



## Children, Families, Health, and Human Services Interim Committee

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### 60th Montana Legislature

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SUE O'CONNELL, Lead Staff  
LISA JACKSON, Staff Attorney  
FONG HOM, Secretary  
PAT MURDO, Staff for SJR 15

# MINUTES

Date: January 24, 2008

Rm 137, State Capitol Building  
Helena, Montana

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### COMMITTEE MEMBERS PRESENT

SEN. DAN WEINBERG  
REP. ERNIE DUTTON

### STAFF PRESENT

LISA JACKSON, Staff Attorney  
PAT MURDO, Staff for SJR 15  
Cj Johnson, Secretary

### Visitors/Agenda/Roll Call

Visitors' list, Attachment #1  
Agenda, Attachment #2

### COMMITTEE ACTION

Panel discussion on SJR 15 - A study on the impact of Montana's Health Care System, including physician-owned health care facilities and specialty hospitals on health care services in Montana.

### CALL TO ORDER:

02:29:00 **SEN. DAN WEINBERG** called the subcommittee to order at 10:00 a.m. He welcomed the panel members who will be participating in the discussion. The Secretary noted the roll. (Attachment #3)

SEN. WEINBERG addressed some concerns in regard to several people who did not attend the hearing today due to fear of retaliation. He informed the participants that everyone present today is to respect others and to feel they can speak freely. He doesn't want any bitter remarks made in today's discussion. SEN. WEINBERG asked the members of the panel that when they are addressing the issue today to also explain why they are for or against SJR 15.

**PANEL MEMBERS AT THE TABLE:**

Roy Kemp, Assistant Administrator, QAD, DPHHS  
Paul Byorth, ENT Physician, Billings  
Lorena Pettet, Physical Therapist in Independent Practice, Manhattan  
Mark Rumans, M.D. Billings Clinic, Physician in Chief, Billings  
Velinda Stevens, Administrator, HealthCenter Northwest & Kalispell Regional Medical Center  
Jim Elliott, M.D. Billings Physician Alliance, Billings  
Kurt Kubicka, M.D. Montana Medical Association representative and family practitioner with the Great Falls Clinic in Helena.  
Jim Paquette, St. Vincent Healthcare CEO, Billings  
Keith Popovich, M.D. Pulmonologist, Butte  
Patti Jo Lane, Physical Therapist, Great Falls Clinic, Great Falls  
Tamim Khaliqi, Anaesthesiologist, Central Medical Hospital, Great Falls  
Jeff Fee, St. Patrick CEO, Missoula  
Dr. Bob Wynia, retired, Helena  
John Solheim, President and CEO St. Peters, Helena  
Audry Mendenhall, Owner, free-standing imaging center, Helena and Butte  
Edward McEachern, M.D., Health Services Researcher on Cardiology and Pediatrics, Utah  
Amy Astin, Benefis Healthcare System, System Director of Community & Government Relations, Great Falls  
Rep. Edith Clark, HD 28, Sweet Grass, Chair of the Children, Families, Health and Human Services Interim Committee (CFHHSIC)

**AGENDA:**

00:03:48 REP. DUTTON welcomed everyone. He stated that this health issue is the number one topic in the state. He discussed the proposal that is before the committee on health care costs and said it is a major concern. He informed the committee and panel members that U.S. health care costs are 60% higher than Japan and most of Europe. He referenced a comment by the Director of the Budget Committee in Congress, who has said if health care costs continue rising as it currently is, it will bankrupt the country. He said that change is needed. He hopes whatever the committee comes up with will be an improvement over what is currently out there. He discussed a letter he received from a physician who stated the competition between physicians and hospitals has made the benefit to the consumer a secondary issue. He talked about the Legislature settling "turf" wars. He said the legislature is less effective than when it comes from the people.

00:07:59 SEN. WEINBERG informed the committee that the issues in SJR 15 developed during the 2007 session. He informed the audience that the issues of these two bills were heard in his Senate Public Health Committee, and he feels a personal obligation to continue this study in committee. He asked the presenters to attempt to list two areas where they might be able to compromise today, and give all information they have so a compromise can be agreed on. He informed the presenters that he would also like to hear about what benefits the patients. He said the committee will be keeping track of the comments to take into consideration the issues that are here before the committee today.

