DaimlerChrysler Corporation

Mark J. Gendregske
Director – Integrated Health
Care and Disability

CON Testimonial Notes
March 19, 2002

Cost Implications

- DaimlerChrysler Corporation's (DCC) three lowest cost areas represent states with CON laws in place, while the two highest cost areas represent states without CON laws (see data below). The adjusted per person costs in Kenosha, for example, are almost three times what they are in Syracuse.

		Adjusted 2000 Cost*	Unadjusted 2000 Cost
Highest	Kenosha, WI	$3,519	$4,020
	Indiana	$2,741	$2,397
Lowest	Newark, DE	$2,100	$2,355
	Michigan	$1,839	$2,208
	Syracuse, NY	$1,331	$1,331

* Age, gender and geographically adjusted

Quality Implications

- In Kenosha, the two major hospital systems are building facilities directly across the street from each other.
  - Lack of CON allowed the aforementioned situation to occur and will exacerbate the nursing shortage in Kenosha (as well as other areas).
  - In addition, lack of CON will add to the excess hospital beds situation in Kenosha.

- Using DCC's experience, there is absolutely no evidence to suggest lower health care quality in CON states as compared to no CON states.

- To augment the last point, The Dartmouth Atlas of Health Care in Michigan [the sixteenth such analysis using a methodology known as small area analysis and combining Medicare and non-Medicare data (unique to Michigan – the other fifteen analyses looked only at Medicare data)], published in 2000, gives three arguments which suggest that patient populations exposed to less acute hospital care are not being harmed:
  1. There is no scientific evidence that more is always better. There are a few studies of the outcomes of hospitalization versus less intensive ways of treating patients with the same disease profiles; and those that have been done show no advantage from more intensive care.

DaimlerChrysler Corporation
1000 Chrysler Drive CIMS 485-07-26
Auburn Hills MI USA 48326-2766
E-mail: mjg6@dcx.com

2. The influence of supply on utilization occurs without clinicians' explicit knowledge of the relative level of available resources. Clinicians serving populations in hospital referral regions where the supply of acute care hospital resources is relatively low do not appear to be aware of constraints on their practice of medicine.
3. Hospitalization itself is intrinsically risky, and populations exposed to lower rates of hospitalization are less likely to experience unfavorable medical events associated with hospitalization. The most comprehensive study of the risk of hospitalization, the Harvard Medical Practice Study, published in 1991, found that 3.7% of Medicare hospitalizations (i.e. people 65 and older) involved some form of complication, and in about 1% of Medicare hospitalizations complications resulted in death from an unfavorable event.

- In fact, The Leapfrog Group for Patient Safety maintains that the push to open new centers may have a negative impact on quality. Experts say that new centers may not do enough surgeries – generally considered a minimum of 200 a year – to meet the "practice makes perfect" maxim. For many complex treatments, the scientific literature documents significantly superior patient outcomes in hospitals with higher volumes. The Leapfrog evidence-based hospital referral criteria are listed in the table below:

Treatments	**Favorable Hospital Volume Characteristic**
Coronary artery bypass	Volume ≥ 500/year
Coronary angioplasty	Volume ≥ 400/year
Abdominal aortic aneurysm repair	Volume ≥ 30/year
Carotid endarterectomy	Volume ≥ 100/year
Esophageal cancer surgery	Volume ≥ 7/year
Delivery with expected birthweight < grams or gestational age < 32 weeks	Regional neonatal ICU with average daily census ≥ 15
Deliveries with pre-natal diagnosis of major congenital anomalies. Diagnosis codes 741.XX, 742.0X, 742.2-742.9, 745.XX, 746.00-746.85, 747.1X-747.9, 748.0, 748.2-748.8X, 750.16, 750.3, 750.4, 750.6, 751.XX, 752.7, 753.1X, 753.3, 753.6, 756.4, 756.51, 756.55, 756.59, 756.6, 756.7X, 756.89, 756.9	Regional neonatal ICU with average daily census ≥ 15

- Supporting the aforementioned bullet, in a January 2002 report to the Florida Hospital Association titled "Impact of State Certificate of Need Programs on Outcomes of Care for Patients Undergoing Coronary Artery Bypass Surgery", the authors found that:
  - Risk-adjusted in-hospital mortality was 21% higher in patients in 18 states that had no CON regulation for open heart surgery during the period 1994 through 1999, compared to patients in 26 states in which there was continuous regulation for open heart surgery during this period.

DaimlerChrysler Corporation
1000 Chrysler Drive CIMS 485-07-26
Auburn Hills MI USA 48326-2766
E-mail: mjg6@dcx.com

- Mean hospital volume was 84% higher in states with continuous CON than in states with no CON. In addition, a substantially higher proportion of patients in states with no CON regulation underwent CABG in low-volume hospitals.

Health Care Economics

- The health care delivery system's economics are perverted. As the Dartmouth Atlas discovered: "For most medical conditions, the supply of hospital beds is closely associated with the incidence of hospitalization, at least in larger geographic areas. This relationship cannot be explained on the basis of differences in illness rates among hospital referral regions. In addition, the effect of increasing hospital capacity is to decrease the threshold for admitting patients for virtually all acute and chronic medical conditions which can be treated on an inpatient basis."

Impact of Loss of CON on Other States

- How the loss of CON has impacted other states:
  - Ohio: After CON was eliminated, vital community health services were abandoned and specialized services were concentrated in affluent communities where they were most profitable, not most needed.
  - Virginia: Reintroduced its CON law four years after repeal in order to check uncontrolled growth. An oversupply of service resulted in six Virginia hospitals failing Medicare volume/proficiency guidelines.
  - Kentucky: Following the repeal of CON, the state issued a moratorium on new health care construction and expansion to address a serious budget imbalance.

DCC 2001Data

	Total DCC
Employees, retirees, and dependents	388,214
Total health care cost	$1.340 billion
Average cost per employee	$7,254
Average cost per retiree	$6,555
Per contract percent increase over 2000	10.3%

Note: Michigan represents over 42% of the number of employees and retirees

DaimlerChrysler Corporation
1000 Chrysler Drive CIMS 485-07-26
Auburn Hills MI USA 48326-2766
E-mail: mjg6@dcx.com