MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON HEALTH AND HUMAN SERVICES

Seventy-Third Session
February 10, 2005

The Committee on Health and Human Services was called to order at 6:01 p.m., on Thursday, February 10, 2005. Chairwoman Sheila Leslie presided in Room 3138 of the Legislative Building, Carson City, Nevada, and, via simultaneous videoconference, in Room 4401 of the Grant Sawyer State Office Building, Las Vegas, Nevada. Exhibit A is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

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COMMITTEE MEMBERS PRESENT:

Ms. Sheila Leslie, Chairwoman
Ms. Kathy McClain, Vice Chairwoman
Mrs. Sharron Angle
Ms. Susan Gerhardt
Mr. Joe Hardy
Mr. William Horne
Mrs. Ellen Koivisto
Ms. Bonnie Parnell
Ms. Peggy Pierce

COMMITTEE MEMBERS ABSENT:

Mr. Garn Mabey (excused)
Ms. Valerie Weber (excused)

GUEST LEGISLATORS PRESENT:

Senator Joe Heck, Clark County Senatorial District No. 5
Senator Maggie Carlton, Clark County Senatorial District No. 2
Senator Terry Care, Clark County Senatorial District No. 7
Assemblyman Joseph Hogan, District No. 10, Clark County
Assemblyman Mo Denis, District No. 28, Clark County

STAFF MEMBERS PRESENT:

Barbara Dimmitt, Committee Analyst
Julie Morrison, Committee Manager
Joe Bushek, Committee Attaché

OTHERS PRESENT:

Andy Brignone, Legislative Advocate representing Health Services Coalition, Reno, Nevada
Rusty McAllister, Trustee, Las Vegas Firefighters Health and Welfare Trust, Las Vegas, Nevada
Bill Welch, President and Chief Executive Officer, Nevada Hospital Association, Reno, Nevada

Chairwoman Leslie:
[Meeting called to order and roll called.] For the record, I've invited Senator Heck to sit with our Committee tonight. He's interested in this issue.

I do appreciate the Committee and all the people coming out tonight. It is very unusual that we would have a meeting in the evening the very first week of the session. I understand it's asking a lot of the Committee. However, we're very concerned about the health care crisis in Clark County. Senator Carlton is here as well. Would you like to join us, please? Thank you. I think the fact that the two Senators are here on the Committee shows that we are taking this very seriously.

We're glad the immediate crisis was averted, but I think we all want to avoid getting into this crisis again. We know that throughout the state, access to health care and the affordability of health care are very key issues for our constituents. In our Committee we heard yesterday some horror stories about people not being able to afford their health insurance, not being able to access care. I think it's incumbent on this Legislature to take some action to avert a crisis in the future, with the particular situation in Las Vegas. We'll hear more about it tonight. But we cannot be in this position every three years where people don't know where they're going to get their health care from one day to the next or if they're going to be able to afford it. It seems in the last few years we've been responding constantly to the health care crisis in the state. We have to stop responding to crisis and start planning for averting the crisis and making sure that our citizens have access to health care and can afford it. So I think tonight marks a change from the legislative point of view. Certainly from

this Committee's point of view, where we're no longer going to be reacting to the crisis, we're going to be taking some positive action.

[Chairwoman Leslie, continued.] Having said that, though, let me say, I do intend to end the Committee meeting by 7:00. This is not going to be one of those meetings we drag out to midnight. That meeting will come a little bit later. But we do want to hear from both sides of the two parties involved in the crisis in Las Vegas and hear from their perspective what happened briefly, how it could be averted, how it affected many, many people who are in the room there in Las Vegas. I know that the only reason you would be here tonight is that it affected you personally, and we would like to hear from some representatives, but forgive me if I cut off the testimony at 7:00. We need to let our Committee members get on to their other commitments tonight. But I do promise you we will come back. I'll bring the Committee to Las Vegas, if necessary, and we'll hold a hearing there, and we will hear from each and every one of you that wants to testify. We just may not have time to hear from all of you tonight.

Having said that, let's go ahead and get started. I understand Mr. Brignone is there in Las Vegas. If you would like to come up, sir, and identify yourself for the record, who you represent, whatever you'd like to tell us about your role in this crisis, and what happened and how it could have been averted. Thank you.

Andy Brignone, Legislative Advocate representing Health Services Coalition, Reno, Nevada:

The Coalition is a nonprofit organization that negotiates hospital contracts for over 300,000 southern Nevada workers, including police officers, firefighters, teachers, construction, and casino workers. The Coalition is relieved to report that we've reached agreements with two major hospital chains: the Sunrise Group or HCS [Southern Nevada Health Care System], and the Valley Group, UHS [Universal Health Service]. For the Coalition, however, this is not the end of the process for us. It is very much the beginning of a continuing, sustained, and ever-increasing effort to improve the affordability, access, and quality of health care, not only for the workers we represent, many of whom are sitting behind me in this meeting room, but for the community as a whole.

