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March 30, 2019

Senator David Wilson, Chair
Senate Health and Social Services Committee
Room 111, State Capitol
Juneau, AK 99801

Re: SB 1 – Repeal Certificate of Need Program

Dear Senator Wilson:

Thank you for the opportunity to provide public comment on Senate Bill 1 – Repeal Certificate of Need Program. I am writing in strong opposition to repealing Alaska's Certificate of Need program and urge the Legislature and State to focus on necessary improvements to protect patients' access to quality care rather than kowtowing to an oversold and misrepresented message that blames the CON for the high cost of healthcare.

Alaska Radiology Associates (ARA) is a team of 14 subspecialty radiologists proudly offering patient focused onsite imaging in Anchorage and the Matanuska Susitna Valley and expert teleradiology services across Alaska 24/7/365. As President of ARA, I work closely with Imaging Associate's CEO to manage two sites which offer best-in-class diagnostic services including two Breast Imaging Centers of Excellence; a designation earned by the American College of Radiology. In addition to our Breast Imaging Centers of Excellence, Imaging Associates has introduced countless new and improved imaging technologies to Alaska including Alaska's first High Field Open MRI, Dual energy CT, Prostate MRI, and so much more.

I am a strong proponent of free market principles; however, healthcare is far from being a free market, in fact it is one of the most heavily regulated industries in this nation and some of that regulation is certainly justified. Just as the auto industry has demonstrated it needs safety regulations to not put profits over peoples' lives and the banking industry needs regulations to ensure the security of our citizen's savings, the healthcare industry requires checks and balances to prevent the same kind of profit over quality and safety abuses. One of those checks is the CON program. **As you know, thirty-eight states have some form of Certificate of Need program (CON) providing a check and balance over an inappropriate build-up of their respective healthcare infrastructures.** Specifically, 35 states have a CON program like Alaska's, and 3 currently have some variation of the program. **CON programs provide a process for states to determine what level of healthcare investment is actually necessary and provide for a planned, thoughtful implementation of that level of infrastructure and service. Such programs are intended to prevent over investment in high margin services – a major factor in driving up costs.**

Some argue that the current program allows one business or provider to hold a monopoly thereby preventing competition – this couldn't be further from the truth. The decision to approve or disapprove a Certificate of Need in Alaska is held by the State Department of Health and Social Services, not by any one practice or provider. The state has a rigorous review process and it does not "require" a competitor's approval of the application.

Removing that check and balance will negatively impact patient safety and the quality of care received by Alaskans in a number of ways. First, it would prevent us from being able to continue offering the comprehensive community minded services Alaskan's need, especially the many critical low margin and no-margin services we include alongside our higher margin CTs and MRIs. Second, the quality onsite sub-specialty care we deliver would be threatened. Third, our reinvestment in high cost low radiation / high resolution technology would necessarily come to a halt. Finally, we would be forced to limit or abandon services to those covered by Medicaid and Medicare who already reimburse below our operating costs. Today, we are able to offer all of these things because we know our reinvestment is at least partially protected from the negative effects of "profit above all else" centers standing up on every street corner aiming to capture only the highest margin procedures from the patients with the best insurance.

Some say the CON stifles innovation and investment of new technology. I can tell you the opposite is true. Imaging Associates has held CONs in both Anchorage and the Mat-Su Valley since 2006. We invest millions annually in technological updates to our centers. For example, last year alone we invested approximately \$3.5 million in equipment and service upgrades even though none of our equipment was end-of-life. We did so solely to improve the imaging quality, imaging resolution, and patient safety through lower radiation doses while simultaneously enhancing the reliability of our electronic connectedness with our referring providers. Some of the services we invested in include new non-invasive means of evaluating liver disease drastically reducing the number of liver biopsies we are asked to perform. In the end these investments result in performing **fewer procedures** but significantly better and safer patient care. We take our CON's and our stewardship to the community very seriously. **Our CONs have not stifled investment, quite the contrary, they give us the confidence we need to continue to accept all payors, contribute enormously to charity care through Anchorage Project Access, and assist the uninsured.**

Going back further, Imaging Associates has invested in excess of \$10 million in new and upgraded technology in Southcentral Alaska in the last five years. As I stated, without the CON our investment analysis would require us to consider the likelihood of many new small imaging centers with business models far less community minded; cherry picking only the most profitable services and accepting only the best private payors. In that post-CON environment, we would be forced to run out our existing investments beyond their meaningful life. **The CON encourages quality investment, not the other way around.** Some of our critical services utilize equipment that costs hundreds of thousands of dollars but is only utilized a few times a month. Those kinds of services too would disappear almost overnight in a post CON Alaska.

