

TESTIMONY SUBMITTED  
TO THE  
PENNSYLVANIA SENATE  
BANKING AND INSURANCE COMMITTEE  
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THANK YOU FOR THE OPPORTUNITY TO BE HERE TODAY TO PRESENT TESTIMONY FROM THE ALLEGHENY COUNTY MEDICAL SOCIETY CONCERNING THE CURRENT SITUATION BETWEEN HIGHMARK AND UPMC WITH RESPECT TO A RENEWAL OF THEIR PARTICIPATION CONTRACT. OUR PRIMARY CONCERN IS THE POSSIBLE DISRUPTION OF PATIENT AND PHYSICIAN RELATIONSHIPS DUE TO THE CHANGING RELATIONSHIP BETWEEN THESE TWO ENTITIES.

THE ALLEGHENY COUNTY MEDICAL SOCIETY REPRESENTS PHYSICIANS IN DIVERSE PRACTICE SETTINGS. OUR MEMBERSHIP INCLUDES PHYSICIANS EMPLOYED BY UPMC, WEST PENN ALLEGHENY HEALTH SYSTEM (WPAHS), OTHER HOSPITALS, PHYSICIANS IN PRIVATE PRACTICE, RESEARCHERS AND TEACHERS, MEDICAL STUDENTS AND RESIDENTS. WE ARE CONCERNED ABOUT OUR RELATIONSHIPS WITH PATIENTS, MANY OF WHOM HAVE BEEN UNDER OUR CARE FOR EXTENSIVE PERIODS OF TIME.

PHYSICIANS WOULD PREFER NOT TO “CHOOSE SIDES,” SO TO SPEAK, BUT TO BE CONCERNED WITH THE RELATIONSHIPS THAT EXIST IN PATIENT CARE AND TO ADDRESS PATIENTS’ MEDICAL CARE. THE SOCIETY BELIEVES THAT PATIENTS, PHYSICIANS AND OUR COMMUNITY ARE BEST SERVED BY A VIBRANT, COMPETITIVE MARKETPLACE -- COMPETITION FOSTERS INNOVATION AND IMPROVEMENTS IN CARE AND SERVICE AND ENSURES COMPETITIVE PRICING OF INSURANCE FOR THE PROVISION OF HEALTHCARE.

WE ARE IN AN UNUSUAL MARKETPLACE IN WESTERN PENNSYLVANIA WITH TWO LARGE COMPANIES – HIGHMARK AND UPMC – THAT PROVIDE CARE FOR AND INSURE A GREAT MANY

PATIENTS IN THIS AREA. PATIENTS HAVE LONG ENJOYED RELATIVELY WIDE-SPREAD ACCESS TO CARE, DUE PRIMARILY TO THE CONTRACT BETWEEN HIGHMARK AND UPMC AND THE “MARKET SHARE” THAT THEY BOTH ENJOY. WITH THE EXPRESSED INTENT OF HIGHMARK TO BECOME AN INTEGRATED DELIVERY AND FINANCIAL SERVICES COMPETITOR TO UPMC, THIS APPEARS TO BE CHANGING SIGNIFICANTLY. UPMC HAS PUBLICLY WELCOMED THIS NEW ENTITY AS A CLINICAL AND FINANCIAL COMPETITOR BUT HAS CLEARLY STATED THAT IT WILL NOT CONTRACT WITH THEM AS SUCH. IF HIGHMARK AND UPMC CANNOT REACH A CONTRACTUAL AGREEMENT, THEN PATIENTS AND EMPLOYERS MAY HAVE TO ALTER THEIR CHOICE OF HOSPITAL AND PHYSICIAN NETWORKS, AS WELL AS HEALTHCARE INSURANCE COMPANIES.

THE MEDICAL SOCIETY HAS EXPRESSED ITS CONCERNS TO BOTH HIGHMARK AND UPMC REPRESENTATIVES AND ENCOURAGED THEM TO AGREE ON A NEW CONTRACT. IT IS DIFFICULT TO ACCEPT THAT THESE LARGE NON-PROFIT ORGANIZATIONS CANNOT AGREE ON AN INSURANCE PRODUCT AND HOSPITAL AND PHYSICIAN NETWORK THAT WOULD ALLOW PATIENTS AND EMPLOYERS MORE CHOICE AND FLEXIBILITY. THERE ARE ALSO A NUMBER OF SPECIALTY FACILITIES AND PROGRAMS THAT ARE WIDELY CONSIDERED COMMUNITY ASSETS THAT WERE CREATED IN A MORE COLLABORATIVE TIME. IF A LIMITED PARTICIPATION AGREEMENT IS NOT REACHED, IT MAY CREATE A COMPETITIVE SITUATION WHERE PROGRAMS ARE DUPLICATED AT SIGNIFICANT EXPENSE TO THE COMMUNITY.

