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Sydnor: Hospitals and Myths of the Free Market

By WALKER SYDNOR Dec 6, 2017

In his Nov. 17 letter to the editor (“Health care needs competition”), Daniel Lynch suggested our region would be better served with a repeal of Certificate of Public Need (COPN) regulation and more medical competition. Comparisons with Roanoke (competitive) systems were offered. Del. Kathy Byron also has opined against COPN numerous times.

COPN regulation is a complicated topic. A majority of states including Virginia have COPN regulation currently. I will not attempt to debate the pros and cons of COPN in

this column, but instead will present the facts about health care in our area under COPN regulation.

The slogan of those against COPN is that competition and free enterprise always produce the best results. The truth is that medicine is not a free enterprise industry. Centra receives two-thirds of its revenue from government programs (Medicare and Medicaid) and only 25 percent from private insurance. This payer mix is not out of line with other systems. The government programs have complex formulas that determine how a provider is paid, and everyone lives under these rules. A business in another field (outside of medicine) would improve its margin by growing sales in profitable areas, but in the nonprofit medical provider world, the provider is required to take everyone who comes in the door, regardless of payment ability. The best way to improve financial performance would be to control payer mix by limiting low-paying patients such as Medicare and especially Medicaid, and certainly not accept the uninsured. Many private practices have to manage patients along these lines in order to remain financially viable, which is understandable. Centra's mission is to serve the entire community, and thus this business tactic is not available. This is not free enterprise.

The letter writer cited data comparing Centra's margin to those of Carilion Roanoke Memorial and Lewis Gale. The data about Centra's margin is wrong. Centra is a diverse provider that has been in the 2 percent operating margin range in recent years (as compared to the 5.3 percent cited). Comparing provider systems based on operating margins is an incorrect way to evaluate the effectiveness of health care systems anyway, as I will discuss.

Centra actually has a goal of improving its margin to the 3-4 percent range in the future. As long as a system like Centra reinvests in worthwhile community health projects, it is good for both Centra and the community for Centra to have a good margin. In recent years, Centra has invested its margin in numerous primary care facilities in the area, including not only Lynchburg but places like Amherst, Bedford, Danville, Farmville and Gretna. A very exciting new project investment soon to open is the Community Access Network on Fifth Street. This will offer primary care and pharmacy within walking distance of thousands of underserved people in center city, many of whom are Medicaid or uninsured.

The best way to evaluate health care systems is to look at two factors: cost and quality of care. There is hard data on each of these factors, the best residing at the Virginia Health Information website, vhi.org. Recent 2017 cost data shows that

Carilion Roanoke Memorial has an average charge per inpatient of \$25,200, while Centra Lynchburg General has a charge of \$20,200. This data is adjusted for patient acuity levels and thus is apples to apples. The rate structure in Roanoke is 25 percent higher than in Lynchburg, despite the competition of the two Roanoke systems.

The Virginia Hospital and Healthcare Association (VHHA) has a Quality and Patient Safety Scorecard with useful comparison data. There is a cost efficiency metric that measures a hospital's average Medicare spending per beneficiary. This metric shows that Centra is providing more cost efficient care than either Carilion Roanoke Memorial or Lewis Gale, ranking in the top third among all hospitals in the commonwealth. Centra ranks in the top third statewide in patient satisfaction, patient safety and lower medicare spending per beneficiary. No facility in Roanoke or Charlottesville ranks similarly. Finally, Centra ranks first in the state for having the lowest rate of all-cause unplanned readmissions, a very important statistic.

One final point on cost: Centra has lower average and median charges than Carilion Roanoke Memorial for each of the 10 most common types of hospitalizations. For example, Centra's median charge for knee replacement is \$27,706, while Carilion Roanoke Memorial's charge is \$61,027.

When comparing Lynchburg to Roanoke, there is no doubt where the most cost efficient medical care is delivered, again despite the competing systems in Roanoke.

Relative to the quality of care question, a general statement can be made that all of us are fortunate to live in this part of the state with truly excellent systems, whether we live in Charlottesville, Roanoke, or Centra facility locations.

A few Centra-specific facts: Medicare has a star rating system which combines measures of quality, safety, and value for hospitals nationwide. Centra Health has received an overall four-star rating, while no hospital in Roanoke or Charlottesville received above a three-star rating. Centra Lynchburg General Hospital has recently been designated a top 50 cardiovascular hospital, the seventh time we have been so designated. U.S. News has a "Best Hospital" guide that ranks Centra Lynchburg General Hospital as the fifth-best hospital in Virginia, in the company of UVa, VCU, Carilion and Sentara Norfolk General.

Perfection in quality of care is never achieved, but Centra has a lot to be proud of. We can always be better, but I would argue that the COPN regulatory environment has served Central Virginia very well, both in cost and quality of care.

Comments were made about the product offerings of Piedmont Community Health Plan (PCHP). Piedmont was formed years ago as a joint venture between Centra and local physicians. The goal was to provide our community with another health care option. It has met this goal, both in the past and currently. Centra became the sole owner of Piedmont a few years ago with a substantial capital investment, and it has not been a profitable venture for Centra. Yet, we believe it has served the community well, both in direct and indirect ways. The products offered by Piedmont are at or below competition around the state. Given the ill political winds blowing today for health insurance, having another insurance option seemingly is a good thing, regardless of where we head nationally.

This interest shown in our local health care system is a good thing. Centra has a local board of 15 individuals (11 laypeople, three physicians and one Centra executive) who are anxious to have the very best health care possible in our communities. Centra is not opposed to reviewing and modifying COPN, so long as quality care is maintained for the entire community.

There is an upcoming Centra Community Voice event Dec. 12 from 5:30 to 7 p.m. at the Lynchburg Regional Business Alliance downtown. I encourage all interested parties to attend. Topics such as health care costs, competition and access to care will be discussed, but most especially Centra management would like to hear your questions. There will be time at the end for discussion. Come out!

Sydnor is chairman of the Centra Health Board of Directors. He wrote this column for The News & Advance.