

Opinion Column
Jeff Kinion
CEO- Alaska Open Imaging Center

Certificate of Need – Stifling Competition in Fairbanks

There is an undercurrent of unrest within the medical community of Fairbanks. The unrest revolves around the current state regulations regarding Certificate of Need. Originally introduced as a Federal mandate in 1974, CON legislation was initiated to control costs on the construction of federally-funded hospitals. Hospitals that were in communities at the time that this legislation went into effect have been protected from outside influences on their markets ever since.

In Alaska, CON legislation has morphed into a review process used to monitor health facility and service development, as well as enforce the prevention of duplicative facilities or services. All in the effort to reduce healthcare costs for the consumer. This sounds like a good idea, except for the fact that the state government is in effect forcing out competition by decreasing services.

The U.S. Federal Trade Commission (FTC) has consistently recommended that the states remove CON regulations. A letter to State of Virginia officials in 1987 stated, “Any potential benefits of CON regulation are likely to be outweighed by the adverse effects of such regulation on competition in health care markets. Consequently, CON regulation is likely to harm consumers on balance by increasing the price, and decreasing the quality, of health services.” The FTC has issued similar statements before numerous states considering repeal of CON laws. At this time, Alaska is among the most restrictive states when it comes to CON legislation.

Competition in healthcare creates choices for consumers and raises quality standards as providers compete for patient loyalty. According to healthcare analyst Robert Cimasi, “Market competition in healthcare delivery provides economic empowerment to patients and payors by providing access; encouraging innovation and the investment of capital in overall cost saving technologies; and, by creating choices for consumers which, in turn, encourages providers to raise quality standards as they compete for patient loyalty.”

When patient choice is diminished, decisions about appropriate pricing/costs, access, and quality can be limited by the decisions made by the single facility in town. In the absence of healthy competition, these entities are free to ignore market demands and patient needs. That circumstance is what drives the acceleration of costs.

When entering the Fairbanks market in January of this year, the need for competition in medical imaging was obvious. Physicians and patients were limited to one provider, (Fairbanks Memorial Hospital) when it came to high-field MRI studies. Chiropractors, Nurse Practitioners, and Naturopathic physicians were unable to send their patients to the hospital for MRI studies because they were not approved to refer under Banner Health requirements. This required these providers to send their patients to physicians that met

the Banner Health qualifications; these physicians would then be able to refer the patient to the hospital for medical imaging. This doubled the cost for these patients.

Providing a choice for the Fairbanks community was the goal that Alaska Open Imaging Center set out to accomplish. With support from both physicians and patients in the community, we have been able to open a facility in Fairbanks. We are however, in a battle with Banner Health over CON and our ability to remain open.

Competition in Fairbanks has recently been challenged by physicians in the community that would like to build ambulatory surgery suites. On June 12, 2006 the department of Health and Social Services held a meeting allowing the public to testify on this topic. The testimony was overwhelmingly in favor of competition in Fairbanks. According to Tim Sharp, business manager for the Laborers Union, local 942, "We're finding that for some surgical procedures, it is cheaper to fly our members down to Anchorage, pay for the rental car and hotel, and then fly them home to Fairbanks, than to deal with our own hometown hospital...having ambulatory surgical and specialty clinics is inevitable. It will bring competition to a monopoly that may be well meaning, but loathe to move to bring healthcare costs down on their own."

New legislation has been proposed to eliminate CON in Alaska. According to Representative Bob Lynn, "The free market should decide if a health care facility, or any other business, is needed- not some self-serving government bureaucracy. A Certificate of Need, in effect- and for example- give Anchorage and Fairbanks hospitals a government de facto monopoly. We need more competition, not less. Free enterprise motivates excellence, encourages lower prices through competition, and benefits consumers."

We continue to fight for the ability to offer competitive services in the Fairbanks community. For more information regarding Certificate of Need in Alaska please visit www.amc2.org.