I regret to say that the crisis, however, is not over. The immediacy of this particular crisis may be over for now, but I can assure you that this crisis will recur in three years when we again negotiate these contracts.

Moreover, the broader health care crisis affecting Nevada and southern Nevada continues, whether it be indigent care, whether it be the problem of mental

illness and the facilities to treat them and deal with them, whether it be crowded emergency rooms. All of these are problems in an integrated whole that need to be addressed as well. Regarding these negotiations, I remarked to some of my colleagues this morning that there's truly something wrong with a system that staggers from crisis to crisis every three years and puts so many of our fellow citizens and community servants at risk of losing access to such vital public services as hospital services.

[Andy Brignone, continued.] This is not an isolated incident. What happened this year happened three years ago, and I guarantee you that it will happen again in another three years. I think we need to develop a new relationship, a new way of doing business among providers such as hospitals, payors such as the Health Services Coalition, and legislators such as yourselves, and other interested groups. This relationship and this process that we need to create—this new platform for dealing with these problems—needs to be a continuous, ongoing process so that we don't proceed around a vicious circle from inactivity to crisis to inactivity to crisis. Therefore, we do what you mentioned, Madam Chair, which is simply to react, rather than to plan into forward-looking activities.

Part of this process requires that we be creative, that we be imaginative, that we think outside the box, that we be not traditional thinkers, but look for solutions that address the particular problems that we have. We're not burdened by convention. Nothing should be sacred. We need to be problem-solvers, not complainers.

The experience of the 300,000 workers we represent here in southern Nevada is indicative of what's happening throughout Nevada regarding the increased costs of health care. While wages and salaries may go up modestly, if at all, health care continues to proceed at 10 to 15 percent increases. That money has to come from somewhere. It either comes from the taxpayers or it comes in the form of a hidden tax, because that money comes from the individual workers, or it comes from the employers. It has to come from somewhere. Or, worse yet, it comes from a cut in benefits, which means there is no health care at all. I hope tonight that we can at least agree upon this: we need a new process, a new way of dealing, a new business model, if you will. We can't identify, much less explore, all the issues that we should address, but in all cases we have to find a new platform. And perhaps the Interim Health Care Committee would be an ideal platform for that. We need to meet more often. We need to meet more in depth. We need better data. We need better statistics.

[Andy Brignone, continued.] The cost containment legislation that expired in the late 1990s at least had a mechanism for the reporting of costs and charge data. We don't have that anymore. The data that is reported to the state, while useful for some purposes, really is not satisfactory or adequate for us to identify where our problem areas are and, therefore, identify where our areas of opportunity are to change.

But let me mention just a couple of issues that I think are worthy of exploration going forward. And by mentioning these items, I'm neither endorsing the solution to them, nor am I excluding any other issue or any other approach to the problem. There's been an awful lot of press and a lot of publicity lately about the profits of private hospitals going out of state. There have been a number of suggestions on how to deal with that, such as community redevelopment funds and other proposals to deal with that.

Another way of dealing with that, without having to pull your hair out with accountants and accounting principles, would be, for example, consideration of another community hospital. We have one public hospital here. It is a precious public asset that is both underappreciated and undersupported. UMC [University Medical Center of Southern Nevada] is a fine institution. We ought to build on that platform and perhaps do a joint public private venture and develop another community hospital in another part of the valley, attached to which could be a trauma center which would service the outlying communities.

We don't have that now. There's been a lot of discussion about the nursing shortage. We need to address that shortage, but we need to address a lot of issues regarding that shortage that have never gotten any attention. Let me give you one example of that, and this is an anecdotal example from my own family. My daughter-in-law is a trauma nurse at UMC. She graduated from nursing school at UNLV [University of Nevada, Las Vegas]. She was on a waiting list for two years to get into that nursing program. Her graduating class was about 35 nurses. Now, why do we have a nursing shortage? It may not be for lack of interest among students or people who would like to enter the profession; it may be because we have a bottleneck in the institutions that train them.

One thing that shocked me in particular was to notice that the salaries paid to our teachers of nursing are less than what a first-year floor nurse would command at any hospital in town. No wonder we can't generate enough nurses. We can't find enough trained teachers and compensate them fairly to train them. We should explore scholarships for nurses. We should discuss and explore active recruiting, and we can establish partnerships with hospitals to do those very things. But, again, I would like to go back to and emphasize that

what we need is a new platform. We need to have a new business model for addressing these problems, for identifying them, for analyzing them, and for proceeding to formulate their solutions. We can't keep doing this as we have in the past. We have a big blowup in the newspaper from time to time on the mentally ill. We have a big blowup on the emergency rooms. We have a big blowup on indigent or charity care. But we never seem to stick with those issues to explore them, to investigate them, and to come up with some sensible solutions.

