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SB 479

February 16<sup>th</sup>, 2005

SENATE PUBLIC HEALTH, WELFARE & SAFETY	
7284100 www.communitymed.org	
EXHIBIT NO.	25
DATE:	2-18-05
BILL NO.	SB479

Montana State Senate  
Public Health, Welfare, and Safety Committee

Mr. Chairman and Committee Members:

This letter is written in support of Senate Bill 479, which prohibits the markup of pathology services by other physicians. I have been practicing Pathology for 13 years, the last 8 years in Missoula. I was surprised to learn on leaving the Army and starting my practice in Missoula, that it was common practice to bill the clinical physicians for pathology services, who would then bill the patient for those services at a marked up rate. I found this arrangement distasteful at a minimum, if not morally irresponsible. While we have discouraged these types of arrangements in Missoula wherever possible, I fear the practice continues in Montana. I have recently learned that the American Medical Association agrees with my concern, speaking out against the practice of billing for and marking up of other physicians services in their ethical guidelines.

The practice of marking up other physician's services has the potential to adversely affect the quality of patient care. The incentive for clinicians is to shop around for the lowest priced services, regardless of quality, thus increasing the profit margin from these activities. Separating the patient's biopsy from the point of care, the local physician network, carries with it risks. I know of one instance in which a biopsy of a pigmented skin lesion was referred to an out of state lab. After the tissue was lost in the mail, it had to be assumed that the lesion was malignant, resulting in a patient having more extensive surgery than would be required for a simple mole. It should also be noted that these remote labs operate by their own local standards and are not accountable to the State of Montana with regards to licensing or credentialing.

These types of arrangements ultimately drive up the cost of care with no added value. Because labs provide virtually all of the overhead costs for specimen collection, the mark up represents nothing but pure profit. I have heard that some doctors want the patient to get one bill rather than multiple bills. As a health care consumer, I would consider a 200-300% markup for this service an expensive convenience. One patient recently complained about his \$1000.00 prostate biopsy bill that would have cost him \$400.00 if we had billed him ourselves. After that incident, I felt I had to work to change the system.

The potential for cost savings in the entire system is huge. If the 25,000 Pap smears we review in Missoula each year were marked up by only \$4.00, the added cost would be \$100,000; again with no value added whatsoever. If this practice is widespread in the United States, imagine what the cost is to our nation's health care system. This would explain why several states have already banned the practice, as did Medicare many years ago.

I appreciate the opportunity to express my views and concerns to the committee. I thank you for your careful consideration and support of this bill. Should you have any questions regarding this legislation, please do not hesitate to contact me at the address or phone number below.

Sincerely,

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