

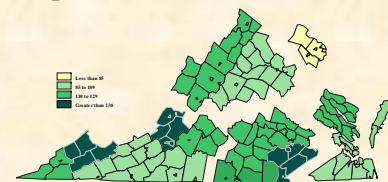
# Virginia

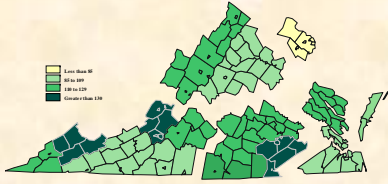
## Certificate of Public Need



**Virginia Association of Regional Health Planning Agencies**

**September 19, 2006**



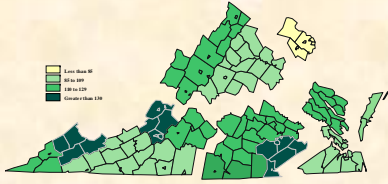


# Purposes

❖ Quality

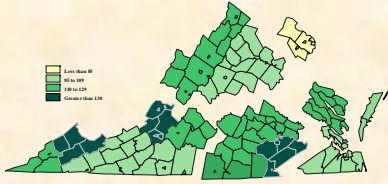
❖ Access

❖ Costs



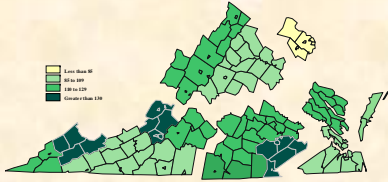
## How is Virginia Doing?

- ❖ Medical Expenditures Are Low
  - ✓ Use Rates Are Not High
  - ✓ Public, Businesses, and Insurers Benefit
- ❖ Quality Is Good
  - ✓ Mortality Rates Are Low for Services Covered by COPN
- ❖ Access to Care Is Improving
  - ✓ Access to Facilities Is Good
  - ✓ Access to Outpatient Care Is Being Addressed



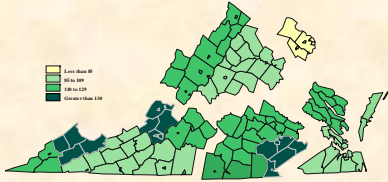
## Virginia Expenditures and Use

- ❖ **Personal Health Spending as Percent of Gross State Product**
  - ✓ Only Two States Spend Less
- ❖ **State Government Spending as Percent of Gross State Product**
  - ✓ Only One State Spends Less
- ❖ **Below the National Average in the Following Categories**
  - ✓ Hospital Days of Care Per Population
  - ✓ Expenses Per Day of Hospital Care
  - ✓ Nursing Home Use Per Elderly Population
- ❖ **Use and Expenses Higher in Central Virginia** (Richmond Area)
  - ✓ Use and Expenses Lower in Other Four Regions



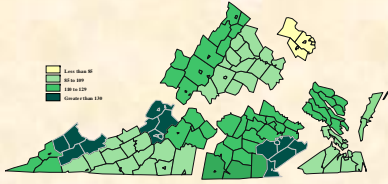
## Empirical Findings

- ❖ U. S. Automakers Found -  
Employees in States with Certificate of Need Laws Have:
  - ✓ Lower Health Care Expenditures
  - ✓ Lower Expenditures for Hospital Care
  - ✓ Lower Expenditures for Diagnostic Imaging (e.g., MRI)
  - ✓ Lower Expenditures for Open-Heart Surgery



## Virginia Quality

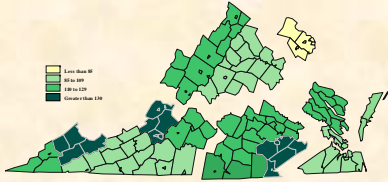
- ❖ Open-Heart Surgery Mortality Rate Fourth Lowest
- ❖ Fourth Most Nursing Homes with No Deficiencies
- ❖ Virginia's Cancer Mortality Lowest in Largest Programs
- ❖ Virginia's Infant Mortality Lowest in Largest Programs
  
- ❖ More Than 100 Studies Link Volume to Quality
- ❖ For More Than 20 Medical Services, Including
  - ✓ Cardiac Catheterization and Angioplasty
  - ✓ Transplantation
  - ✓ Intensive Care
  - ✓ HIV Treatment
  