Sadly, payors (private and government) reimburse the same for exams performed on our state of the art equipment as they do competitors with end of life gear, often administering several times the radiation dose, and having no guarantee of sub-specialized interpretations or fast reporting. Let there be no mistake, there is no quality incentive in the current healthcare payment system. **The CON review process is the only means the state has to ensure high quality investments, with safety and service in mind, build upon rather than parasitize our healthcare delivery system. Should the**

CON be repealed and an oversupply of low-end technology on every street corner be permitted, the services and quality technological investment in Alaska will never come back.

Opponents of CON contend that the program increases prices due to limited competition caused by the program. In Anchorage alone, under the existing CON law, there are three large tertiary care hospitals, four independent outpatient imaging centers and many physician-owned MRI/CT scanners (the latter of which all fall outside of existing CON requirements). To say there is no competition for CON level facilities shows a profound misunderstanding of the healthcare marketplace. **The CON itself does nothing to stifle competition. It serves merely as a state regulatory check to ensure healthcare services are not overbuilt and provides necessary downward pressure on over utilization and unnecessary healthcare spend. The state can issue a CON to anyone they deem necessary.**

Allow me to offer an example of the CON program working in Alaska. Eagle River and south Anchorage were spared an ultra-high cost urgent care centers falsely labeled as an emergency room that would have had to transport by ambulance anyone really sick to a real hospital 20 minutes away. If your loved one was having a stroke or heart attack that needed and intervention you just delayed their care immeasurably. Additionally, that visit would have cost several times what an urgent care clinic would cost and offer little if any additional care. An emergency room physician and nurse can do little without the comprehensive on-site services of a real hospital including operating rooms, specialty surgeons, cardiologists, etc. Many states are discussing banning these sham operations that are in fact little more than urgent care with significantly higher costs. The business model of stand-alone emergency rooms usually target highly affluent areas where payors carry private insurance and avoid areas with high Medicaid or Medicare populations. This is a great example of where CON worked and disallowed an expensive service that offered little improvement over current service models. Don't misunderstand my point. Eagle River residents would receive faster care from an actual emergency room in Eagle River and perhaps someone may propose one. However, the proposed freestanding emergency room that was correctly denied would not offer comprehensive emergency room services and was little more than expensive after-hours urgent care.

The State should be looking to improve the CON process not eliminate it completely. The program has been poorly managed and administered over the years and should be improved to better achieve its intended purpose. I believe the state has never used the CON program to its fullest potential, to maximize access to **quality** services across our state.

First, the CON program should apply to all healthcare investment meeting a certain threshold and not just select providers or infrastructure. All investment should be held to the same standard. Considering only who owns the proposed equipment represents a significant loophole in the program.

Second, the CON program must be consistently administered over years and decades which has never happened. The types and duration of property leases (1 year vs 5 years) and the types of expenses which must be included should not change from administration to administration but be consistent over decades.

Third, each certificate seeker should have to guarantee that they will ensure access to ALL groups of Alaskans, disallowing them from cherry picking those with private or sponsored employee/retiree health insurance coverage while limiting access to our elderly or poor.

Finally, DHSS should require any new certificate seeker demonstrate that their center and services will be of substantial quality as determined by a third-party rating agency, and that their equipment must maintain such quality certificates or face suspension of their certificate. Just consider that you could bring your child to the cheapest imaging center located on your way home from school and your child could be receiving several times greater the radiation dose and a lower quality exam than on newer equipment read by sub-specialists just down the road; and yet neither private insurance nor government programs have any plans to differentiate reimbursements in favor of newer safer technology.

We strongly oppose the outright repeal of the CON program, a program that, if administered effectively, should ensure investments in quality healthcare can be made despite the current inefficient system of reimbursing services. **The CON allows centers like ours to continue to offer comprehensive services to all, not just high margin services to the few.**

Sincerely,

A handwritten signature in black ink, appearing to read "Christopher M. Reed". The signature is fluid and cursive, with a large loop at the end.

Christopher M. Reed, M.D.
President, Alaska Radiology Associates

cc: Senator John Coghill
Senator Cathy Giessel
Senator Gary Stevens
Senator Tom Begich