

To Senate Health Care Committee Members:

It is puzzling to see SB 376 introduced aimed at *protecting* the practice of physician self-referral while most other states have statues aimed at *restricting* this wasteful practice. Physician self-referral creates a conflict of interest for the physician, pitting their financial interests against the true needs of the patient. Oregon would be the only state that I know of actually protecting physician self-referral.

The most important adverse consequences of physician self-referral are:

- Self-referral clearly drives up medical costs by promoting and rewarding **overutilization** of medical imaging. Not only does this put pressure on medical payers, including Medicare, Medicaid, and the Oregon Health Plan, but in many cases it needlessly exposes patients to additional radiation exposure. The increase in utilization of MRI and CT is a major contributor to rising health care costs. **Overutilization** should not be rewarded. Please see the attached summary of a recent **GAO** report documenting utilization increases when physicians self-refer. The **Oregon Health Authority** has also reported on the costs from overutilization that are occurring here in Oregon and recommended restricting this practice.
- As noted above, a consequence of this overutilization is **unnecessary patient radiation exposure**, both with CT and PET/CT. Please see this link for documentation:
http://www.acr.org/MainMenuCategories/media_room/FeaturedCategories/other/PositionStatements/ACRResponsetoNCRPReport.aspx
- Self-referral is **anticompetitive**. Medical imaging providers who *own and refer* to their own equipment no longer have to compete by providing the best quality imaging and best customer services because the referring group holds a “captive market.” The self-referring group does not feel compelled to invest in the best imaging technology but rather chooses the cheapest, which is usually the worst, technology. Yet, these groups do not inform their patients of their ownership (and thus their profit from ordering the test), the inferior quality of their technology (which is billed and reimbursed the same as similar exams performed on far superior machines), nor that these patients could go elsewhere and obtain a higher quality, more accurate exam at the same cost.

Self-referral in medical imaging is growing at an alarming pace in Oregon, and there are some independent imaging facilities that offer ownership (and thus financial reward) in exchange for referrals. This is an unethical practice that falls in the fringe areas of federal Stark Laws, which were meant to limit physician self-referral. **With continued reimbursement cuts, the incentive for physicians to inappropriately self-refer increases as they try to maintain their incomes.**

For these reasons, **Maryland and most other states have restricted the practice of physician self-referral** for MRI, CT and PET/CT. Oregon is one of the few states that do not. Given these important consequences not only for health care costs but for patient safety, Oregon should strongly consider such restrictions rather than protecting this practice. I have included a state-by-

state summary of self-referral laws and you will note that unlike most other states, Oregon has none.

Rather than protecting this practice, Oregon should be moving to restrict self referral. A recent draft bill, LC 2625, is modeled after Maryland's self-referral statute. Please consider supporting this type of legislation restricting self-referral in the medical imaging market in Oregon.

A couple points to keep in mind about this draft bill:

- This bill does not restrict physicians from offering x-ray, ultrasound, bone density, or mammography screening services in their offices.
- This bill does not restrict physicians from investing in imaging centers, but it does, sensibly, restrict them from referring to those centers in which they have a financial interest.
- Because this issue deals with a conflict of interest in the medical community and many physicians gain financially from these arrangements, it is difficult for physicians themselves to be objective about this issue.

Thank you for your consideration,

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