

## BLUE CROSS BLUE SHIELD OF MICHIGAN TESTIMONY

House Health Policy Committee  
Senate Bills 669, 671-674  
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Presented by:

- Dr. Amy McKenzie, Medical Director
- Kristen Kraft, Government Affairs

### Testimony submitted by Dr. Amy McKenzie, Blue Cross Blue Shield of Michigan Medical Director and member of the state Certificate of Need Commission:

Thank you for the opportunity to share our perspective on Michigan's strong and effective Certificate of Need (CON) program. We appreciate the chair and members of the committee for your consideration and hard work on the difficult issues currently confronting Michigan's health care system.

I am Dr. Amy McKenzie, Medical Director at Blue Cross Blue Shield of Michigan. I am part of the Blues' Value Partnerships program, which collaborates with practitioners, physician organizations and hospitals throughout the state to improve health care for Michigan residents by enhancing quality of care, decreasing complications and managing costs. Our team works vigilantly with providers on items that overlap with key public policy goals, such as decreasing opioid addictions, addressing behavioral health concerns and reducing health care fraud by encouraging electronic prescribing.

The Blue Cross private sector approach aligns closely with the goals of the Certificate of Need Commission, which is designed to maintain **access** to high **quality** health care services at a reasonable **cost** for all who receive medical care in the State of Michigan.

CON also considers need, through careful planning to ensure access where needed, thereby helping to ensure quality access and affordability by not flooding the market with too much of any service. CON as a planning tool improves geographic distribution of services, monitoring and evaluating requests of hospitals, doctors, and the residents of Michigan, to see which areas are underserved or need to be improved; ensuring these areas are not ignored by new medical centers or facilities.

We believe the CON Commission is successfully working to accomplish the goals of ensuring quality access and lowering health care costs across the state. Michigan's CON program has been recognized by some national health policy research groups, [including the National Institute for Healthcare Reform](#), as one of the most objective and transparent state programs, with a systematic approach to evaluating and updating CON requirements.

The CON Commission makes decisions to regulate, deregulate or modify standards for covered clinical services after a thorough review and recommendations made by advisory committees that include doctors and experts from across Michigan, using their expertise to protect patient safety and uphold industry-driven quality standards. The CON process is transparent to the public and flexible, as review standards are evaluated on a three-year rotating schedule, or sooner upon request and necessity. Blue Cross appreciates and supports regular evaluation of the CON process to further enhance its value, ensuring requirements are in place only when they have a meaningful impact on cost, quality or access. The CON Commission meets quarterly, with standard advisory committees and workgroups meeting more frequently, allowing regular opportunities for the public and interested parties to weigh in.

There are currently 15 CON review standards for covered services. During the periodic reviews, changes are often made to modernize standards or remove unnecessary regulation. In other instances, regulations are modified to benefit the cost, quality, and/or access of health care for Michigan's citizens. CON plays a key role in ensuring a high standard of care through quality and outcome measures that all facilities must meet, including accreditation standards, quality management programs, staffing requirements and written policies and protocols for patient care.

A few examples of updates made in response to new developments in the field include:

- In 2012, a review of the various standards related to transplantation services resulted in a decision by the Commission to **deregulate** pancreas transplants from CON, as the process no longer provided value in impacting cost, quality or access to the service.
- In 2014, recommendations from a formal workgroup evaluating the cardiac catheterization standards resulted in an **expansion of facilities that can perform** elective percutaneous coronary intervention (angioplasty), updated to reflect new evidence-based guidelines.
- In 2016, the Commission took action to **remove** dental CT scanners **from CON regulation.** The Department of Licensing and Regulatory Affairs' regulation of the equipment ensured continued high quality and safety.

Despite frequent debates over the years, the number of states maintaining CON has remained steady, helping states address quality, access and cost. Indiana re-established a Certificate of Need program in 2018, which the state initially repealed in 1999. It was enacted as the impact of nursing home growth on the state Medicaid budget became unsustainable. While Wisconsin may not officially operate a CON program by name, the state maintains several approval processes that function similarly to CON and has a resource allocation program that limits the number of hospital and nursing home beds.

While it has been some time since Ohio deregulated many CON services, the construction boom in Ohio during the first four years following deregulation was striking. It included 19 new hospitals, of which 15 were long term care hospitals. Ohio experienced a 137% surge in outpatient dialysis stations, a 280% increase in radiation therapy, a 548% jump in freestanding MRIs, and a 600% increase in ambulatory surgery centers. Health care costs in Ohio are high, with private insurers paying an average of 241% of Medicare costs in Ohio, according to [a 2019 RAND study.](#)

The state CON process is successfully ensuring high quality, low cost care for Michigan residents. CON's staffing, accreditation and quality reporting requirements encourage collaboration and improve performance.

The CON process fosters additional foresight, enabling more thorough planning in the development of the state's health system through a deliberate review of the market and community in which a service is proposed, and access is needed. It balances the market, ensuring uniform access to high quality services. Needed health services are maintained at certain facilities, so they are not forced to close when competitors arrive that offer only high-margin, profitable services.

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CON helps protect access for the state's vulnerable populations, who experience limited access to care. Medicaid participation is a condition for CON approval. CON standards also have a lower rural threshold to ensure access in rural and underserved areas of the state.

In conclusion, our position is that reforms to CON should be focused on changes that have evidence of how the reform will enable meaningful access, uphold quality assurance standards or prevent uncontrolled proliferation of costly health care services.

It has been mentioned that the governor had to issue an Executive Order (EO) to suspend certain CON rules. Blue Cross supported that EO to provide the needed flexibility during an unprecedented pandemic and has made parallel temporary changes in our private sector approach to address the emergency circumstances.

Michigan has an exemplary CON program that ensures providers uphold high quality patient care standards, accessible to all of Michigan's residents, in a cost-effective manner, and we believe that is important to our members

Thank you for the opportunity to share our perspective.