**PANEL:**

00:13:42 **Roy Kemp, Deputy Administrator, Quality Assurance Division, Department of Public Health and Human Services (DPHHS)**, said he is the State's Chief Regulator of the medical facilities in Montana. He is here to offer any information as the discussion is carried out. It is his opinion that he is here to implement what the legislature requires him to do.

00:15:07 **Paul Byorth, Ear, Nose and Throat Doctor, Billings**, distributed a handout on issues related to SB 312 regarding economic credentialing. **EXHIBIT 1**. He addressed:

- **Issues regarding the label "economic credentialing"** - The label does not address any form of credential although it implies at a glance that it does.
- **The current definition is ambiguous** - "Economic credentialing" means the denial of a physician's application for staff membership or clinical privileges to practice medicine in a hospital on criteria other than the individual's training, current competence, experience, ability, personal character, and judgment.
- **The root of this issue is control over health care dollars** - Economic credentialing has only one driving force and it is to remove competition.
- **Health care has been taken for granted by our communities** - Due to EMTALA, the current perception is that healthcare is a right! Now there is a demand for care.
- **Cost shifting has become an expected way of life for hospitals** - The only way for an institution to stay open is to charge a premium fee for all services to all paying customers.
- **Doing business with people who pay their bills is GOOD business** - to avoid cost shifting premium would be to allow patients to "shop around". All physician ancillary services serve the same population as hospitals, have the same payer mix, and will continue to care for their patients.
- **What about physicians?** - Many physicians have spent years preparing

for practice, and many have substantial debt. The primary driving force for physicians to establish ancillary services has been a need for efficiency, such as better technology, convenience, efficiency, and improvements in cost have been the result of these physician-led entities.

- **What is a conflict of interest?** - The hospitals are asking that they be able to compete with everything doctors provide (even being doctors), while they are asking the legislature to not allow the physicians to compete with them.
- **Community benefit** - physicians and physician-owned ancillary services have provided medical services to the community that is convenient, cost effective and superior to many hospital services.

Dr. Byorth informed the committee that SB 312 [which created the economic credentialing statute] would simply prevent hospitals from eliminating physicians from their communities, holding them subject to administrative whim, and eliminating efficient competitors. He also explained SB 417 [which addressed a moratorium on specialty hospitals], and stated that it is nothing other than an attempt by the hospitals/hospital lobby to institutionalize their inefficiencies, poor fiscal record, and maintain the broken status quo. This bill as written effectively enforces the current method of cost shifting as a legislative mandate - a second tax on all people who pay for healthcare services. This is not the answer to our healthcare crises; it only propagates a social problem.

#### **QUESTIONS:**

00:26:27 REP. DUTTON asked Dr. Byorth what EMTALA stands for and what does it do. Dr. Byorth responded that it stands for Emergency Medical Treatment and Active Labor Act. He said the bill was passed as an anti-dumping law, e.g., if a person went to a hospital emergency room they cannot be refused. He informed the committee that the only hospitals that don't fall under this are the Shiners Hospitals for Children, Indian Health Services, and the Military Veterans Affairs Hospitals.

00:27:20 SEN. WEINBERG asked who spends more time on hospital calls, private practice doctors or hospital-employed doctors. Dr. Byorth said that most hospital-employed doctors have defined jobs. As a specialist on call, there's no guarantee of work. SEN. WEINBERG said in term of hours, which type of doctor will spend more hours on call. Dr. Byorth said primary care doctors in smaller rural areas do. He explained that doctors in larger hospitals get to rotate so the time may be more spaced out. SEN. WEINBERG asked if a doctor is employed by the hospital do they spend more time on call. Dr. Byorth asked whether he meant hospitals, or who could be on 24 hours. He said in terms of compromise, a reason doctors built a surgicenter in Billings was because they could be responsive quickly. He stated that hospitals need to be more open to doctors. He talked about his clinic performing 14 to 18 procedures a day, and his patients do not feel rushed. He said that hospitals need to be more open to the ideas of physicians, and the only way this can happen is for the physicians to have a

vested interest in the hospital not necessarily financial but perhaps a little more control on how things are being done.

