



April 21, 2021

TESTIMONY IN FAVOR OF SB 26

Members of the Committee, I appreciate the opportunity to discuss this important issue. My name is David Balat. I am the director of the Right on Healthcare initiative at the Texas Public Policy Foundation and have worked in the healthcare industry as a hospital executive and CEO for nearly 20 years. Thank you for giving me the opportunity to testify in support of SB 26.

Certificate of Need (CON) regulation was introduced to control healthcare costs and improve quality of care. The basic assumption underlying CON regulation is that excess health care facility capacity results in health care price inflation. However, the literature provides mixed results, on average finding that CON increases health expenditures and overall elderly mortality. Again, the findings have told us that this regulation does the exact opposite of what it intended.

Let's look at a current example related to costs. It is next to impossible for a patient to walk into a hospital and see a list of prices for the services it offers. Yet, according to a national survey from May 2020, nearly 9 out of 10 people believe all prices in healthcare should be disclosed. Even though there is a federal law that requires hospitals to post their negotiated rates, the rate of compliance for hospitals in Alaska is 21% (among the lowest in the nation).

The message they are sending is that they do not want any competition and they also do not want you, the patients, to know the negotiated prices with insurers. The negotiated rates they have achieved by leveraging their market power directly attributed to this regulation that protects them from competition.

As it pertains to delivering quality care to its communities, the state of Alaska (as well as 24 other states) suspended CON laws in the wake of the COVID-19 pandemic. Medical services have been critical during this pandemic and any other that may arise but maintaining this restrictive regulation will continue to artificially limit the number of providers by requiring businesses to prove their services are needed. In a market-based economy, the customer is the one that provides that feedback, not the existing competitors.

To conclude, it is important to note that Alaska has been approving all applications for certificates of late. Despite this practice, none of the terrible things that the hospitals association has said would happen have happened. I ask that you look upon this bill favorably and vote in favor of passage. I am happy to take any questions you may have at this time.