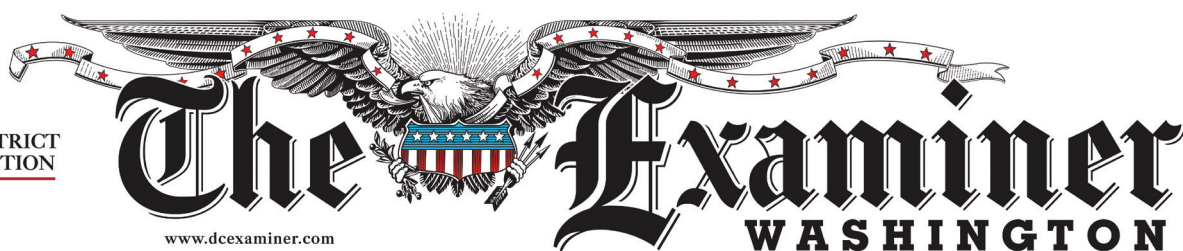


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## Conned out of care

*By: Dr. Hal Scherz and Alfredo Ortiz*

Imagine healthcare costs going down each year in the same way technology and retail costs do. Given congressional Republicans' healthcare reform plan, this is no longer a dream scenario.

Based on the House Republicans' plan released last week, the GOP plan will reduce healthcare costs in several ways. It offers refundable tax credits and expanded health savings accounts that encourage patients to become better shoppers for healthcare services. Rather than a one-size-fits-all federal standard for insurance, it encourages competition among insurance companies. And by focusing on patient (not Washington) customization of coverage, new and cheaper plans can be offered.

But there is still at least one piece of low-hanging, cost-saving fruit that the plan doesn't address: certificate of need laws. Scrapping these government licenses required to provide care would increase healthcare supply, improve quality, and reduce price. Although these are state regulations, the federal government was responsible for their proliferation, and now must play a role their demise.

Some background: In 1974, Congress passed the National Health Planning and Resources Development Act, requiring states to implement CON requirements in order to receive funding through certain federal programs. Lawmakers believed that bureaucrats could dictate healthcare supply better than the market.

Roughly a decade later, it became

clear that CONs failed on every measure and may have contributed to healthcare price inflation, so federal subsidies were stopped. But the hospital establishment, which enjoyed being protected from competition, has lobbied to keep them alive in 35 states and the District of Columbia.

In practice, CONs mean that healthcare entrepreneurs who want to open an MRI clinic, a surgery center, a nursing home, or a hospital must get government permission first. Even more outrageous is that often the state government committees that oversee approval of CONs are stacked with members of this same healthcare establishment. It's cronyism in its purest form.

Unsurprisingly, data from the Kaufmann Foundation shows that states with CONs have significantly higher per capita healthcare costs than those without. The Mercatus Center at George Mason University recently published the results of their Healthcare Openness & Access Project, which measures access to healthcare in each state. As expected, states with CON laws ranked among the worst. Eliminating CONs would usher in a new supply of healthcare to bring down costs for small business and individual consumers.

States such as Oklahoma that do not have CONs have an environment where innovative, market-driven solutions can be implemented to drive down the cost of healthcare. The Surgery Center of Oklahoma, for instance, has a website where the cost for every procedure is posted.

There are no hidden fees. The cost of surgery there is often 5 to 10 times less than the nearest competing hospital down the road, and in many cases, the surgeons are the same in both facilities. Medical tourism has reversed and patients can receive high quality care by board-certified surgeons for affordable prices right here in America. But only in states that permit it.

For patients who are asked to pick up a greater amount of their healthcare costs, such healthcare entrepreneurship allows them to become responsible consumers of resources. For businesses, it offers the opportunity to slash the single highest line item on their balance sheet — healthcare costs. Over 40 percent of businesses in America are self-insured; that is they pay the costs of care for their employees and do not rely on the third-party insurance system because it costs them too much. With CON repeal, more centers offering reduced cost services will open and business operators will see substantial savings.

Legislators need to begin to put their constituents ahead of the special interests who spend money to protect their turf. It is time for businesses to stand up to legislators and tell them so. There's still time to make CON repeal part of federal healthcare reform.

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