00:32:09 REP. DUTTON asked about the 18 procedures a day. He referred to the MedPac report, and asked what are the cost benefits to the patient. Dr. Byorth said there is a dramatic cost difference in a hospital center when compared to outpatient services.

**PANEL:**

00:33:41 **Lorena Pettet, Physical Therapist(PT)**, distributed a handout which she discussed on the Patient Protection Act. **EXHIBIT 2** She said she was talking on behalf of family, patients, and Montana Physical Therapists.

00:35:16 Ms. Pettet talked about current issues for the next legislative session, and said it is helpful to continue to ask the question, "does this allow the patient to make educated choices in achieving and maintaining personal and family wellness and avoid decisions which are or appear to be based on financial incentive?". She described her personal perspective and compared it to legislation enacted to prevent automobile insurance from steering clients to certain repair shops and the same goes for health care insurance. Montana PTs support legislation allowing consumer choices and ways to avoid conflict of interest.

**QUESTIONS:**

00:41:55 REP. DUTTON asked Ms. Pettet about her handout and wanted to know if the legislation on the Patient Protection Act came from another state. (see Exhibit 2) Ms. Pettet replied yes it came from Pennsylvania. She talked about the Protection Act and the delivery of health services. In response to a question from Rep. Dutton she stated that the business of health care delivery should be kept separate from the practice of medicine.

00:44:07 SEN. WEINBERG talked about a medical conference he attended in Denver and medical people who were discussing the delivery of health services. He said in regards to the information that came out of the meeting he agrees with Ms. Pettet's ideals.

**PANEL:**

00:45:00 **Mark Rumans, M.D. Billings Clinic**, stated there are 405 physicians on their open medical staff which is integrated within the organization. He applauded SEN. WEINBERG's comments on approaching this issue in a collaborative manner. He said that physicians and hospitals are "tied" together along with many other people who provide care to patients. He said that decisions made here today could fragment care and put some patients at risk. He talked about the economic credentialing bill, and stated that it is a conflict of interest from a hospital's point of view. He discussed hospital staff being more delegated by the board in years past, but that is no longer the case with modern medical staff who are more involved in the day to day operation of hospitals. He said as the bill

currently stands it is adequate. He said the bill doesn't affect the Billings Clinic. On specialty hospitals he referred to an Office of Inspector General report on quality of care and the use of the 9-1-1 system for emergencies. He said his key concerns are utilization costs and quality of care. He recommended that the moratorium stay in place at this time until all the facts are in.

00:52:19 REP. DUTTON asked Dr. Rumans about the current economic credentialing statute, and its expiration in 2009. Dr. Rumans said economic credentialing is mislabeled stating it is more of a conflict of interest than anything. REP. DUTTON asked if there are circumstances where specialty hospitals would not be owned by doctors, which may take care of conflict of interests. Dr. Jim Elliott, orthopedic surgeon, Billings, responded that there are places where hospitals have initiated specialty hospitals for procedures done frequently. He said ownership is not the issue.

#### **QUESTIONS:**

00:56:24 SEN. WEINBERG asked Dr. Rumans about the legislation that is currently in place referring to conflict of interest, and would he add anything to it, or how would he do it. Dr. Rumans said the title of the legislation is incorrect. He thought the title is framed as economic credentialing. He said the old economic credentialing model was driven by the Kaiser HMO model where a specific number or volume of patients had to be referred in order to remain on the medical staff. He said this isn't what this legislation is about, nor did it end up in that final form. This bill is about medical staff members who are in a leadership position having a conflict of interest with staff or a member of the board. He said he personally would not add anything. SEN. WEINBERG asked about legislation for doctors who feel they are not being heard by hospitals. Dr. Rumans said physicians have always had a love-hate relationship with hospitals. Models are evolving. It is important to look at what is best for the patient. Fragmented care is a concern.