[Andy Brignone, continued.] We're better than that. We ought to be better than that. We need to be better than that for the people who are sitting behind me. We owe them that. We wear suits and ties and have all these wonderful perks, but we can't forget about the people who enable us to do these things. These are the people who built these hospitals, who built our communities, who police our streets, who fight our fires, who teach our kids. We need to do a better job for them, and we need to start now. Thank you.

Chairwoman Leslie:
Please stay there and we'll take questions after this next witness. Rusty McAllister, from the Professional Firefighters of Nevada, is in Carson City and is going to give us some testimony, I think, from the workers' point of view also. Rusty, go ahead and we'll take questions for both of you.

Rusty McAllister, Trustee, Las Vegas Firefighters Health and Welfare Trust, Las Vegas, Nevada:
The Las Vegas Firefighters Health and Welfare Trust represents approximately 560 active firefighters that work with the City of Las Vegas, along with 146 retirees and their dependents—approximately 2,000 covered bodies. Our trust is not very large. We move along as we go. We have been stable, though, up to a point. I'd like to at least bring forth for you to consider, while you're thinking about these issues. First of all, as a group of about 2,000 people, we are part of the Health Services Coalition, and fortunately for us that we are with a group that's approximately 300,000, to 320,000 people. We certainly have a much better chance at getting reasonable rates, were we a group of 2,000 people out on our own. And there are a number of groups both in the private and public sector that are out there right now that are very, very small groups out trying to negotiate with hospitals for hospital rates. And they're not going to be as successful as we were. I can't even imagine the trials and tribulations that they would go through in dealing with a large corporate organization. Basically, I believe they'd have to take whatever was handed to them.

[Rusty McAllister, continued] Most of the people that belong to the Coalition are people that are under contract with their employers, whether it's in the casino and hotel industry, firefighters, police officers, teachers, or construction workers. There are all different varieties of occupations, but we are under contract. And therefore, those contracts limit what we are able to provide to our members. We typically will try and negotiate a three to four-year contract. With that in mind, we can't go back to our employers and say, "Hey, we'd like to reopen negotiations because we're being asked for exorbitant rates that we simply can't afford." We won't have any choice. Any time you have a closed system, that's the amount of money that comes in is very limited. We're not going to be able to go back and ask for additional funds.

With that in mind, we kind of budget a reasonable amount. Cost of living, the Consumer Price Index, in the western states right now is about 3.3 percent a year. To look at or try and fund for the future rate increases for these hospitals that are in double-digit increases, it's just impossible. It's impossible for us to do that.

So with that in mind, this crisis was averted, we believe. We had one three years ago. And we will have another one unless something is done to at least make this a fair and equitable bargaining situation, where we come in and at least make it so that both sides realize that there's got to be middle ground. And certainly the members of the coalition are looking to do their fair share.

We offered reasonable amounts to the hospitals to begin with. And we certainly appreciate the building of new hospitals, and equipment that's provided. I know, certainly, some of the discussion that's come out is that there's new hospitals being built, but if they weren't profitable they wouldn't be building them. If the market in Las Vegas was not profitable they wouldn't be building those hospitals. Therefore, there's a market for them. We're just asking that you be reasonable with us, not only now but in the future, when we go to negotiate these rates. I guess that's about all I have to say.

Chairwoman Leslie:
I would also like the record to reflect that Mr. Hogan is here, Assemblyman Hogan from Las Vegas. And Assemblyman Denis, please join us. I think the fact that all these legislators are here at almost 6:30, late on a Thursday night, really indicates how seriously we're taking this issue. And I'm glad that we've been able to have this many people involved. Rusty, one thing being from northern Nevada, when this all happened the last week or so, it's been new to me, but as I understand it, you represent almost 20 percent of the population in Las Vegas. Is that right?

Rusty McAllister:
Yes, Madam Chair. The Coalition represents approximately 300,000 to 320,000 people in Las Vegas and a population of, 1.6, 1.7 million, whatever it is. It's a significant number of people that belong to our Coalition.

Chairwoman Leslie:
So what would have happened if the settlement hadn't happened this week? If this was Thursday night and it hadn't happened, what would your members be doing tonight to get health care?