AS YOU KNOW, THE PRIMARY BENEFIT OF A PARTICIPATING CONTRACT IS THAT INSURERS RECEIVE SIGNIFICANT DISCOUNTS FROM THE SO-CALLED “RETAIL PRICING” OF HOSPITALS AND

PHYSICIANS' SERVICE IN EXCHANGE FOR PROVIDING PROMPT PAYMENT AT SCHEDULED PRICES TO THOSE FACILITIES AND PHYSICIANS. WHEN AN INSURER DOES NOT HAVE A CONTRACT WITH A NETWORK, THOSE PHYSICIANS AND FACILITIES BECOME "OUT OF NETWORK" AND ULTIMATELY ARE MUCH MORE EXPENSIVE TO INDIVIDUAL PATIENTS. FOR ALL PRACTICAL PURPOSES, "OUT OF NETWORK" FACILITIES AND PHYSICIANS BECOME FINANCIALLY PROHIBITIVE.

THE SIGNIFICANT COST DIFFERENTIAL THAT OCCURS WHEN A PHYSICIAN OR HOSPITAL BECOMES "OUT-OF-NETWORK" IS SUCH THAT MANY PATIENTS WILL FACE A FINANCIAL CHOICE THAT WILL CAUSE THEM TO EITHER CHANGE PHYSICIANS OR INSURERS. IN SOME CASES, THEY WILL NO LONGER ENJOY ACCESS TO A LOCAL FACILITY BUT WILL BE DIRECTED TO FACILITIES THAT ARE NOT AS GEOGRAPHICALLY CONVENIENT.

PHYSICIANS WHO ENJOY PRIVILEGES AT COMPETING HOSPITALS IN OUR COMMUNITY MAY ALSO FACE THE NECESSITY OF MAKING CHOICES BETWEEN SYSTEMS. WHILE THIS HAS NOT BEEN RAISED IN DISCUSSIONS TO DATE, THE FUTURE MAY SEE SYSTEMS ADOPT SO CALLED 'CLOSED PANEL NETWORKS' OF PHYSICIANS AND OTHER HEALTHCARE SPECIALISTS.

IT IS NOT CLEAR WHETHER THIS TYPE OF COMPETITION WILL REDUCE COSTS IN OUR REGION, AND WE DO NOT PRESUME TO BE FINANCIAL EXPERTS WHO CAN PREDICT WHETHER OR NOT THIS WILL OCCUR.

WE ARE VERY CONCERNED WITH THE IMPACT OF THIS COMPETITION AFFECTING MANY LONG-STANDING RELATIONSHIPS BETWEEN PATIENTS AND PHYSICIANS, AND THE POSSIBLE PROBLEMS THAT MAY OCCUR IF PATIENTS SEEK THE CARE OF NEW PHYSICIANS, ESPECIALLY THOSE WITH MULTIPLE, CHRONIC CONDITIONS THAT ARE BEING MANAGED BY THEIR CURRENT PHYSICIAN.

IN MANY WAYS, THIS IS A DILEMMA FACING PRIMARY CARE PHYSICIANS. AS YOU MAY KNOW, WE HAVE A SHORTAGE OF PRIMARY CARE PHYSICIANS IN THIS AREA. PRIMARY CARE PHYSICIANS ARE THE BACKBONE OF OUR SYSTEM OF CARE, DESPITE INCREASING USE OF CARE TEAMS THAT UTILIZE NURSE PRACTITIONERS AND PHYSICIAN ASSISTANTS. WHILE THE USE OF CARE TEAMS CAN PROVIDE APPROPRIATE CARE TO PATIENTS IN AN EFFICIENT MANNER, WE CONTINUE TO FACE A SHORTAGE OF VITAL PRIMARY CARE PHYSICIANS. THEY ARE THE ONES WHO REFER PATIENTS TO SPECIALTY CARE FOR NEEDED SERVICES, AND IN MANY CASES, MANAGE SPECIALTY CARE, AS NEEDED, AND THE MULTIPLE CONDITIONS THAT PATIENTS EXPERIENCE.

