

Delaware Health Care Initiative Main points

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Delaware is besieged by runaway health care prices.

According to the Kaiser Family Foundation, Delaware ranks 3rd among the states in health care expenditures per capita. Delaware ranks 4th in hospital adjusted expenses per day and 2nd in mail order prescription drugs per capita.

The State ranks 3rd in Medicaid physician fees relative to the nation's average and 3rd in Medicaid spending per aged enrollee (i.e., \$21,255 per enrollee). Delaware is 11th in Medicare spending per enrollee.

Over the last 10 years (2006-16) as private sector earnings in Delaware increased 8.4%, Delaware's health care industry's earnings rose 64.2% (U.S. Department of Commerce). Earnings in nursing care increased 98%, as hospital earnings soared 85%, and ambulatory care (e.g., offices of private physicians) went up 38%.

The response of the Governor has been to sign an executive order that suggests annual price increase in health care services of around 4%.

When the government caps or fixes market prices the result is always the unintended consequences: less service, poorer service, longer wait-times, black market operations and unhappy customers.

The only effective way to reduce prices is to create more competition and reduce fraud.

In New Castle County with 60% of the state population, Christiana Care Hospital System has a virtual monopoly with a 986 bed hospital in Newark and a 241 bed hospital in Wilmington. Studies have shown that when one hospital serves a region, their prices range from 15% to 25% higher than if there were two or three hospitals in that region. Other hospital systems have attempted to start up in Delaware but have been rejected by the state.

These high hospital service prices also spill over to doctors' office visits and out-patient procedures since hospitals now own 60% of doctor's practices nationwide.

An additional result of this near monopoly is that health insurance rates go sky-high since the insurers have no leverage of competition of other hospitals to keep rates competitive.

RECOMMENDATION #1:

Eliminate immediately the Delaware Certificate-of-Need Program and its attendant Certificate of Public Review Program.

Whatever the original good intentions behind the Certificate of Need (“CON”) programs, **no need for them exists today**. This state-run program explicitly protects existing health care providers from new competition and protects their profits to the detriment of taxpayers/consumers. No other business than healthcare is similarly protected. Imagine if a new grocery store or outlet store had to go through a lengthy and time-consuming application to a state agency to open a new store in Delaware!

A thorough reading of Title 16, Chapter 93 of the Delaware Code will convince anyone how clearly this CON program is an outstanding example of comprehensive anti-competitive government overreach to protect the hospital business.

RECOMMENDATION #2:

The only effective way to reduce fraud in the usage of the Medicaid Program is to audit the applicants’ financial status to verify that they are qualified for the benefit.

The U.S. General Accounting Office (GAO) has designated Medicare and Medicaid as high risk due to their vulnerability to fraud, waste and abuse. The GAO recommends fraud-awareness training for employees, fraud risk assessments, and an antifraud strategy.

In their enthusiasm to expand the Medicaid program in the states, The Feds have not paid close attention to verifying the applicants’ data they provided when enrolling.

As a consequence it is up to the states to verify the applicants’ info including claimed earnings, number of dependents and other assets including owned housing. Very few of the states had the staff in place to do this. The result is wide-spread fraud in the system by people that are not qualified to get Medicaid but get it anyway since any verification is slipshod or non-existent. The same situation exists in the CHIP Food Stamp Program.

Secretary Walker of the Delaware Department of Health and Social Services should hire an outside audit team to review, confirm and verify the data supplied by present enrollees in the Medicaid Program.

Several methods are useful for determining the extent of fraudulent enrollees but a simple way is to take a random sample of enrollees and determine both the percentage of fraudulent enrollees and the dollar impact of their fraud. A decision based on that information will clearly show whether it’s worth putting more resources into the State’s Medicaid Fraud Control Unit.

As stated by that Control Unit, “When providers steal from Medicaid, they decrease the resources available to the program...fraud also reduces the quality of treatment.”

RECOMMENDATION #3:

Promote price transparency in Delaware health care

Delaware should enact state legislation that: requires health care providers to post self-pay (cash) prices for standard procedures; requires providers to give billing codes to insured patients for standard procedures; requires hospitals, surgery centers and/or doctors to give cost estimates for more complex, non-emergency procedures.

When we plan a home renovation or car repair, typically we call a few businesses who give us estimates either over the phone or in person. Sometimes these initial consultations are free, other times there is a charge, but at least we know what to expect. We understand that additional problems may be found and we expect to be consulted on any additional charges that may result.

Other states have taken steps to improve pricing practices in health care. Some states require hospitals/surgery centers/physicians' practices to post prices for common inpatient or outpatient procedures, sometimes with a breakdown between doctors' and facilities' fees (CA, IL, NH). A number of states (FL, MN, MA, CT) require hospitals and/or surgery centers to provide cost estimates *upon request*. Two states (TX, CT) require hospitals to provide cost estimates to patients who are uninsured or out-of-network, apparently regardless of request.¹ At least one (TX) requires that patients must be informed if services are from a provider that is out-of-network for that patient's insurer.

If cost estimates are required, not just by request, transparency in Delaware health care prices will increase competition among providers and lower health care costs to all consumers.

¹ National Conference of State Legislatures www.ncsl.org accessed June 21, 2017.