

Assembly

HEALTH & WELFARE COMMITTEE MINUTES

MARCH 19, 1973

MEMBERS PRESENT: BENNETT, CRADDOCK, WITTENBERG, McNEEL,
HICKEY, FRY & GETTO

MEMBERS ABSENT: NONE

GUESTS: Myrl Nygren, Health Division
James L. Murphy, CPA, Semenza, Kottlinger & McMullen
Norman E. Peterson, Washoe Medical Center
David R. Brandsness, Sunrise Hospital
Bert J. Leavitt, Clark County Comp. Health
Sharon Greene, Nevada Hospital Assn.
J. L. Reevley, St. Mary's Hosp.
Norman Peterson, Washoe Medical Center
Minor Kelso, Welfare Division
W. J. LaBodie, Welfare Division
O. A. Wahrenbrok, Dept. Health & Welfare
Thomas E. Wilson, State Comp. Health Planner

Meeting called to order for purpose of discussing AB 422.

Mr. McNeel stated he had proposed AB 422 because of the high rates charged in hospitals, not only in Clark County but all over the State. He would like to bring the hospital prices down to where everyone could afford them. At the present time there are no regulations on hospitals, so far as he has been able to find out, and they more or less raise their prices at will. He feels a board of consumers should be created that the hospitals and nursing homes would have to come to before they raise rates. His proposal is to make the board up of 5 consumers - consumer to be as defined in Section 5 of the bill. The Commission would be appointed by the Governor, and would consist of members as set forth in Sec. 9, subsections 1, 2, 3, 4 and 5. Nursing homes, hospitals, etc. who desired to raise the rates for room and board would have to appear before this commission stating the quality of health care being improved, pay a \$500 filing fee, and furnish any other information the commission desired.

Mr. Tom Wilson, State Comprehensive Health Planner, was next to appear. He stated the Administration, as such, has taken no position on this bill. There are controls on hospitals. They are now under Phase 3 of the Economic Stabilization Program under which there are 3 guide lines:
A. A hospital can increase its rates up to 2-1/2% simply by posting it based on increased cost of wages, etc.
B. Up to 6% must be justified, and C. Over 6% must go before State Advisory Board and Cost of Living Council.

Any hospital asking to increase rates equal to 6% of its annual aggregate income must go before the Board and present its case. The Board makes its decision and makes recommendations to Cost of Living Council. Between 1968 and 1972 cost of hospital care rose about 95%. This Federal program in Nevada has managed to keep the cost down to 6% or below. The hospitals have very little control over some of the raises - labor union wage raises, utility increases, etc.

Mr. Wilson feels that while the bill has a great deal of merit, one of the problems might be that the Board would have no staff by which to analyze hospital costs - the records are very complex and they would have to depend on Blue Shield, Medicaid, etc. for records. He also feels it should incorporate more than board and room as those are the least of the expenses. No other state is regulating cost of hospitals that he is aware of.

Sharon Green of Nevada Hospital Assn. and J. L. Reevley of St. Mary's Hospital appeared before Committee. Mr. Reevley stated he realized the frustration of consumers on higher hospital costs, but at the same time the consumers were demanding higher and higher levels of service. They have tried to respond and perhaps have over-responded. The hospitals supported the Comprehensive Health Planning bill last Legislature. Hospitals do have controls and feel like they are the most regulated business in the world. Their costs are reviewed by Federal and State agencies on an annual basis. It looks like the Administration intends to keep hospitals under Phase 3 forever, and National Health Program coming eventually. Hospitals are limited to raising wages over 5.5%. If labor costs go up 7 or 8%, hospitals will have trouble keeping skilled help. Under Phase 3 the hospitals are limited as to profit margin which is based on the two highest years preceding Phase 1. Hospitals need help to control outside factors such as wages, utility costs, etc. He does not think this bill will help them. The Board of Trustees review their proposed budget and projections in great detail.

Ms. Green thought Mr. McNeels proposal to bring hospital prices to where everyone could afford them was completely unrealistic. People are going to hospital to live, not to die, and hospitals should not regress to old 30 bed unit, She took survey in Southern California and Bay Area and room costs are \$5 to \$80 higher. The Administrators are doing a terrific job in Nevada - giving the best quality care at the lowest cost.

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Mr. Reevesley discussed various cost increases in the past several years, and also loss from bad debts.

David Brandsness of Sunrise Hospital was next witness. The increase in hospital costs is partly due to the public demanding more services. Sunrise Hospital is a wholly owned corporation, and the profit figure they are allowed under Phase 1 is 5.2%, but they are not going to make it. They are regulated and will have to justify 2-1/2% per annum.

Mr. Reevesley said that if this bill were to pass 72 institutions would have to come before the Board at least annually, and perhaps twice a year. There would be 75 to 100 applications before board each paying a \$500 fee, and they could not justify such an increase.

Mr. Bert Leavitt, Clark County Comprehensive Health Planning, appeared next. He cited a case in January 1973 in Supreme Court of North Carolina where a group had applied to build a hospital which would be privately funded. The Comprehensive Health Planning Group found that a new hospital would be over-expanding. The Supreme Court found in favor of the hospital. This creates potential monopolies because they cannot approve any additional hospitals. Any review of costs should be vested within the existing organization, and to have a separate committee appointed would be great duplication of services. AB 422 would give no control over additional hospitals and covers room and board only which is the easiest regulation of a hospital.

There is some pressure within the hospitals themselves to divide duplication of services since there are so many unused beds. Doctors send the patients to the hospitals and they may choose one because it is convenient, they have a financial interest, or because they have been offered "bounties" as some doctors have told him certain hospitals do.

Mr. Craddock asked if Mr. Leavitt was prepared to back up statement about "bounties". Mr. Leavitt stated if the doctors themselves would come in and so state this would be possible.

Mr. Minor Kelso, Chief of Welfare Medical Services, sometimes referred to nationally as Medicaid, was next to appear. Because of the large amount of money they have to spend they have a big stake in this proposed legislation. As applies to Nursing homes, the Welfare Board is a regulatory

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body for increasing costs under this program. The amount paid by the State is less than the customary posted board and room charge. They are currently paying around \$19 per day for nursing homes. If this commission comes into being they would like to be exempt for cost finding for nursing homes.

Another suggestion they would have if the commission comes into being is that a representative from their program be on the commission. Perhaps a chief of welfare medical services would be incumbent in that position. The reason for this is the highly complicated problem of costs in health care. They spend hundreds of man hours a year attempting to find out costs. They purchase the services of accountants both in and out of state to assist in this. The hospitals and nursing homes present costs and it is virtually impossible to find out where they can cut down on these costs. There are many controls now and if this commission is formed they are going to have a hard time unless they have a full time staff to do the cost finding.

The hearing was closed for lack of time. Chairman Bennett said the witnesses could return on Wednesday, March 21st, to continue.

Meeting adjourned.

Respectfully submitted,

Jane Dunne, Secretary

ASSEMBLY

H E A R I N G

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COMMITTEE ON HEALTH & WELFARE
Monday
Date MARCH 19, 1973 Time 8:00 AM Room 240

Bill or Resolution
to be considered

Subject

AB 422

Regulates the rates charged for basic care
at inpatient medical health care facilities