Rusty McAllister:
We had already prepared letters and sent out to all of our members that basically said in the event that we are not able to come to some form of resolution of this—the negotiations—we will have to discontinue our services or our payment schedule to these hospitals. You will have to go to a hospital that is contracted. At the time there were three hospitals in the Las Vegas Valley that were contracted or had agreed to handshake-contract with us. We would direct our people to those hospitals.

Chairwoman Leslie:
But if they are all full—aren't they always full all the time?

Rusty McAllister:
They are. We would have had no choice but to pay, on behalf of our members, the contracted rate that we had with the hospitals that were expiring. We would have paid at that rate on their behalf, but without contracts the hospitals would have billed at full bill charges, which would have been anywhere from three to five times higher than what the contracted rates were, so that money would have come out of our members' pockets. As you can imagine, in the event of, say, a heart problem, something like that, where somebody would have had to go in and have major surgery, they would have been faced, once they got out of the hospital, with $20,000, $30,000 of medical bills that they would have had to come up and pay for their own.

Chairwoman Leslie:
Which would have been a disaster.

Rusty McAllister:
Well, when you think of 320,000 people that may have needed some form of care or another, we certainly don't know how many that would be. That's a significant amount of money that would have had to come up. There are studies out right now that show medical expenses are one of the main reasons people

go bankrupt, and the vast majority of those people have health insurance and still can't afford it once the bills come in.

Chairwoman Leslie:
I can imagine the uncertainty of not knowing if you were going to be able to get your medical care or where you would get it. Would this be a tremendous burden on people?

Rusty McAllister:
As a trustee on the trust, I certainly field a lot of calls from our members and during this crisis, once we sent out the initial letter saying, "We're in negotiations; they're not going very well," I had numerous members—their spouses are expecting babies, they're in their third trimester, and they're saying, "What are we going to do? Where do we go? Our OB/GYN is saying they only go to certain hospitals and they won't go to another hospital to deliver our baby. What do we do?" It's hard to tell them what you're going to do. We basically told our members at that point in time, if you are in your third trimester, we'll cover it. If you're outside of your third trimester, start looking for a new hospital, and if your OB/GYN doesn't go to one of the contracted hospitals, maybe you better start looking for a new OB/GYN.

Chairwoman Leslie:
So what you're telling any woman who is in her third trimester is to get a new physician. I'm sure their blood pressure was going up all over town in Las Vegas this past week.

Rusty McAllister:
Not only was this difficult for our members, I'm assuming that it was probably difficult for many of the physicians in town also, because they've got their patients coming to them saying, "Doc, I gotta go somewhere else," and the doctor saying, "I don't go there," or "You know I don't see patients there on a regular basis. You have to stay here." Doc, I can't afford to stay here.

Chairwoman Leslie:
That's just terrible. Thank you for clarifying that for me. Mr. Brignone, I had a question for you. With your testimony, I'm not clear what you were asking us. Were you saying that you would like us to go back and look at the cost-containment measures that I think Governor Bryan put in back in the late 1980s, or something? Can you clarify, talk about that a little bit more?

Andy Brignone:
As I said before, I think we have to be creative and imaginative in our approaches to problems, especially in data collection, which the

cost-containment bill enabled us to do. I frankly think that's a worthy subject to be investigated by you all. Nothing should be off the table.

Chairwoman Leslie:
Other questions for either of these witnesses from anybody? Ms. Parnell.

Assemblywoman Parnell:
Rusty, it is nice to see you. Just to give me an idea, say, four years ago, you had a contract that you've been using this time period. How did that change in the new contractual language and when you didn't know if you'd be able to settle? What had changed? What increases were being presented or what made it difficult for you all to come to an agreement?

Rusty McAllister:
In all honesty I did not sit on the negotiating team, so I wasn't presented with the information that was given to the negotiating team for each of the hospitals on what had changed that required greater increases than what we were willing to offer. Mr. Brignone might be able to answer that better than I am. He was more closely related to that information.

Chairwoman Leslie:
Mr. Brignone, did you want to add to that?

Andy Brignone:
Yes. We began negotiations with the hospitals many months ago, more than four months ago. The work that went into those negotiations included some pretty in-depth financial analysis of data that was reported by these hospitals, both to the State of Nevada and nationally. We also employed health care finance experts so that we were in a position to assess what was a fair and reasonable raise in rates. And I hasten to add that we never proposed "no increase." The increases we proposed were consistent with our analysis of the costs of these hospitals and they were consistent with the recommendations that were made by our financial experts. Let me be a little bit more specific. We proposed to raise the rates to a greater percentage than, frankly, in the last three-year period.