01:02:15 SEN. WEINBERG and Dr. Rumans discussed doctors and hospitals coming together to discuss quality of care. They talked about physicians having a seat at the table and if it would help discussions if doctors were on the hospital board. Dr. Rumans stated there has to be a willingness for everyone to work together and take accountability. SEN. WEINBERG asked if the Billings Clinic has a physician on its Board. Dr. Rumans said two physicians are on the board and the CEO is a physician. They discussed accountability, by-laws and guidelines between the hospitals and physicians.

#### **PANEL:**

01:09:03 **Velinda Stevens, Hospital Administrator, HealthCenter Northwest (Northwest) and Kalispell Regional Medical Center (KRMC) Kalispell,** discussed how the Kalispell hospital is managed. She stated they operate as a charitable hospital. She talked about the number of employees at the hospital and the relationship between the hospital and physicians, and said she is for physician ownership in hospitals. She informed the committee that the model

adopted by Northwest has helped her recruit four world class doctors who wanted to work in her hospital's environment. That environment works because as a physician-owned hospital Northwest requires the same charitable policy as a charitable hospital. The physicians manage the operating rooms as their own entity.

**QUESTIONS:**

01:15:07 REP. DUTTON asked about physicians owning a minority interest at Northwest. Ms. Stevens informed him that the charitable hospital owns 60% and the doctors own 40%. She noted that Senator Max Baucus and several others want to do away with physician ownership in hospitals. She feels that Northwest will not be affected by this because they have found a way to get along, plus they have some of the lowest prices in the state.

01:17:02 SEN. WEINBERG asked Ms. Stevens about sharing between the two entities, hospital/physicians and he wanted to know how that is measured. She said they use the Catholic Hospital Association's definition on charity care, for example bad debt, actual charity care, free education, research, etc. SEN. WEINBERG and Ms. Stevens discussed criticism of the hospital's model. Ms. Stevens said that both facilities in Kalispell have the same charity policies. She said the doctors have to meet in the middle and some doctors cannot do that. SEN. WEINBERG asked if the doctors at Northwest would all agree they are not excluded from the hospital. She said they are free to operate in KRMHC. Ms. Stevens stated she is ok with this proposed bill draft.

**PANEL:**

01:25:56 **Dr. Jim Elliott, Orthopedic Physician, Billings**, distributed a handout which he summarized for the committee. **EXHIBIT 3** He discussed:

- is the playing field fair for all entities,
- do patients have a choice how their health care is delivered,
- are the consumers provided access to a health care system that provides the highest quality of care in the most efficient model of delivery, and
- is the access to the highest standard of care available.

01:41:29 Dr. Elliott talked about certain advantages in specialty clinics because, among other things, there are fewer infections and higher patient satisfaction.

**QUESTIONS:**

01:42:28 SEN. WEINBERG and Dr. Elliott discussed charity care. Dr. Elliott said his office reports who writes off what. SEN. WEINBERG asked if it's a consequence of taxes or practice. Dr. Elliott said it's practice. He said his office depends on physician choice. It varies.

01:45:50 SEN. WEINBERG and Dr. Elliott talked about Kalispell's relationship between doctors and hospitals for-profit and non-profit. Dr. Elliott said they do this in Billings. SEN. WEINBERG asked if the practice is transportable. He said the

problem is if someone demands 99.9% of the pie.

01:46:54 Roy Kemp talked about the difference when using an ambulatory surgical center [ASC] service compared to a hospital's service. He said that ASCs are limited to outpatient types of services.

01:47:57 SEN. WEINBERG asked for a show of hands regarding interest in certificate of need. (a few hands were raised)

02:03:51 Lunch (working)

**PANEL:**

02:04:17 **Dr. Kurt Kubicka, primary care physician, representing the Montana Medical Association (MMA) and self**, discussed the various issues on economic credentialing and specialty hospitals He talked about:

- The diverse opinions among the MMA on economic credentialing or conflict of interest and specialty hospitals.
- Great Falls Clinic's definition of charity care and write offs.
- Day to day care that is never billed by individual physicians.
- Proposals for economic credentialing, defined as a limitation on physicians (privileges) and other issues. He feels conflict of interest is a better term.
- Many doctors in Montana would like to see more protection under the statute governing economic credentialing .
- The MMA views on the specialty hospital moratorium and licensure. A preponderance of members would like the moratorium to sunset, allowing specialty hospitals. But 8 board members supported it.
- Requiring call coverage of physicians at hospitals; and
- Concern about the makeup of hospital boards, and hospital-employed physicians if a specialty hospital is established. He suggested conditions, such as right of first refusal.

