

# Certificate Of Need Not Impacting Surgery Costs

Certificate of Need, a form of state government regulation designed to keep mortality rates and healthcare costs down, was recently reviewed by a health economics researcher at Rice University and Baylor College of Medicine (BCM). Her findings are reported in an article appearing in today's online edition of the journal *Medical Care Research and Review*.

Lead author Vivian Ho, the chair in health economics at Rice University's Baker Institute for Public Policy and a professor of medicine at BCM, found that states that removed Certificate of Need regulations experienced a four percent decrease in the average cost of patient care. These regulations are designed to prevent hospitals that do not treat a minimum prescribed volume of patients from offering open-heart surgery. "We discovered in a previous study that states that removed Certificate of Need regulations for open-heart surgery experienced no change in patient mortality," Ho said. "Now that we have learned that the cost of patient care is also lower after deregulation, I am doubtful of the value of these regulations."

Currently 25 states maintain Certificate of Need regulations for open-heart surgery, including Georgia, Maryland, New York and Washington. Ho's study evaluated bypass surgery patients in 34 states, seven of which removed Certificate of Need regulations during her study period between 1991 and 2002. (Only two more states have deregulated open-heart surgery since then.) Deregulation led to more hospitals building new facilities to perform open-heart surgery, which raises costs. However, the cost savings from lowering average costs per patient outweighed the additional costs of these new facilities.

Ho speculated that cost savings result from deregulation because competition encourages hospitals to deliver higher quality care. "The desire to attract more patients in a competitive market leads hospitals to offer higher quality care," Ho said. "It may sound counter-intuitive, but recent studies show that higher quality surgery lowers costs because costly hospital complications are avoided when one improves care."

Ho believes that the results should serve as a lesson to policymakers as they consider the future of Certificate of Need regulations, as well as other regulations of the healthcare system. The study was supported by a grant from the National Heart, Lung and Blood Institute at the National Institutes of Health.