Let me just use UMC [University Medical Center] as an example. UMC almost immediately told us what their target number was. Interestingly enough, it was exactly our number. So we spent about five minutes with UMC, shook hands and we said, "We'll get back to this when we take care of the more difficult ones." Originally, one hospital asked for a 130 percent increase in rates. Another asked for a 30 percent increase in rates. After about four months, they were for the most part all in double digits, even though one hospital chain

reported to its investors—in an investor conference, I should say—that its target rate increase was 7 to 8 percent. They demanded much more of that from us here in Nevada without any justification. We understand that costs go up.

[Andy Brignone, continued.] We understand that technology costs more than it did in the past. We recognize that. We built that into our offers. But we felt that their rate increases that were asking were not only unjustified, they simply could not be sustained or absorbed by Nevada's workers. And that is where the impasse was. It was only, frankly, with the focused help of the Governor that we were able to reach agreement with the two chains. That happened to follow the same pattern three years ago. I hope I've answered your question.

Assemblywoman Parnell:
Thank you very much; you have. Thank you, Madam Chair.

Chairwoman Leslie:
You're welcome. And just to make sure we have the record clear, you did say that one hospital demanded a 130 percent increase?

Andy Brignone:
That's correct.

Chairwoman Leslie:
I wanted to make sure we had that. Other questions for these witnesses? Ms. Pierce.

Assemblywoman Pierce:
I don't have a question. I just wanted to say that I am one of the 300,000 people. These gentlemen were negotiating for my chance to have medical care. So I'm glad that it got settled. That was very good news. And I hope that we can do something so that every couple of years we don't have to get to this point where we're getting letters saying, "Tomorrow, you don't get to go to these hospitals. Tomorrow you have to make a whole other set of plans for your medical care." So I'm glad, we got to this place, and like I said, I hope we can be creative and look at some ideas so we don't have to do this again. Thank you.

Chairwoman Leslie:
And I want to have the record reflect that Senator Care has also joined us. I don't think I've seen so many Senators in an Assembly hearing before. So, welcome. Senator we're glad you are here. Thank you both. In interests of equal time let's turn to the hospitals. Bill, I don't know if you want to come up and make some comments. We won't grill you, but I want to give you the

opportunity to react maybe to what you've heard and get anything on the record. This is Bill Welch from the Nevada Hospital Association.

Bill Welch, President and Chief Executive Officer, Nevada Hospital Association, Reno, Nevada:
With respect to the contract negotiation process, I really can't speak to that. The Hospital Association is not involved with the individual hospitals and their contracting functions. With respect to some of the comments that have been made, I guess I would say that I concur with much of what's been said. There are many issues—and we need to think outside of the box—that drive, in effect, the cost of health care in this state. We have the most rapidly growing state in the Union. We've had the fastest-growing uninsured population. We have a difficult situation with the Medicaid population and more Medicaid recipients coming into the hospital ERs for their primary care. We have the Medicaid budget cuts that we're having to consider now from the federal budget and how they're going to impact our state. We have the EMTALA [Emergency Medical Treatment and Active Labor Act of 1985] Law that's changing on how the hospitals must respond. We have the mental health crisis, all of which I know you're very interested in, Madam Chair, and all of these issues have a significant impact on how we deliver and how we respond.

We, from the Hospital Association's standpoint, would love to be at the table to help develop solutions. I would agree with the gentleman that it's time we think outside the box. It's time we come forth with some solutions to all these. In the end it would be best for the patients, the citizens who need the health care services, and we certainly support that.

Chairwoman Leslie:
I appreciate that statement. Maybe you can help me understand if things have changed in the last few years in terms of how profits are reported. We've heard a lot in the press about profits from these out-of-state hospital chains come to Nevada and go to Las Vegas because that's where the market is, obviously. And yet it seems like the nonprofit hospitals are posting record profits, and the for-profit hospitals are coming in and building new hospitals and saying they aren't making as much money and they aren't making that much profit. How would we know from the state perspective, how is that reported? Has that kind of gone by the wayside when Senator Bryan's or then-Governor Bryan's cost-containment legislation sunsetted?

Bill Welch:
Madam Chair, as I recall, the hospital cost-containment legislation that we're referring to sunset on, I believe, June 30, 1999, or sometime in that time frame. The hospitals, on the other hand, are required by law to submit their

financial information to the State, and they do submit their financial data and, in fact, that's where the state is able to generate their reports from the financial profitability.

[Bill Welch, continued.] The profit cycles of a hospital or the loss of a hospital is very cyclical, with how patients move and their contracts with an insurance company, move a patient population from hospital A to hospital B, a change in the patient case mix, the type of diagnostic situations that they're dealing with, or the types of patients that are coming into the hospital. There are many factors that will come into play, that drives the profitability. What their utilization is and what their success has been to recruiting the adequate staff that they need and how much temporary staff they have to use, a per diem staff that they have to use. It's a very complex issue. I would agree with the gentleman also about the nursing work force. It's not just nursing. It's across the board.