02:15:04 Dr. Kubicka presented an overview of the current Montana statutes pertaining to economic credentialing and specialty hospitals. **EXHIBIT 4** He discussed:

- A compromise with a moratorium on specialty hospital licensure.
- Legislative requirement for a mandatory right of first refusal for participation in a joint venture with the local community hospital.
- Requirements regarding on-call coverage: and
- Who should be on hospital boards.

Dr. Kubicka said the MMA is concerned about hospital-employed physicians who are serving on hospital boards. He stated that the boards exist to safeguard the broader community interest and ensure that the community hospitals are providing the best possible services to the community as a whole. He discussed a synopsis of concerns presented by staff and noted that a majority of the issues favored hospitals (6 out of 9 in his assessment). He noted that an increase in hospital-employed physicians could have more advantage to hospitals.



**QUESTIONS:**

- 02:17:34 REP. DUTTON asked if we are getting away from the primary care model, and placing more resources on specialties while diverting attention away from primary care. Dr. Kubicka said that as a practicing primary care physician he does see a need for his patients to be served with specialty hospitals. He discussed: 1) choices for patients, and 2) the impact of the payment coding system. He described how most primary care physicians are paid on a RB-RVU basis; resource-based, relative value units. He mentioned the payment disparities for primary care among various payers, which has repercussions. He also said payments are different depending on where care is delivered, office-based care versus hospital employed physicians who receive facility based fees. That system makes it difficult for independent doctors to compete. Dr. Kubicka talked about primary care physicians in Helena and said that St. Peter's Hospital employs approximately 50% of the primary care physicians in Helena. In response to a question from REP. DUTTON, Dr. Kubicka replied that reports from the AMA and MedPac state that primary care in combination with a specialty hospital isn't a typical model, but it could be.
- 02:28:19 SEN. WEINBERG asked about a joint venture, and a right of first refusal. Dr. Kubicka said a proposal for a specialty hospital most likely would be developed by physicians. In that case, the right of first refusal to participate would first go to the community hospital. They discussed concerns about use of a right of first refusal.
- 02:32:27 SEN. WEINBERG and Roy Kemp talked about the so-called specialty hospital in Kalispell. Mr. Kemp told the committee there were no requirements in the statutes on specialty hospitals when the Kalispell facility was established. He said the Kalispell for-profit facility is licensed as a hospital. He went on to say that the Great Falls Clinic evolved from an ambulatory surgical center (ASC) model. Mr. Kemp said he didn't have any language that identified a specialty hospital at that time. All hospitals in Montana are currently licensed only as hospitals. Mr. Kemp explained that a determination of whether a facility is a specialty hospital could be made by ownership of a facility. He stated that he cannot license a specialty hospital until 2009. Dr. Elliott asked Mr. Kemp how he would address the rules when differentiating between a specialty hospital and an acute care hospital. Mr. Kemp talked about how he looks at an application form from a hospital. Mr. Kemp said there is no rule in Montana at this time. Ms. Stevens interjected stating that the federal level doesn't have rules either, but they have tried to determine what makes a specialty hospital and what makes a non-specialty hospital. She gave an example of a single specialty facility which would be like an orthopedic office, which is easy to see. But if there is more than one specialty, it is difficult. She said some define a specialty hospital as "physician owned". She would like to have language that separated a physician owned hospital from a specialty hospital. She said based on what Congress is considering, people recommend that no one build a specialty hospital except for a single specialty facility, e.g., an orthopedic clinic.
- 02:37:49 SEN. WEINBERG asked Mr. Kemp to write a brief definition of terms to distribute

to the committee. Mr. Kemp referred to Exhibit 4, a handout from Pat Murdo that shows the definition is already in place.