AS IT APPEARS UNLIKELY THAT HIGHMARK AND UPMC WILL COME TO A CONTINUATION OF THEIR CONTRACTUAL AGREEMENT, PHYSICIANS HAVE OTHER CONCERNS. PATIENTS AND PHYSICIANS NEED CLEAR ANSWERS AS TO WHAT THE RELATIONSHIP WILL BE AND THE POTENTIAL COST THAT THEY WILL FACE. IN ORDER TO HAVE CONTINUITY OF PATIENT CARE, WE MUST HAVE A PLAN FOR THOSE PATIENTS TO CONTINUE WITH THEIR EXISTING PHYSICIAN

OR TO SEEK THE CARE OF ANOTHER PHYSICIAN AND ARRANGE A TRANSFER OF MEDICAL RECORDS.

HOSPITALS AND HEALTH SYSTEMS SHOULD ALSO FOLLOW THE ETHICAL GUIDELINES THAT PHYSICIANS DO WHEN CHANGING PRACTICES, AFFILIATIONS, OR LOCATIONS: ADEQUATE NOTICE OF THE CHANGE SHOULD BE PROVIDED TO PATIENTS.

EMPLOYERS, WHO IN MANY CASES, PROVIDE THE HEALTH INSURANCE PROGRAMS FOR EMPLOYEES AND THEIR FAMILIES, NEED A CLEAR TIMELINE OF WHEN CHANGES WILL OCCUR SO THAT THEY CAN PROPERLY EVALUATE COMPETING PROPOSALS FROM HEALTH INSURERS PRIOR TO SELECTING THOSE THAT ARE TO BE OFFERED IN A BENEFIT PROGRAM TO EMPLOYEES. EMPLOYERS ALSO NEED AN EVALUATION OF THE CHANGES THAT ARE OCCURRING AND THE COSTS THAT MAY BE INCURRED. MANY EMPLOYERS HAVE ACCEPTED THE RESPONSIBILITY OF PROVIDING THEIR EMPLOYEES WITH AN INSURANCE PROGRAM BENEFIT; THEY SHOULD RECEIVE SUFFICIENT NOTICE TO PLAN FOR THESE CHANGES.

TRANSPARENCY OF CONTRACTS IS ANOTHER ISSUE THAT MAY BE ADDRESSED BY THE LEGISLATURE. WHILE RESPECTING THE PROPRIETARY NATURE OF CONTRACTUAL AGREEMENTS, EMPLOYERS IN THE COMMUNITY SHOULD BE ABLE TO EVALUATE THE TERMS OF INSURANCE AND PAYMENT THAT ARE CONTAINED IN CONTRACTS. INCREASING TRANSPARENCY WITH RESPECT TO THE REPORTING OF QUALITY MEASURES AND CARE IS CRITICAL TO MOVING OUR SYSTEM FORWARD. A CRITICAL COMPONENT OF THAT SHOULD BE

TO HAVE ALL THE INFORMATION NECESSARY TO EVALUATE DIFFERENT PAYMENT ARRANGEMENTS. AND THE PENNSYLVANIA DEPARTMENT OF INSURANCE SHOULD HAVE CLEARLY DEFINED POWERS AND A SCOPE OF RESPONSIBILITY TO REVIEW AND APPROVE CONTRACTS, BENEFITS AND RATES TO ASSURE THE CITIZENS OF PENNSYLVANIA THAT THEY ARE RECEIVING INSURANCE PRODUCTS ON A "LEVEL PLAYING FIELD."

OUR REGION HAS SIGNIFICANT HEALTHCARE NEEDS, AND OUR CITIZENS HAVE LONG BENEFITED FROM OUTSTANDING HEALTHCARE RESOURCES. HEALTHCARE RESOURCES ARE A CRITICAL COMPONENT OF A COMMUNITY, SUPPORTING A BUSINESS CLIMATE THAT CREATES JOBS AND EMPLOYMENT AND ATTRACTS NEW BUSINESS TO OUR AREA.

WHILE HEALTHCARE IS PRACTICED AND DELIVERED IN A COMPETITIVE ENVIRONMENT, WE HAVE A SPECIAL OBLIGATION TO MEET PATIENT AND COMMUNITY NEEDS. PHYSICIANS ENJOY SPECIAL RELATIONSHIPS OF PRIVILEGE AND RESPONSIBILITY FOR OUR PATIENTS, WHO ENTRUST THEMSELVES TO OUR CARE. PHYSICIANS ARE PATIENTS' ADVOCATES. WE HOPE THAT THE FUTURE WILL MAINTAIN THAT SPECIAL GOAL OF PATIENT CARE AS A PREEMINANT GOAL.

THANK YOU, AGAIN, FOR THE OPPORTUNITY TO EXPRESS THE CONCERNS OF PHYSICIANS. DESPITE THE MANY CHANGES THAT HAVE OCCURRED IN HEALTHCARE, PHYSICIANS' CONCERNS REMAIN FOCUSED ON OUR PATIENTS AND THEIR CARE.