We have a work force shortage in almost every category. Now, some of it's improving and I want to compliment the Legislature again. Last session, this Legislature did take action to help double the nursing enrollment program in this state through the University and Community College system. But I also want to point out that the hospital didn't walk away from the table. We also put up money as part of that process to expand. We continue to put up millions of dollars annually for scholarships to the nursing students. But that is a major factor. Pharmacy, radiology, lab technology, the hospitals are spending, and it was pointed out by both of the speakers, are spending millions of dollars annually to keep up with the growth and expanding their capacity. And I would agree they're doing it because there's a market here and they figure out what they think that they can do. Otherwise they wouldn't be here.

Chairwoman Leslie:
And I do appreciate that, Bill, and I know that you did help us quite a bit and we made a giant step forward. But I guess I just keep coming back to—what was that movie where they said you have to "follow the money?" And I think about all the money that we put into health care, and I think about all the new hospitals going on line in Las Vegas, and the workers are paying more and more for their health insurance when they can get it. We all are. We all know that. I mean, every member of this Committee knows what health care costs. And yet, where is the money going? Where are the profits going? And I think there's this sinking suspicion that they're not going back into things like psychiatric beds. You know how we've lost all those private psychiatric beds in Las Vegas. And that's definitely contributed to our crisis, because the hospitals can make more money doing med-surg beds and we all know that. I'm not against people making money, but I am against people not being able to get

accessible, affordable health care. So where is the money? Where is the profit?

Bill Welch:
Madam Chair, I would love the opportunity to come back within three to four weeks. We're in the process of doing an economic impact study. We've contracted outside sources through the university system to do the study, so it's as objective and pure from a sense of factual data that we would like to come back and present to you. But I will say that the hospital profitability actually decreased this last reporting cycle, if you look at the report for the whole state. Now, that varies from region to region. In Clark County the profitability went up 1 to 2 percent over the prior reporting period.

Chairwoman Leslie:
Isn't that also because they've been building more hospitals to make more money?

Bill Welch:
They've been building more hospitals, but that's the capital investment. So that doesn't go necessarily against your bottom line. I'm not an accounting expert, but you're trading one asset for another asset, so it's not showing up as a loss.

Chairwoman Leslie:
It doesn't show up as the profit, maybe, either.

Bill Welch:
That's right. It doesn't show up as a profit either. It's trading, it's realigning how you're looking at your assets. So it's either here on the cash sheet or fixed asset. I can tell you that building a brand-new hospital is not inexpensive. If you look at Clark County particularly, but it's not only in Clark County. We've had it here in Washoe County and here in Carson City, Gardnerville, Elko, Winnemucca, South Lyon Medical Center, Battle Mountain. All these communities throughout the state have invested millions of dollars. We estimate, and we'll have more factual data within a few weeks, as I indicated, over $2 billion have been put in during the last seven to eight years to keep pace with the growth.

With respect to where they're utilizing the services, there's no question the mental health beds that you point out. There's a lot of challenges with that, as you know, Madam Chair. Most of those patients are uninsured patients and ultimately become Medicaid patients, but we have to go through an 18-month eligibility determination process to get that patient eligible for psychiatric care, and then we have to go through whatever time process we have to get

reimbursed through Medicaid. We're looking at 24 months out before we see a dollar on those patients. On the other hand, we have such a demand, and as has been testified and as you even raised, the demand for just med-surg services is keeping us full. So we could expand for mental health, but then we're going to push other patient categories out of beds. So it's a catch-22 for us.

Chairwoman Leslie:
And you can't deny that the hospitals make a lot more money on the med-surg than they would providing psychiatric care. And I guess I just balance that out, and we don't need to get into a debate tonight because we'll be talking about this a lot in the next few months. But then I think of the new trauma center we just approved and some people don't think it should have been where it was, but it seems like we're allowing the hospitals to have some of the more profitable services and yet not holding their feet to the fire to make sure that things like psychiatric beds, where we're short, are happening. It's complex. It's not easily solved. But I think there's some concern about that.

Bill Welch:
I'd certainly be happy to talk about that at some point that you would like, Madam Chair. The hospitals do care for psychiatric patients. Our ERs have almost become a psychiatric ward, where any day 20 to 30 percent of our bed capacity is being held by a psychiatric patient. A number of our hospitals do have psychiatric services. They're geropsychiatric, but as you know, the reimbursement rate for the State of Nevada for psychiatric patient under Medicaid is one of the worst in the country. That's been testified to you as well as to the Senate Finance and Ways and Means Committee. It's a difficult situation.

