



Children's Hospital DON Oral Testimony
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I am Paul Hattis, a Tufts Medical School faculty member, a lay leader in the Greater Boston Interfaith Organization, and I have just completed my term as the Consumer Advocate appointee to the state's Health Policy Commission. I appreciate the opportunity to testify today about the DON application of Children's Hospital for its capital project on the Boston campus.

--I will try to summarize some key points that I will submit when I file my written testimony.

--Let me start by noting that the 2012 law, Chapter 224 makes clear that the *laissez-faire* era where hospitals do as *they please is over*—not only tied to mergers and acquisitions, but in the hospital capital building context as well. No longer can we tolerate a situation where any Massachusetts hospital simply announces to the world that they are planning a major capital project, they then build what they want and spend as they see fit, and finally send 'us'—the taxpayers and premium payers--the bill.

--Appropriate governmental review and scrutiny is the order of the day, and the goal, I believe is to ultimately arrive at a project scope and size which supports quality in its fullest sense as well as constrains overall health care costs—that's the DON process charge.

--While not the focus of my testimony, I certainly appreciate that numerous Friends of Prouty Garden are gathered here today to speak to the need for the campus environment to support healing and well-being for patients, families and the community. Given these concerns, seems to me that DPH, in coming to a community responsive decision in its DON review, needs to fully consider the important questions about the loss of Prouty Garden and its negative impact on the promotion of a campus environment that supports healing and well-being.

--I am here today to primarily offer comments about the potential cost growth challenge of this application. And I do say 'potential' because it is fair that the now required independent cost analysis should be completed before anyone makes any final conclusions. But I am worried. And so I raise for DPH's consideration some issues that I think are worth thinking about:

-- First, this DON application covers only the Boston campus. The media has reported that Children's Hospital is also planning a major capital project at its Waltham campus, including new inpatient beds. In order to fully assess the overall cost growth impact coming from Children's Hospital complete expansion plans for its array of hospital services and operations—the Public Health Council should have the entire hospital capital project package before it—Boston and Waltham. It certainly makes me wonder whether the hospital's decision to go forward with only the Boston campus project in its application at this time is an effort to obscure the total cost growth impact of what the hospital intends to do with its complete hospital related planned expansion over these next few years. More prudent for DPH to say to

Children's, that either it submits the Waltham project to be evaluated as part of this DON application--or that the hospital must wait at least 3 to 5 years before submitting a Waltham DON application in order to make it truly a separate initiative.

--Second, and this is a process suggestion, but one of the great things about Massachusetts is that we have a lot of talent and expertise. And in government, we have agencies such as the Health Policy Commission with incredible health care cost expertise—the reason they were created. I think it would be a great thing and evidence 'good governmental interagency work', if for this DON, the Public Health Council were to ask the Health Policy Commission to have a joint meeting to review the independent cost analysis and to discuss together any implications for cost growth consequences. It is hard for me to think of a better way to assure the public that the most informed judgment about this DON application and its cost consequences will result, then having a jointly held meeting of these agencies to carry out the intent of the legislature's DON charge.

--Finally, as for the content of the now required independent cost analysis—while my written submission discusses this in a bit more detail, let me note the reality of the following. From a commercial hospital and physician price perspective, Children's Hospital and its doctors are by far the *most expensive* pediatric providers in our state. Just this week, CHIA published a report showing that CH physicians have the highest composite relative price percentile in the state.

--Given that and with their market power, here is what drives my worry: Children's looks at all its expenses, including the new ones flowing from this proposed project, adds them up, and then more or less dictates to the insurers that they need to pay prices that allow them to cover these expenses and then some. So when you add the additional staffing expenses from having new beds and more outpatient clinic visit capacity, plus the tens of millions of dollars per year of depreciation expense, all of this drives increases in their total hospital expenses. Most hospitals have to worry whether they can earn enough from operations to cover these things; but CH can more or less just name its price. So the greater the additional expenses flowing from a project like this, the greater the price that will be named--and mind you this is already on a base of the highest relative prices which helps drive their 100 to 200 million dollars of annual profit.

--Now even if those beds are filled with patients from out of state, or cash paying international patients let me comment by asking these questions: For a hospital that regularly generates significant profits and gets handsomely paid for serving these non-Massachusetts patients do we ever seem to get price breaks from Children's Hospital for our Massachusetts commercially insured children? Does Children's ever say to the state—with their strong financial position and monies from out of state patients, the state can redirect some of their precious Medicaid dollars to those providers who are really struggling financially and may need to be protected in order to maintain viable operations?

Thanks for the opportunity to testify in this very important DON proceeding.