

North Carolina Society of Pathologists

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W. Alan Skipper, CAE

To: Members of the Senate Health Care Committee
Members of the Senate Commerce and Insurance Committee

Re: Opposition to Senate Bill 629 (Governmental Rate Setting for Out of Network Physician Services)

Dear Senators:

Both the North Carolina Society of Pathologists (NCSP) and the College of American Pathologists (CAP) urges your opposition to Senate Bill 629, which would establish a governmental rate payment in state law for out of network physicians in the private market. **This bill would essentially result in governmental control of physician payment in the private insurance market.**

This legislation contemplates, as a practical matter that the federal Medicare program should become the *de facto* standard for payment to physicians in the private market. Specifically, Senate Bill 629 would deny out-of-network North Carolina physicians the legal authority to negotiate appropriate payment with health insurance plans for medical services that were rendered to their enrollees. **The out-of-network care that is rendered is frequently the result of the health plan's failure to contract for such services that would otherwise be available to the patient.** Of great concern, Senate Bill 629 proposes to statutorily tie physician out of network payment to Medicare or the payor's contracted rate. This limit on what a health plan can pay to an out of network physician, including pathologists, based upon the Medicare fee schedule or the payor's contracted rate, will devalue certain physician services and encourage the roll-back of private insurance coverage and contracting.

Please note, the Medicare fee schedule was designed only for medical services rendered to persons over the age of 65. Some medical services, including some pathology and some genetic screening services are not covered by Medicare. Furthermore, the fee schedule is created in the context of a government program, not to serve the private insurance market. In some instances, Medicare rates, which are driven by federal budgetary requirements and not by the cost of providing care, are so low that they do not even cover the cost of the treatment provided. Thus, there is no incentive for health insurance plans to contract with physicians for their services, as either Medicare or the plan's in-network payment rate determine how the physician is compensated.

Senate Bill 629 fails to place any responsibility on health insurance plans for maintaining an adequate contracted network of physicians.

Conversely, the legislation seeks to financially penalize physicians who have ethical and legal obligations to serve patients, regardless of the patient's insurance status. **The effect of Senate Bill 629 would be the enrichment of insurance plans and the financial undermining of both contracted and non-contracted physicians and hospital-based physician services to the general detriment of health care in North Carolina.** In general, the legislation, if enacted, will be a substantial disincentive to health plan contracting for physician services. For these many reasons we urge the North Carolina Senate to reject SB 629.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink that reads "Keith Volmar MD". The signature is written in a cursive, flowing style.

Keith Volmar, MD, FCAP
President, North Carolina Society of Pathologists

cc: North Carolina Medical Society
Barry Ziman, Director, Legislation & Political Action, College of American Pathologists