Chairwoman Leslie:
We have a lot to work on. Other questions? Mr. Horne, and then Senator Carlton.

Assemblyman Horne:
I'm not an accountant either or businessman, but isn't there, on the profit line—the question we had earlier—isn't there a formula in the profiting where many of these hospitals are chains and their parent corporations don't exist in Nevada, they exist elsewhere? Are we seeing a shift in—I mean, when they say there's no profits, are we seeing basically what they want us to see? And some shifted somewhere else through accounting to the parent corporation?

Bill Welch:
All the hospitals have standard accounting principles they have to comply with. If they're a for-profit hospital they have to pay federal income taxes and file reports with the federal IRS [Internal Revenue Service]. They have to submit their reports to the State. So there's a lot of checks and balances to demonstrate. Now, there's no question that those hospitals that are involved with corporate chains have some of the corporate overhead costs that they have to shift money to pay their share just like any other industry. Banking or Wal-Marts or any other chain industry have their corporate offices and all of the outreach branches pay a certain piece of that corporate overhead expense. And that's the same in the hospital industry.

Assemblyman Horne:
Theoretically, then, you could have a very profitable region somewhere in the country, let's say Clark County, wherever, could be very profitable, but because they have to chip in their share for the corporation overhead expenses, they can come back to their legislature and say, "We're not profitable," or to these groups and say, "We're not profitable and therefore, we're going to have to increase rates. We'll have to renegotiate contracts."

Bill Welch:
I understand your point, but I don't think they're shifting all of their profits. That's why the reports are coming out through the QR [quarterly report]. They're showing what their profitability of the hospitals are. I don't think there's that shell game going on that is suggested. They have to report what's going to the corporate office. So I mean that would be something that they can identify. You look at one of the hospitals that made, $14 million, $20 million, but then if you look at their total expenses, we're talking about a 4 percent profit. I don't know what is an unreasonable profit, but we're not talking about businesses that are running $10 million annual operations. We're talking about these large hospitals; particularly, they're multi-billion dollar operations and I think that we forget that, and we have to look at the total impact. Again, I'll be very happy to come back to this Committee once we get this economic study done to show what we are contributing back to the community, both in capital reinvestment into the community for services, health welfare, many areas, scholarships for nursing and other health care students. These people are not displaced members of our community. They are active members of our community and are contributing significantly to the community.

You know, as has been pointed out, we pay very well for our employees. They make pretty good money and unfortunately, they can start out in nursing in the hospital and, make more money than in education. We need to address that.

Our workforce pays a lot of taxes when they buy houses and cars and other things, too.

Assemblyman Horne:
One last thing. I'm not real familiar with the cost-containment piece of legislation that sunset, I guess in 1999. But has anybody, since before last Legislature proposed to bring something similar back or talk about thinking out of the box? I don't know if this is it, but if you have—I've heard 7 percent increase to 130 percent if you've got that kind of difference, why can't we have something like a PUC [Public Utilities Commission] for this type of situation because we're talking 300,000-plus people affected? That has a profound effect to the entire state. So the state has a huge interest, as you can tell by the number of people that are here. If you had some type of commission that you would have to go before and say, "Well, the reason why we're asking for 130 percent bump is because X, Y, Z." And have an overview.

Chairwoman Leslie:
Thank you for that out-of-the-box suggestion, Mr. Horne. Senator Carlton, did you want to ask a question?

Senator Maggie Carlton, Clark County Senatorial District No. 2:
Yes. Thank you, Madam Chair. It's an honor to be with you on this Committee. I don't normally do health care. I'm just a purchaser of health care. I am also one of those 300,000 people, and my daughters are covered under that same program. I'm going to be a little more direct than my colleague to the right here. If there isn't a shell game, I'd like to know what the numbers are. If there's a shell game, I'd like to know what numbers are going to other states, because that amount of money is coming out of the people that I represent's paychecks. Because if we had to pay that amount in these hospital negotiations, I would be pretty sure that we probably wouldn't have a raise. And that would have impacted the whole state. You're talking about bargaining units and those folks buy refrigerators, buy cars. It would have a ripple effect through the whole community. So if it's not a shell game, please show me the numbers in layman's terms, and if it is, then I'd like to know where those dollars are going and why it's not staying in Nevada.

Chairwoman Leslie:
Thank you, Senator. Other questions for Mr. Welch before we let him step back? I don't see any. Thank you. Thank you very much for your response. It's about ten minutes to 7:00, and I'll go back to Las Vegas and see if there's somebody who wants to make any closing remarks. And, again, I promise you, if there's a desire, we'll take the Committee to Las Vegas and plan a much longer hearing on a Saturday or something where we can hear from all of you.

