

TESTIMONY TO THE SENATE ECONOMIC DEVELOPMENT COMMITTEE

ON SENATE BILL 1269

PREPARED BY TRINITY HEALTH

**DELIVERED BY ROGER SPOELMAN, PRESIDENT AND CEO, MERCY HEALTH PARTNERS
AND
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On behalf of Trinity Health – one of the ten largest health systems in the country, and the only national health system headquartered in Michigan – thank you for the opportunity to testify today. Trinity Health's mission is to serve in the spirit of the Gospel – to heal body, mind, and spirit, to improve the health of our communities, and to steward the resources entrusted to us. Trinity Health is concerned that the end-run legislation before you will not improve the health of our communities. I am Roger Spoelman, President and CEO of Mercy Health Partners, Muskegon and Regional President and CEO for Trinity Health West Michigan. I am pleased to share with you some effective ways that health care can stimulate growth in Michigan's economy and reasons why Senate Bill 1269 is bad public policy.

CURRENT CON PROGRAM CREATES PREDICTABILITY AND THE PROCESS WORKS

Some have argued the Certificate of Need (CON) program is antiquated and ineffective. We do not share this belief. Trinity Health has 12 hospitals and more than 20 nursing homes and ambulatory centers subject to Michigan's CON standards. We support the program as it invokes predictable and objective standards permitting growth only when a demonstrated need is present. Over the years, we've engaged in new partnerships, integrations, and closures in order to meet the CON rulebook. As a result, we are recognized by Michigan's employers and insurers as an extremely high-value health system. Trinity Health continues to invest in Michigan, because we appreciate the predictability of its marketplace.

Senate Bill 1269 would remove the predictability and objectivity of health planning that Michigan enjoys today. Moreover, this legislation appears to have many unintended consequences. It is more than a legislative end-run for one hospital in Oakland County and its impact will be felt state-wide. The legislation is broad enough to allow hospitals other than McLaren to circumvent the CON process.

CON IS A STRONG ECONOMIC DEVELOPMENT TOOL THAT MICHIGAN IS WISE TO KEEP IN ITS' TOOLBOX

With a presence in ten states, Trinity Health knows what happens when states have weak CON programs – health care costs increase and quality declines. We see a variation in associate health care costs that can be attributed to unnecessary duplication and overutilization of services in states without strong CON standards. On the contrary, according to a study from the Michigan Hospital Association, Michigan hospital costs are lower than the national average and rank lowest among the six Great Lakes states. The conclusion of this 2009 study was that Michigan hospital costs are lower, the quality of care is

better, and the value of care is higher than in the other states. In Michigan, Trinity Health has 29,000 associates. Like the Big Three and other manufacturers, our system knows our associate health care cost is lower in Michigan because of CON.

As a result of this savings, we are able to invest in sustainable economic development practices including technology innovation. Trinity Health has received national recognition for implementing leading-edge technologies and a comprehensive team-based approach to treatment. For example, in Oakland County, our St. Joseph Mercy Oakland hospital has invested in Visensia, a patient monitoring system that has proved to greatly improve patient safety and save lives. This innovative technology works as an early warning system to measure patient wellness by analyzing vital signs entered into the patient's electronic health record on medical/surgical nursing units. When deterioration in vital signs is identified, audible and visual alarms go off at the nurses' station. As a result of this investment, the impact on patient care has been significant. Over a twelve month period from 2009 to 2010, St. Joseph Mercy Oakland saw rapid response team activations increase by 11.7 percent, code blue events decrease by 34.1 percent, average length of stay decrease by half a day, and mortality decrease by over 35 percent.

Whether they work in a Trinity Health corporate office, hospital, clinic, senior living center, home health agency, or hospice, our clinicians are connected with technology that implements real time best practices keeping our patients safer. Investing in technologies that make our patients safer is a smart investment that will grow Michigan's economy and make Michigan a more attractive place to locate. I frequently have West Michigan employers tell me they want to locate in areas with high-value health care.

This legislation is not a long-term, viable economic development strategy. While temporary construction jobs will be created, history shows additional hospitals will not create a net increase in new, long-term sustainable jobs, but merely transfer jobs from existing hospitals in core communities to new suburban facilities. Additionally, SB 1269 will significantly erode the credibility, and ultimately critical provider support, for the program. Should the legislature -- for a second time -- supercede the regulatory CON process that it established, it will send a message to all providers that with the right political support, anyone can circumvent the process. The floodgates will have been opened and this important economic development tool will be lost.

A STRONG CON PROGRAM WILL SUPPORT HEALTH CARE TRANSFORMATION

The way health care is delivered and paid for is dramatically changing. Both commercial insurers and government payers are demanding new metrics and paying for care based on outcomes. They are squeezing the waste and excess out of health care and investing in keeping people healthy. Instead of building more beds, the health systems that will be best positioned to compete in the new marketplace will be those investing in physician integration and care coordination. A strong CON program will support this transformation.

Trinity Health has embraced the challenge to become a health care system that delivers high value and clinical excellence across the continuum of care. By signing the largest performance-based

reimbursement contract in the state of Michigan, we are leading by example. We could not be more committed to delivering high-value health care and are pleased to be making health care in Michigan more affordable. This is economic development.

If passed, SB 1269 would create additional inpatient capacity – in a service area that is already the most over-bedded region of the state with 1,222 excess beds – only further incenting the old health care delivery model and driving up the cost of health care. Most baffling, not only is there no demonstrated need today, there's no projected future need either.

HEALTH CARE PROVIDERS CAN BEST STIMULATE ECONOMY BY KEEPING COSTS DOWN SO OTHER EMPLOYERS CAN CREATE HIGH-WAGE, HIGH-TECH JOBS

With 29,000 associates, 5,600 vendors and suppliers, and expenditures exceeding \$650 million annually, we are making a strong investment in 31 Michigan counties every day. However, we realize there are other sectors that are much more effective at creating jobs than we are. According to the Center for Auto Research, an auto assembly plant has a job multiplier of 10; meaning that for every one job at a plant, there are 9 other jobs in the economy. Alternatively, the job multiplier for patient care is two. Consequently, if health care providers are truly committed to new job growth, they will be most effective if they focus on becoming high-quality, low-cost providers. Health care providers can do this by investing in innovative technologies, best practices, safer ways to deliver health care, population health management, and committing to performance-based reimbursement models all of which are demonstrated to constrain health care costs thus permitting high-wage, high-tech employers the opportunity to create jobs.

If passed, this legislation would only contribute to the glut of excess beds, expanding the demand for overutilization and increase the cost of health care for employers and the state's Medicaid program. All of which impedes Michigan from growing the high-wage, high-tech jobs it so badly needs.

In conclusion, I thank you for the opportunity to address this committee.