- The Leapfrog Group, Sponsored by the Business Roundtable, Uses These



## Access Enhancements

- ❖ Geographic Distribution
- ❖ Charity and Medicaid at Facilities
- ❖ Inclusion of Outpatient Covered Services
- ❖ Support for Primary Care Services





## Medical Care & Markets

### ❖ Medical Care Is Not Classic Economic Market

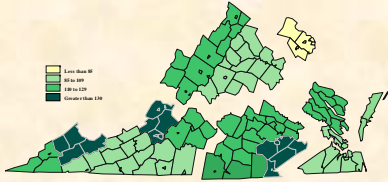
#### ✓ Individual Usually

- Has Little Knowledge of Costs
- Pays Little of the Cost Directly
- Has Limited Role in Whether and Where Care Provided

#### ✓ Society Expects Providers To:

- Provide Charity Care
- Serve Medicaid Patients At a Loss
- Cover Losses with Revenue from Insured Patients
- Cross-Subsidize, with Profitable Services Supporting Unprofitable Services





## Medical Care & Markets

### ❖ Medical Care Is Not Classic Economic Market

#### ✓ Insurers

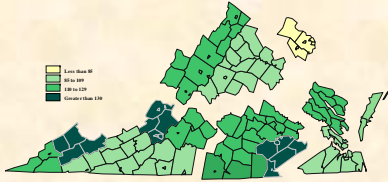
- Determine the Payment Amounts
- Set Payment Rates Based Partly On Average Costs, Providing Collective Cost-Based Reimbursement
- Pass on Costs, Including Payments, to Businesses, Governments, and Individuals

#### ✓ Supply and Demand Are Linked

- When Supply Increases, Use Increases
- When Use Increases, Expenditures Increase

#### ✓ Economies of Scale, However, Do Apply

- Unit Costs Are Low for High Volume Services
- Duplication Results in Higher Costs

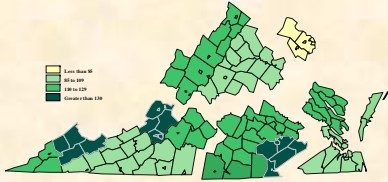


## FTC – DOJ Report

### ❖ Federal Trade Commission/Department of Justice Report

#### ✓ States That Health Care Is Not True Market Because

- Certificate of Need Laws
- Health Insurance
- Administrative Pricing of Medicare and Others
- Service Cross-Subsidization
- Charity Care
- Service Mandates
- Collective Action by Physicians
- Physician Role in Care Decisions



## Virginia and Ohio

### ❖ Virginia Tried Partial COPN Repeal, 1989-92

#### ✓ Experience Was

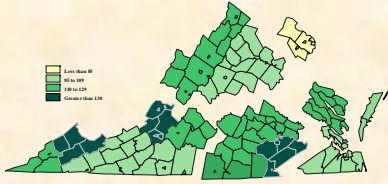
- Explosive Growth of Profitable Services
- Concentration in Affluent Areas
- Use Up Substantially



### ❖ Since Ohio Repealed Its Certificate of Need Law

#### ✓ Significantly Fewer Inner City Hospitals

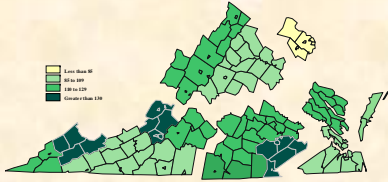
- Explosion of Profitable Services
- Numerous Cases of Hospital-Physician Discord
- Specialty Hospitals
- Do Not Provide Money Losing Services
- Jeopardize Community Hospitals



# Virginia Distinctiveness

## ❖ Virginia is Distinctive in the Following Ways

- ✓ Financially Stable Facilities
- ✓ Despite Medicaid Coverage and Payment Levels
  - Highest Intensity Nursing Home Patients
- ✓ Level Playing Field for COPN
- ✓ Address Problematic Services
- ✓ Moderate Coverage of COPN Law
- ✓ Competition Encouraged Where Not Detrimental
- ✓ Strong Local Role in the Process
- ✓ JLARC Report Strongly Supports Local Role



# Regional Agencies

## ❖ Virginia's Regional Health Planning Agencies

- ✓ Five Non-Profit Agencies
- ✓ Local Boards Have Consumer Majorities
- ✓ Hold Public Hearings on COPN Applications
- ✓ Make Recommendations on COPN Applications
- ✓ Community Health Planning Role
- ✓ Data Gathering and Analysis
- ✓ Services for the Uninsured