



## Testimony on HB 3034 before the House Health Care Committee

March 31, 2015

Howard B Graman, MD, FACP - CEO, PeaceHealth Medical Group

Good afternoon Chair Barnhart and members of the Committee:

My name is Dr. Howard Graman. I am an internal medicine physician and the Chief Executive Officer of PeaceHealth Medical Group. PeaceHealth is a nonprofit health system with four hospitals and nine medical clinics employing about 300 providers in Eugene, Springfield, Cottage Grove, Dexter, Creswell and Florence, all in Lane County, Oregon. I am here today to share our concerns with House Bill 3034 and to offer ourselves as a resource to you as the conversation continues around the proper role of charitable organizations in the era of the Affordable Care Act.

In my short time with you I want to make four key points.

**First** is to underscore that health systems are in a period of sea change unlike any other I've seen in my 40-year career. Change is part of the landscape and we've come to expect that, but the most significant changes in half a century to a huge industry are bound to create instability, outliers and unintended consequences – all things we typically seek to avoid. Yet this is exactly the environment in which we find ourselves. We are just beginning to understand how the ACA's changes are affecting us, while we are also mindful that the ACA hasn't been fully implemented. We are at the front end of 10 years of continually declining hospital reimbursement that was part of the grand bargain that allowed Congress to pass the ACA. At the same time we at PeaceHealth are in the midst of a \$400 million IT system upgrade that is part of the largest electronic medical record implementation ever in the history of health care (also federally mandated). We would respectfully suggest that now is not the time to redefine our tax status and dictate a whole new set of requirements and expectations on an industry in flux.

**Second**, we understand that the impetus behind this bill is to give tax assessors clarity around what is taxable and what is not. We appreciate that concern. However, this bill goes way beyond clarifying, into setting new policies that are not only unachievable as written, but aren't even advisable. The goal of the ACA is to eliminate (or vastly reduce) the need for charity care. Why would we then want to mandate that health systems hit a new, higher level of charity? After years of discussion around the Oregon Health Plan, the public seems to finally understand that charity is just another word for cost-shift. Someone must pay the bills for the uninsured, and that someone is commercial customers like OEBC and PEBC. We should not be using charity as a goal to achieve, but rather as a cost to be reduced.

In Lane County our tax department does a good job of determining what property is being used for a tax-exempt purpose and what is not. We are the county's ninth largest tax-payer, paying more than \$1 million in property taxes – more in fact than Weyerhaeuser, which is one of our county's largest private employers. If we were not exempt our bill would be more than \$12 million, and our commercial customers would be paying that increased cost.

Now if the purpose of the bill is really to assure that local jurisdictions are still receiving community benefit from their tax-exempt organizations, that is an entirely different discussion, and a different bill.

**Third**, there may be an assumption underlying this bill that when a nonprofit organization acquires a practice or clinic that used to be for-profit, that nothing changes except the tax status. This is far from true, and I want to take just a moment to explain. Often, the reason a for-profit medical practice sells

itself to a larger health care organization like PeaceHealth is simply survival. The smaller practice can't comply with all the new mandates of the ACA, or doesn't choose to put itself through the ordeal. The costs of the IT systems that support ACA compliance alone can be prohibitive. Perhaps most importantly, the practice immediately becomes part of our mission to provide care to the most vulnerable among us. Our charity policies extend to practices that perhaps didn't previously accept what we call self-pay patients. Private practices that previously didn't take Medicaid, for example, will do so once they are part of PeaceHealth. In Lane County ours are the only Urgent Care clinics that accept Medicaid. The same standards under which we earn our tax exemption now apply to the acquired business.

**Finally**, a word about rural health. It is not an exaggeration to say that we would not have adequate physicians to care for patients in rural communities like Cottage Grove, Dexter, Creswell and Florence if we didn't employ them. Years ago physicians were self-employed – in for-profit businesses – in those communities, and they could make a go of it. But in today's environment, where upwards of 75 percent of a provider's practice may be government-sponsored and therefore not covering the cost of care, physicians simply can't survive, much less pay back their student loans, on their commercial business. We began employing physicians in those areas many years ago when it became clear that if we didn't, physicians who retired or left could not be replaced. When those practices converted to our nonprofit status the county may have lost some tax revenue but the local communities gained something that many would argue is equally or more valuable – access to a doctor. And with that physician access we are able to operate hospitals in communities that otherwise would not have them. If you lose doctors, you automatically lose the hospital in which they practice.

For these reasons and more we urge you not to act on House Bill 3034. Thank you for considering our testimony, and we will do our best to answer any questions you may have.