**PANEL:**

02:38:45 **Mr. Jim Paquette, CEO, St. Vincent Healthcare, Billings**, gave an overview of St. Vincent, its staff, and how they operate. He discussed the hospital's perspective on joint ventures between physicians and hospitals. He mentioned a 50-50 joint venture ambulatory surgical center (ASC). He said over the year they have found "if you do this for the right reasons, you get great results." He talked about the 15 board members at St. Vincent, and said that three of those members are physicians. He said the IRS has questioned whether there are too many doctors on a board. He talked about the economic credentialing issue and what it used to mean, e.g., credentials acted on by a board because physicians used too many resources, and what it means now, which is the conflict of interest issue. He said as a matter of principle a board has responsibilities. He discussed a doctor referring paying patients to one hospital and non-paying patients to another hospital, and noted the moral problem there. He discussed chief of staff responsibilities on a board. He closed stating they need to have established guidelines. It's not about ownership he said, but about control of day to day operations, payment, and quality care.

**QUESTIONS:**

- 02:49:54 REP. DUTTON and Mr. Paquette talked about economic credentialing and specialty hospitals and what specific changes should be made. Mr. Paquette said the conflict of interest is the main issue. Medicare may require a conflict of interest provision for boards. Mr. Paquette also said a hospital board should be able to address economic damage from channeling of patients. In relation to specialty hospitals, he said there may be a role for elective, repetitive surgeries in a specialty hospital.
- 02:52:57 REP. DUTTON talked about guidelines for specialty hospitals. Mr. Paquette said that the guidelines could give hospitals 50% ownership. He discussed the day to day operations stripping away the economics of the hospitals will not work; the joint venture ASC in which St. Vincent's participates, which has one administrator and four physicians on the operating board.
- 02:55:19 SEN. WEINBERG questioned about St. Vincent physician board members. Mr. Paquette said none of the physicians on the board are employees.
- 02:58:19 SEN. WEINBERG commented that the IRS wanted boards to reflect the community. He asked questions about charity care. Mr. Paquette said it's important to determine if care is based on charge or cost and noted that bad debt is not charity care.
- 03:00:53 REP. DUTTON asked Mr. Kemp if there is a definition of charity care in state statute. Mr. Kemp replied not that he knows of.

**PANEL:**

- 03:01:26 **Keith Popovich, Physician, Butte, former chief of staff at St. James Hospital**, distributed a handout, which he addressed. **EXHIBIT 5** He informed the committee he is an advocate of independent physicians. He favored maintaining a ban on economically credentialing, and addressed healthcare choices. He discussed construction by hospitals and private physicians committed to a community. He noted that when he was chief of staff and at board meetings he left the room when meetings went into executive session. He discussed the responsibility of hospitals that get tax exemptions. He also noted that when hospitals don't get paid for charity care, neither does the doctor. He commented that the issue is really about whether a hospital can grant a monopoly. He said patients need a choice and information about prices.
- 03:12:39 REP. DUTTON thanked Dr. Popovich for his comments. He talked about unfunded mandates, and said they need to be dealt with. Dr. Popovich responded that it is the will of the people of the United States to take action, hopefully well informed, through the legislative process. He said that one step was made toward this issue when critical access hospitals were allowed to work at cost-plus, but he said to start this process will be difficult. He said if he chose to write off a patient's bill, the patient feels good, and so may the doctor. But if that happens through an arm's length process, there may be a feeling of entitlement on the part of a patient. REP. DUTTON said he sees a lack of transparency. He is hopeful and excited about some of the initiatives that the medical field is taking in terms of medical records and transparency in terms of quality and time.
- 03:17:56 SEN. WEINBERG and Dr. Popovich discussed the hospital situation in Kalispell and asked if it constitutes a monopoly. Dr. Popovich remarked about business applications and noted that a monopoly structure would exclude other opportunities. SEN. WEINBERG commented about transparency and that most of the problems the committee is dealing with relates to federal decisions.

