

**PUBLIC HEARING**  
**Expanding Health Insurance Coverage in New York**  
**September 5, 2007**  
**Remarks**  
**John Ruge, M.D.**  
**Hudson Headwaters Health Network**

Mr. Baker, Commissioner Daines, Superintendent Dinallo—and friends, thank you for making the expansion of health care coverage a priority for New York State, for holding this public hearing, and for coming to Glens Falls.

My name is John Ruge. I am the CEO and a practicing family physician at Hudson Headwaters Health Network.

Hudson Headwaters is a network of community health centers—a system of primary care with the mission of caring for everyone in our community regardless of social standing, economic circumstance, or insurance status. Our centers are the primary care safety net for the Glens Falls metropolitan area and are the only local providers for approximately a third of the Adirondack Park.

It would be fair to say that Hudson Headwaters owes its existence to this nation's failure to assure health insurance coverage for its people. Three decades ago, the GPs of the previous generation—solo practitioners to a man (and there were all men)—began retiring and no one appeared to replace them. Too many poor people; too many without insurance; and no way to assemble a viable medical practice.

Hudson Headwaters came into being because the needs of the local people were so clear that the region proved competitive—competitive for federal grant dollars reserved for the nation's most desperate communities, communities with nowhere else to turn for health services.

To say the obvious, I am heartened by your commitment and keenly interested in your plans for building, step-wise, a program of universal health coverage.

And, in just about equal measure, I worry about the steps you are about to take.

I worry because Hudson Headwaters, like so many primary care providers, is in peril. Revenues are falling below costs and the reason is not for lack of insurance. Instead we are experiencing financial distress *because of* our insurance companies.

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Let me provide a bit more background. As a Federally Qualified Health Center, Hudson Headwaters' costs are vetted by federal and state authorities, and, upon approval, these costs form the basis for our reimbursement on behalf of Medicaid, Medicare, and (by way of grants) the uninsured. Unfortunately, commercial carriers choose to reimburse us significantly less. With 45% of Hudson Headwaters' patient encounters being privately insured (after all, some rural people do have jobs and insurance), these shortfalls are putting our finances underwater.

All during 2006, Hudson Headwaters conducted very serious discussions with our major private payors—five different managed care organizations, each representing between 4%-8% of our patient base. We made some headway but not enough—not enough to support basic essential services throughout a section of the north country that has no other local source of medical care.

In a functioning medical marketplace, this set of circumstances would make no sense. Primary care accounts for approximately 7% of total health care expenditures. Careful studies have been done and the evidence is compelling: robust primary care reduces total health care costs on the order of 20%-30%. Equally important, strong systems of primary care result in higher patient satisfaction and better health care outcomes.

Here is the rub: Some years ago, New York State government made the strategic decision to turn health care policy over to the so-called marketplace. Health care planning was out; regulation was out; competition was in.

But medicine is a flawed marketplace at best. Speaking to Hudson Headwaters' experience, our negotiations have thus far come up short for several reasons. For one, the decision makers are far away and don't make decisions based on local realities. One of our HMO negotiating partners objected to our request for enhanced reimbursement on grounds that the private doctors in the North Country are not complaining. Well, driving up the Northway between Glens Falls and Plattsburgh, you will find only one half-time primary care physician still remaining in private practice. The marketplace is squeezing out primary care. Hearing no complaints, the commercial carriers forge on.

Point number two: Investment in primary care is needed now but the pay-off in both savings and improved outcomes takes some time to produce. With enrollees switching regularly among carriers, the business cycle for the commercial carriers does not match the life cycle of our patients.

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And point three: Hudson Headwaters patients are split among multiple payors. By actual count, in 2006 we sent bills to 1,040 different insurance company addresses. The variations in benefit packages, the complexity of billing rules, and the technical requirements of providing data in proper sequence to multiple carriers are, to say the least, overwhelming.

Aside from all this, we have also come to realize that there is one thing we do that doesn't help our insurers in their competition for profits, and this is what may prove fatal to our cause. We treat all our patients the best we can, regardless of insurance status. For any individual carrier to reimburse us more than its competitors only works to its own disadvantage for the short term, and, in the health insurance business, the dollars are all short term. Even though primary care offers the best opportunity to save dollars throughout the health care system, insurance carriers generally have little reason to take the plunge and invest in Hudson Headwaters' future.

Hudson Headwaters is by no means alone in facing this conundrum. Last Thursday, just a few miles north at the Warren County Municipal Center, the New York State Association of Counties convened a meeting of the government, business, and community leaders to address the serious shortfalls that all health care providers are experiencing in the Adirondack Park, the state's most rural region and the one whose economy is singularly based on state-owned wilderness lands.

We, the people of the north country, like all New Yorkers, seriously need health reform. As you move to expand health insurance coverage, we ask that you give equal and concurrent consideration to supporting basic essential services here and throughout the state.

Both initiatives need to go hand in hand if New York is to succeed at health reform. Assuring health coverage for all is a matter of simple justice and long overdue. Yet that coverage will be affordable (and thereby possible) only if health care in New York is made reasonably efficient—an eventuality which depends upon an adequate primary care base. It is critically important for you to understand that this base, especially in New York's rural north and certainly in its wilderness park, is fast eroding.

Thank you very much for your time and for your efforts.