

Public Need Options

Health Planning Committee

Public Health & Health Planning Council

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Context

- Health System Transformation
 - New value-based, risk-based payment mechanisms
 - Integration and affiliation of providers
 - New models of care that require
 - Capital investment
 - Strong governance
 - Data and analytics
 - Rising power of physician groups
 - New emphasis on population health



New Opportunities and Risks

□ Opportunities

- Reduce preventable utilization and spending
- Improve patient safety and quality
- Focus on prevention and chronic disease management
- Improve health

□ Risks

- Systems too big to fail
- Anticompetitive behavior that drives up costs
- Instability of essential providers
- Underserved and rural areas abandoned

Administrative Streamlining

- Major change in approach to public need review of construction projects:
 - PHHPC recommended elimination of public need and many financial reviews for construction projects that do not involve changes in services, major equipment, location or capacity.



Public Need Options: Phase 2

- 3 categories:
 - Facilities in State-Certified ACOs
 - High Impact Facilities/Services
 - Low Cost/Low Utilization Facilities and Services



Options for Facilities in State-Certified ACOs

Promote Integrated Systems of Care through State-Certified ACOs

- Modify CON for facilities participating in state-certified ACOs that:
 - Receive significant portion of revenue through risk-based (e.g., capitated) payment mechanisms; and
 - Participate in regional planning and SHIP efforts; and
 - Report outcomes in relation to identified quality and population health benchmarks.

Modify CON for Certain Facilities in State-Certified ACOs

- Rationale:
 - Promotes clinical and financial integration
 - Risk-based reimbursement discourages unnecessary development
 - Can advance population health objectives
- Concerns:
 - Uncertain effectiveness of financial incentives, especially given consolidation and market power
 - Inability to mediate competitive issues between systems
 - Protection of safety net/essential providers
 - Ensure capacity in rural, under-served areas
 - Difficult to operationalize



Options for High Impact Facilities/Services

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- High Impact Facilities/Services =
 - Supply-sensitive (i.e., greater supply drives greater utilization and spending);
 - Volume-sensitive (i.e. concentration of volume drives higher quality);
 - Significant drivers of Medicaid spending;
 - Capital-intensive;
 - Emerging technologies of uncertain efficacy.

High Impact Facilities/Services: Radiation Therapy

- Apply CON to radiation therapy equipment (e.g., linear accelerators) regardless of setting.
- Rationale: Would help to level playing field; mediate competitive issues with hospitals.
- Concerns: Lack of government resources to regulate. May drive up reimbursement.

High Impact Facilities/Services: Radiation Therapy Alternative

- Eliminate CON for radiation therapy equipment regardless of setting
- Rationale: Given expansion of physician practice sites, CON's utility is reduced. Would level playing field.
- Concerns: Weakens ability to mediate competitive issues. Weakens ability to control entry of unproven technologies. Permits unfettered investment in expensive equipment.

High Impact Facilities/Services: Diagnostic Imaging

- Apply CON to diagnostic imaging regardless of setting.
- Rationale: Supply sensitive, cost driver.
Over-use of radiation emitting imaging raises public health concerns.
- Concerns: Lack of regulatory resources.



High Impact Facilities/Services: Diagnostic Imaging Alternative

- Eliminate CON for diagnostic imaging regardless of setting.
- Rationale: Given physician practice penetration, CON's utility is limited. Would level playing field.
- Concerns: Public health and cost issues associated with over-use. Weakens ability to control entry of unproven, expensive technologies. Permits unfettered investment in expensive equipment.

Options for High Impact

Facilities/Services: Ambulatory Surgery

- Develop a numerical need methodology for ASCs
- Rationale: Some are supply-sensitive. Facility-based reimbursement drives higher spending. Numerical methodology would promote consistency and predictability. Would control unnecessary development.
- Concerns: How effective is CON, in the absence of CON for OBS practices?

Office-Based Surgery

- Require CON for OBS practices of specified size (e.g., >1 OR)
- Rationale: Would level the playing field and help to mediate competitive issues. Would promote licensure and payments to HCRA pools.
- Concerns: Lack of regulatory resources. Greater penetration of licensed facilities would drive up spending.

Ambulatory Surgery: Alternative Option

- ❑ Eliminate CON for ASCs. Retain licensure, physical plant oversight.
- ❑ Rationale: Given development of OBS practices, CON has limited utility. Would encourage conversion of OBS sites to regulated facilities that would pay into HCRA pools.
- ❑ Concerns: Greater penetration of ASCs would drive higher spending. Loss of ability to mediate competitive issues between ASCs and hospitals.

Hospital Beds: High Impact or Low Impact?

- ❑ Eliminate CON for hospital beds over next 5 to 10 years. Retain prior approval for elimination relocation or conversion of beds.
- ❑ Rationale: Financial incentives will discourage unnecessary development of beds. CON will become unnecessary.
- ❑ Concerns: Incentives are not yet effective. Sentinel effect of CON may control development.



Options for Low Cost/Low Utilization Services and Facilities

Options for Low Cost/Low Utilization Services and Facilities

- Low Cost/Low Utilization Services and Facilities are:
 - *Not* supply-sensitive (greater supply does not drive higher utilization);
 - *Not* volume-sensitive (concentration of volume does not drive higher quality);
 - *Not* capital intensive;
 - *Not* drivers of significant Medicaid spending;
 - *Not* emerging technologies of unproven efficacy.



Options for Low Cost/Utilization Services and Facilities: Primary Care & Medical Specialty Consultations

- Eliminate CON review of primary care and medical specialty consultation services (i.e., *not* amb. surg., imaging, or radiation therapy). Retain licensure, physical plant oversight.

Low Cost/Low Utilization Services and Facilities: Primary Care and Medical Specialty Consultation Services

□ Rationale:

- Not capital intensive.
- Promote development of integrated systems.
- Promote primary care access.

□ Concerns:

- Development can destabilize essential providers.
- Proliferation of clinics may drive up costs.
- Proliferation of clinics may strain surveillance resources.

Low Cost/Low Utilization Facilities and Services: Hospice

- Update Hospice Need Methodology
- Rationale:
 - Current methodology is based heavily on cancer incidence;
 - Promote choice.
- Concerns:
 - Influx of competition could destabilize existing providers;
 - Proliferation of programs could strain surveillance resources.