**PANEL:**

- 03:20:34 **Patti Jo Lane, Physical Therapist (PT)**, Great Falls, distributed a handout which she explained. **EXHIBIT 6** She described her own concerns about being a physical therapist in a physician owned clinic. She required independence from physicians, working for the administrator on behalf of the patients. She talked about the Clinic being under scrutiny because of it being a physician owned practice. Non-licensed people doing PT is a concern. She wants patients to have a choice.

**QUESTIONS:**

- 03:30:00 REP. DUTTON and Ms. Lane discussed non-PTs practicing under supervision.
- 03:30:48 SEN. WEINBERG asked about ways to license PTs and the relationship with doctors. She cited increases in the number of Medicare patients.

- 03:32:26 **Dr. Bob Wynia, former Great Falls doctor and former DPHHS director**, urged a definition of economic credentialing. Dr. Wynia quoted the organized medical staff section of the AMA, "the use of economic criteria unrelated to quality of care or professional competence and training in determining a physician's qualifications for an initial or continuing hospital medical staff membership or privileges. He continued reading: medical staff membership and privileges may be granted, continued, modified or terminated by the board only upon recommendation of a medical executive committee for reasons directly related to quality of patient care and other provisions of medical by-laws according to the procedures set forth in the medical staff by-laws . Under no circumstances should economic criteria unrelated to quality of care be used to determine qualification for initial or continuing medical staff membership or privileges." He described credentialing activity of medical staff. He noted that credentialing is also done by managed care organizations.
- 03:42:00 REP. DUTTON asked about doctors in towns with two hospitals and whether doctors had privileges in both hospitals. Dr. Rumans said many do. Mr. Paquette noted it's physician choice. Ms. Stevens said there's overlap between specialists in particular practices at hospitals in Whitefish and Kalispell. Jeff Fee, St. Patrick Hospital, Missoula, said specialists in particular practice at both hospitals in Missoula. Dr. Khaliqi said Great Falls doctors may choose to apply at one or both.
- 03:45:48 SEN. WEINBERG asked Dr. Wynia about the Kalispell approach vis-a-vis economic credentialing. Dr. Wynia said he was interested in the situation.
- PANEL:**
- 03:46:24 **Dr. Tamim Khaliqi, Chief Medical Officer (CMO), Central Montana Hospital, Great Falls**, talked about putting patients first. He said if physicians are not involved in patient care, you do not know what it means to put patients first. He talked about the importance of physicians and that there are times physicians are arrogant and hard to get along with. But there is a desire to help other people. He compared the ideal of physicians as "Marcus Welby" who portrays a caring doctor. He said creating Central Montana Hospital was not done solely for money, but because of a lack of responsiveness by the hospital administration. A hospital owned by physicians allows a choice by patients and by a physician. He gave examples of what they are doing, and said that the Clinic has a nursing ratio of 1:3. He said clinicians are designing programs, which helps lead to satisfied doctors, nurses, other staff and administrators.
- 03:58:47 REP. DUTTON asked whether patient mix or type of services affected the difference in practice. Dr. Khaliqi said patient mix is similar. Limiting the service to areas where there is a physician champion is similar to what other industries do -- limiting business to doing something really well.
- 04:05:48 **Jeff Fee, President of St. Patrick's Hospital, Missoula**, discussed aging of the population in the St. Patrick service area and the difficulty of finding a doctor that takes Medicare patients. He said charity care in 2006 for St. Patrick was \$14.5

million and that it has increased 1½ times more to more than \$16 million in 2007. He said that 60% of patients are Medicare or Medicaid. He discussed conflict of interest, and stated that if the committee took the ability of the hospital board away they wouldn't be able to get rid of a doctor that was bad for business. There needs to be the ability of the board to step in, in case of egregious situations. He said he doesn't see specialty hospitals as physician ownership.

04:10:37 Mr. Fee discussed his concerns with specialty hospitals, stating they will have a negative impact on cost structure under the statutes that are currently in place as well as on the safety net. He talked about other opportunities that can be explored. He described the few number of profit centers and the services that are subsidized. He would like to see reform in payments for what has to be done in a hospital.