But these are the things I would like to request on behalf of the Committee. And then if there are other things, Mr. Horne, if you don't hear your idea on this list or any other Committee member, please chime in.

[Chairwoman Leslie, continued.] I think we do need to look back at what was done on the cost containment. I'm very fuzzy on it. I think I would like to request from our staff a memo reviewing what happened with that legislation, and also what's happened with hospital costs since it did sunset in 1999. I think we need to look at the facts and the figures with that. I'd also like to request an analysis of how bill charges have changed in Nevada and how this compares with other states. You know, we hear a lot about Nevada being unique. We know we're last in almost everything you want to be first in. But where are we on bill charges? How much higher are our hospital costs than other states?

I'd also like to request, and I think this is going to take some cooperation from other parties as well, a review and explanation of the data that's currently collected by the state regarding hospital charges, costs and profits. And then what do we do with this data? Are we collecting things that we're not using? You know, I have a sinking feeling we are. So let's take a look at what we're currently collecting and, most importantly, what do we do with it. If we're just throwing it in the trash can, maybe we need to be collecting something else. So that will probably have to be to the Department of Human Resources and the Medicaid office to take a look at all that.

And then with the Hospital Association, and Mr. Welch, I do appreciate your offer to help us. We need to understand how profits are reported by hospitals in the state, where those profits go, do they go out of state, how much goes out of state, why does it go out of state, and what the current requirements are for community reinvestment and charity care. I know the Speaker has a bill; I think several other members have bills. I have a bill out there, so we're going to have lots of bills on this topic, but I think the Committee needs to better understand the whole profit model. And then going along with the profit, I think we have to look at profit and then we really need to look at community need. So I also want to request a review and explanation of what process we're using in our state to determine what new services and facilities are added to the market and how this has influenced costs. Do we need to revisit our certificate of need? Why are we adding more trauma centers which some people don't think we need in certain neighborhoods and we do need in other neighborhoods, yet we don't have enough psychiatric beds? So Mr. Horne, does that give us a starting point for where you were going? [Mr. Horne nodded.]

Mrs. Koivisto, please.

Assemblywoman Koivisto:
I'd also like to see something, a side-by-side comparison of Medicaid rates going down, and charges to paying/insured patients going up, tracked over several years to see if there's a tie-in.

Chairwoman Leslie:
Yes, A relationship there, absolutely. So we'll provide all this to you, Mr. Welch, also, in writing, because I know you're not busy typing out there.

And I think the intent of the Committee is, certainly, not to drive hospitals out of the state and certainly not to drive them out of the Las Vegas market. But we have to look at making sure that our people have access to care, and that it's affordable. It's like having health insurance that you can't use. Having hospitals that you can't access also doesn't do you any good. So I think that's where we're going to be going. Dr. Hardy.

Assemblyman Hardy:
If we have a wish list, I think one of the things we have to do is look at nonprofit comparisons. They do the same thing, and so we have a natural kind of thing that we can look at and compare. And I think that ought to be one of our things we see.

Chairwoman Leslie:
You're talking about nonprofit hospitals?

Assemblyman Hardy:
Correct.

Chairwoman Leslie:
Yes, absolutely. My statements included nonprofit as well as profit. Some of the nonprofits are posting more profits than the profits. So that tells you something strange there on paper.

I see you still at the witness table, and I've been told there's at least 150 people who signed in in Las Vegas, and probably some people down there who couldn't get to the sign-in sheet, and I know we just don't have time to hear from all of you tonight. But did you want to say one final comment, Mr. Brignone?

Andy Brignone:
I hope we can use this hearing as a wake-up call and as an opportunity to have a new beginning, to explore the issues that you all have discussed, to explore

them seriously and in depth, and not just let this be a flash in the pan. We need to continue to accelerate our efforts to provide affordable health care and improvements in quality and access to health care for not only southern Nevadans but all Nevadans. Thank you.

Chairwoman Leslie:
Very well put. I really want to thank all the people in Las Vegas who came out tonight. Everybody here in Carson City. And we will schedule a hearing. I might add that, if at all possible, I'd like to have this information back for the Committee within two weeks so we can schedule a hearing and keep going, because if we are to take action this session, there's no time to waste.

So thank you very much and this meeting is adjourned [at 6:55 p.m.].

RESPECTFULLY SUBMITTED:

_____
Joe Bushek
Committee Attaché

APPROVED BY:

_____
Assemblywoman Sheila Leslie, Chairwoman

DATE:_____

EXHIBITS

Committee Name: Health and Human Services

Date: February 10, 2005 **Time of Meeting: 6:01 p.m.**

Bill #	Exhibit ID	Witness	Dept.	Description
	A			Agenda