scant, studies have indicated that CON regulations improve access to care for the underserved.
 - National Institute for Health Care Reform – The National Institute for Health Care Reform is a 501(c)(3) nonprofit, nonpartisan organization established to conduct health policy research and analysis to improve the organization, financing and delivery of health care in the United States.
 - Health Care Certificate-of-Need Laws: Policy or Politics – May 19, 2011.



CHS research: North Carolina hospitals care for over one million inpatients annually. Approximately 68 percent of these patients are government-sponsored or uninsured.

NC Hospital Discharges

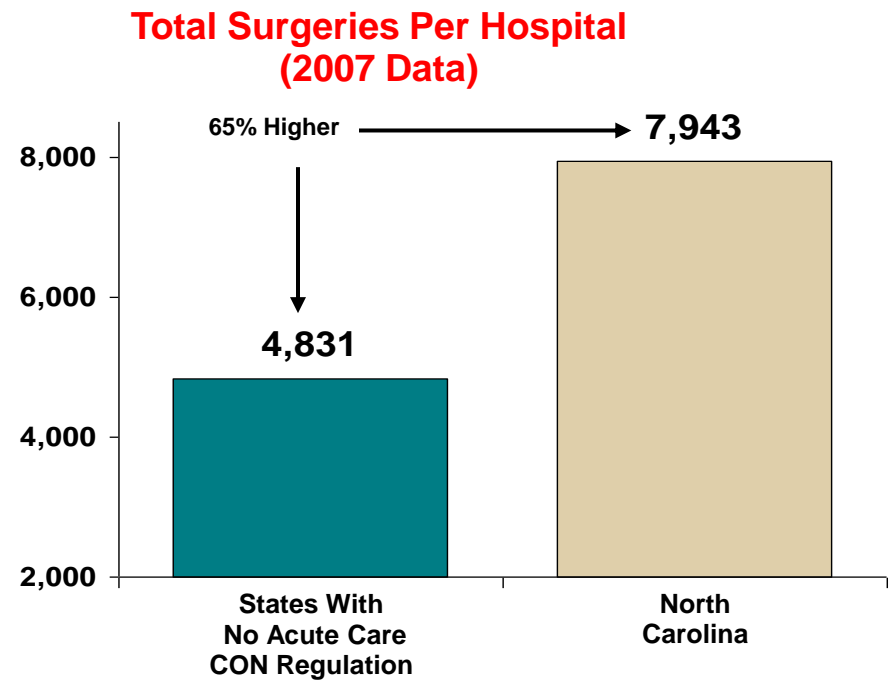
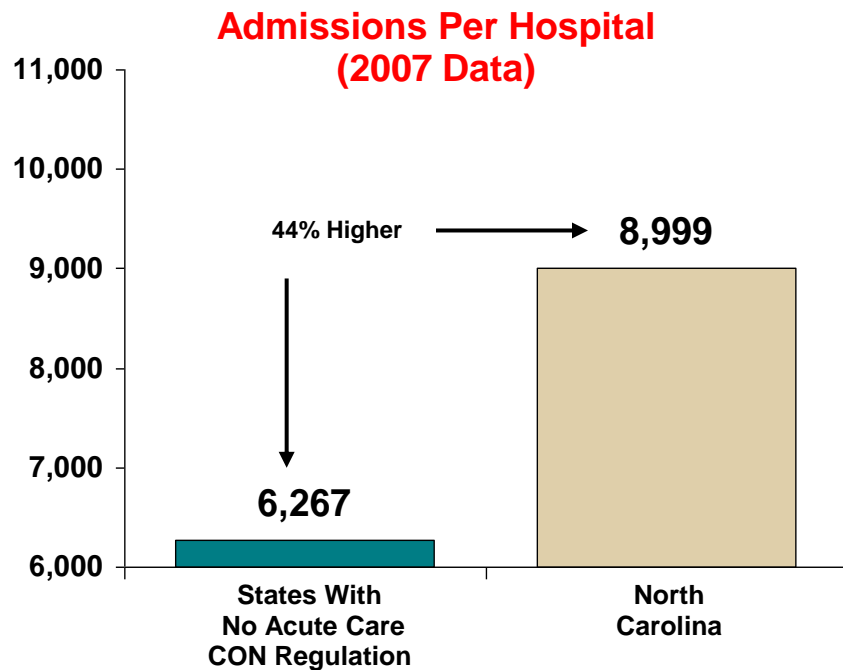


Source: Thomson, Inc. 2011 data are annualized based on YTD June.



*In summary, we believe the these benefits
are derived from the effective utilization of
healthcare facilities*

Hospital Utilization and Efficiency Comparisons (2007 Data)



Source: American Hospital Association, 2009.



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Challenges to CON Regulation



Challenges to CON Regulation

- Is the CON application process and the appeals process driving up healthcare costs?
- Do certain policies only benefit a select few, e.g. Policy AC-3?



Is the CON application process and the appeals process driving up healthcare costs?

Total spending on healthcare

- Total healthcare spending in the United States
 - \$2.5 trillion (2010)
- Total healthcare spending in North Carolina
 - \$75.4 billion (2010 estimate based on 2004 data)

CON costs

- Typical CON application costs – \$30,000 to \$50,000
- Maximum CON filing fee – \$50,000
- CON litigation costs – vary depending on nature of the case



Do certain CON policies only benefit a select few, e.g. Policy AC-3?

Exemption provisions

- Necessary to complement a specified and approved teaching expansion
- Necessary to accommodate patients related to an approved expansion of research activities
- Necessary to accommodate changes in the requirements of specialty education accreditation bodies

Four hospitals in North Carolina qualify for AC-3 exemption

- Duke University Medical Center
- UNC Hospitals
- Wake Forest Baptist Medical Center
- Pitt County Memorial Hospital



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Closing Comments



Strong Words About Rules on Fair Competition in the Healthcare Industry

“As a free-market conservative I strongly favor competition. In fact, I think Adam Smith’s description of markets creating more choices of higher quality at lower cost was one of the great breakthroughs in human productivity. His publication of the “Wealth of Nations” in 1776 was as liberating as our own Declaration of Independence that same year...

Congress should act now to protect our health system by establishing the right rules for fair competition.”

— **Newt Gingrich**

**Former Republican Representative From Georgia
and Speaker of the House**

Source: *Washington Post*, November 12, 2005.





Thank You For This Opportunity!