04:22:57 **John Solheim, President and CEO at St. Peter's Hospital**, distributed a handout **EXHIBIT 7**, and explained the services that St. Peter's provides. He stated that St. Peter's policy focuses on conflict of interest, not economic credentialing. He discussed the hospital's policy that had been in draft form during the 2007 session. He said the policy deals with board conflict of interest the only restriction is on the chief of staff. He supports including relatives in the economic credentialing definition.

04:38:40 **Audrey Mendenhall, Owner, free-standing imaging centers**, discussed her business and how hard it was to break into the system. She discussed the frustrations of working with poor equipment and how she went out on her own, bought a new machine, and created a reaction at St. James Hospital to buy a new machine to better compete. She also expanded to Helena 15 months ago. She emphasized the benefits of competition. She noted St. Peter's original conflict of interest policy would have affected her landlord. She talked about the health center in Butte. She also noted the difficult time becoming a participating provider with BC/BS and other insurers. She stated that 6.3% of her business is charity.

#### **QUESTIONS:**

04:43:45 REP. DUTTON made the point that competition is good. He would like the insurance companies to be involved at the next meeting to deal with their issue of economic credentialing.

04:44:36 SEN. WEINBERG asked Ms. Mendenhall about St Peter's conflict of interest policy and implementation of the policy. Ms. Mendenhall responded that based on the draft St. Peter's wanted full control.

#### **PANEL:**

04:46:56 **Edward McEachern, Physician CEO of Initiatives Healthcare, Inc., Boise, Idaho**, distributed a handout that gives a broad perspective of his views, ideas and experiences regarding specialty hospitals. Dr. McEachern said the model provides a paradigm for communities with critical access hospitals as well as

university hospitals and that it works as a partnership between physicians and hospitals. REP. DUTTON emphasized the need to focus on the patient and including everyone in discussion. **EXHIBIT 8**

- 05:00:03 SEN. WEINBERG asked for an overview of the Utah system to be provided.
- 05:00:45 REP. DUTTON asked about Montana's situation of small hospitals. Dr. McEachern noted the difficulties of meeting expectations with few resources and the need to tier responses and response sites.
- 05:03:00 **Amy Astin, Benefis Healthcare System, System Director, Community & Government Relations**, distributed a handout that gives an overview of Benefis organization and their operation. **EXHIBIT 9** She echoed the need for greater transparency and the need to collaborate. She disagreed with some of Great Falls Clinic providers statements and reviewed appendix information in Exhibit 9, including a drop off in referrals.
- 05:07:30 REP. DUTTON asked what the drop off in referrals meant for the bottom line and asked for more information. SEN. WEINBERG asked for an explanation of her statement, which Ms. Astin said was in overall presentation.
- 05:08:40 Dr. Khaliqi asked to respond, saying there would be a decline in referrals to Benefis by the Great Falls Clinic, but he asked why the total number of cases done in Great Falls dropped. He also noted that there was no reference to financial impacts. Dr. Khaliqi commented on an email message in the Appendix and explained that the patient needed to be in a hospital that could provide needed services.
- 05:11:08 Ms. Astin responded by pointing out data included gain from independent practices doctors.

**CLOSING:**

- 05:11:57 REP. EDITH CLARK, Chair of the CFHHSIC, thanked everyone for their participation. She asked that everyone come to the table to help find a solution.
- 05:12:31 REP. DUTTON thanked the panel for showing civil respect toward each other, and for the good information they presented.
- 05:13:22 SEN. WEINBERG thanked the panel for their participation. It is his hope that everyone who spoke will come together and work this issue out. He encouraged everyone to submit ideas in a brief form to Ms. Murdo.
- 05:15:14 SEN. WEINBERG said the next meeting would be February 11. He closed stating that some type of draft will be developed. He outlined choices: 1) the status quo, 2) try to regulate parallel systems or 3) try to promote more cooperation. He said he was hopeful the group would take the opportunity to solve problems.

05:17:36 Pat Murdo, staff, distributed email from Bert Jones of the Kalispell Orthopedic group.

05:17:06 SEN. WEINBERG adjourned the committee at 4:20 p.m.

DRAFT