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Western Montana Service Area
Providence Health & Services
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Good afternoon, Chairman Baucus. I am Jeff Fee, President and Chief Executive Officer of St. Patrick Hospital and Health Sciences Center here in Missoula, Montana. Founded in 1873, St. Patrick Hospital is the largest community hospital in Western Montana and is part of Providence Health & Services, a Catholic, not-for-profit health system serving communities across Montana, Washington, Oregon, Alaska and California that includes hospitals, long term care, physician groups and a health plan.

This year, the emergency department at St. Patrick Hospital is expected to treat nearly 26,000 patients; this has increased an average of eight percent each year over the past three years. Montana has one of the nation's highest rates of uninsured, many of whom have no other option for health care than emergency rooms such as those at St. Patrick's and other hospitals around the state. Moreover, an increasing number of seniors eligible for Medicare are unable to find a primary care physician who will care for them and seek care at our emergency room.

In 2007, the cost of charity care at St. Patrick was $6.3 million, an increase of $300,000 over the previous year. We take great pride in providing charity care as an essential and central element in fulfilling our mission. However, we are concerned about the added pressure on our charity care program that will likely result by the current economic downturn as families struggle to cope with difficult financial times.

Perhaps more troubling to us is the growing number of patients we serve who have health insurance but who are unable to pay for part or all of their deductibles and co-pays. This is a stark illustration of the unsustainable growth in the cost of health care.

From our perspective, we are caught in a vicious cycle: as health care costs increase, employers drop coverage, driving more people into Medicaid or the uninsured ranks. Inadequate reimbursement from government payers forces providers to increase their rates to private insurers, who then must pass along these costs to policyholders. This cost shift, in turn, leads to increased private insurance premiums and employee cost-sharing, reduced benefits or worse, more companies dropping insurance coverage for employees and their families. For physicians, especially primary care doctors, it becomes increasingly difficult to remain financially viable with more Medicaid and Medicare patients on their panels. This has fueled a shortage of internal medicine and family practice doctors in our community. According to a 2006 community needs assessment by the Medical Development Specialist consulting group, the Missoula area had slightly more than half of the internists needed to support our population.

The situation we find ourselves in is symptomatic of the horribly dysfunctional structural incentives that have been built into our health care system over the past several decades: our system is focused *not* on improving the health of our people and communities, rather it is oriented toward "sick care" and the notion that problems can be solved simply by doing more medical services or procedures:

- Physician payment, driven by the Medicare fee schedule and reinforced by the private insurance system, encourages over-utilization of high cost procedures over basic care management;

- Hospital payment structures encourage increasing the volume of high-cost procedures that are more profitable to offset those services that are not;
- An increasingly complex administrative structure has grown around the delivery and financing of health care as a result of layers upon layers of state and federal regulation, leading to substantial overhead costs for hospitals, physicians and health plans. The cost to hospitals and physicians of overhead related to coding, billing, claims and compliance with regulations is estimated to be well into the billions;
- The state and federal governments are consumed with, and are solely focused on, restraining the burgeoning costs created by these dysfunctional incentives. As a result, public programs must de-emphasize promoting wellness in lieu of cost-containment.
- Our health care delivery system is highly fragmented. Providers compete for sick patients, rather than collaborate to improve health.

Some Potential Solutions:
Any effort at reforming our health care system must tackle these dysfunctional incentives as a first order of business. Otherwise, achieving universal coverage will be a hollow, and short-lived, victory.

We urge the Congress, and our next President, to consider:

- Overhauling provider payment systems to re-orient them toward collaboration aimed at improving the health and wellness of individuals and communities. Our health care system, rather than emphasizing high-tech acute care, should instead emphasize care management through primary care. Potentially promising structural models include the Patient-Centered Medical Home, which is currently in the Medicare demonstration phase, and Accountable Care Organizations, a concept developed by the Dartmouth Institute for Health Policy and Clinical Practice, which reorganizes the delivery system around local integrated systems of care.
- Shifting the direction of Value-Based Purchasing toward shared provider incentives across the continuum of care: rather than rewarding individual providers based on their own unique sets of measures, physicians, hospitals, long term care and other participants in patient care should share any performance incentives that improve the health of the individuals in their charge.
- Rewarding providers for helping to improve the overall health of their communities. Develop value-based purchasing structures that allow all providers within a specified geographic area to share incentive payments based on community-based quality and efficiency measures.

These are just a few possible ideas for reform the health care delivery system. In addition, St. Patrick Hospital and Providence Health & Services are involved with a number of community-based initiatives that we believe hold promise toward moving our system in the right direction:

- Project Access – A collaborative effort between local government, community health centers, hospitals and physician groups to create an infrastructure that facilitates volunteer physician care for uninsured patients. Successful Project Access efforts can be found in Spokane, Olympia and Seattle, Washington, as well as Portland, Oregon and Anchorage, Alaska. Nationwide, Project Access is a growing model in large and small communities.
- Program for All-Inclusive Care for the Elderly (PACE) – A comprehensive care management program for frail elderly patients, PACE utilizes a combined Medicare/Medicaid capitated payment to provide necessary medical and social services. Providence has five PACE sites in Portland, Oregon and Seattle, Washington.
- Utilization of Community Health Workers – lay members of communities who work either for pay or volunteers in association with the local health care system who assist patients in navigating the health care system, including making and meeting appointments, provide English translation if needed and other support. Providence has worked with "promotores" in Latino communities in Los Angeles and Portland to improve access to care.

Our Vision For Health Reform:
Providence Health & Services believes health care is a fundamental right. To that end, we are committed to work with our Members of Congress, the White House and our local, state and national partners to bring about structural modifications that will change the course of our health care system. We've developed a vision for health care reform that calls for both a redesign of our insurance system and the delivery system. This vision includes the following elements:

- How doctors, hospitals and other providers work together is critical to making health care more affordable, safe and effective. This requires an aggressive effort to effectively utilize the latest technology and an equal dedication to information sharing.

- Establish Health Care Accountability – Accurate and robust information is key to ensuring patients access the right care at the right time. Provider payment and insurance reforms should encourage the appropriate use of services. Establishing voluntary benchmarks for transparency in cost and quality can help patients choose the best care options, improve care and reduce waste. Additionally, hospitals, providers and insurers must collaborate and share the responsibility to control costs.

- Improve and Expand Health Care Coverage – The percentage of employers offering health insurance coverage is declining and the type of coverage offered is increasingly inadequate. Everyone deserves access to a basic set of health insurance benefits designed to be portable and not exclusively tied to employment. Although consumers should have the option to purchase additional coverage, the design of a basic plan should be comprehensive enough to include preventive medical services adequate to support good health management.

- Strengthen Public Programs – Government-funded health insurance programs play a larger role in the health status of seniors, low income families and children. Medicare and Medicaid must continue to be reformed to be more patient-centered and focused on covering patients across the continuum of care, from primary to long term care.

We thank you, Chairman Baucus and the Finance Committee as a whole for your continued strong leadership in working to bring about needed structural reforms to our health care system. We look forward to working with you in 2009 and beyond on this important issue.