

February 26, 2018

Senator Mia Costello
Chair, Senate Labor & Commerce Committee
Alaska State Legislature

Dear Senator Costello and Labor & Commerce Committee members,

On behalf of the Alaska State Hospital and Nursing Home Association (ASHNHA), I am providing these written comments on SB 119 regarding health care price transparency to the Senate Labor & Commerce Committee on Feb 27, 2018.

ASHNHA represents Alaska's hospitals and skilled nursing facilities. Our members provide a variety of critical health care services in their communities, from inpatient acute care and emergency services to primary care and behavioral health.

I want to thank the bill sponsor, Sen Hughes, for introducing this important topic and for consulting with health care stakeholders during its development. We appreciate the open process and her willingness to work with us.

Alaska hospitals are committed to helping patients make informed health care choices and are committed to a collaborative approach to price transparency. We support efforts to:

- Provide fair and accurate information to inform patients about the potential cost of their care.
- Encourage patients to consider price and quality when they make decisions on access to non-emergency medical services.

Our complex health care payment and delivery system, however, makes price transparency difficult. There is no easy solution to this problem, without dismantling and rebuilding our health care system, but we recognize action is needed and parts of this legislation could be a good first step toward more transparent pricing.

This legislation seeks to impact the availability of payment estimates in multiple ways.

1. First, the bill requires health care providers and facilities to compile a list by procedure code of the top 25 services from each of six categories and requires that this information be made available through multiple channels.

We support the concept of making comparative information available to patients on health care costs and want to ensure the information is as useful as possible while minimizing the burden on providers/facilities. If the Department is required to create a database on its website, it would be duplicative for our members to post in on theirs as well. In addition, there is no basis of comparison on an individual facility website. We are also concerned that posting information in a conspicuous place will deter people from seeking care, since the charges are likely to be higher than they will end up paying. We recommend that the bill remove the requirement to post it on an individual

provider's website and in a conspicuous place and instead require facilities to make the information available and for the state to post it on a centralized website.

2. The second area requires providers to give good faith cost estimates upon request. **We support this part of the legislation.** Hospitals already provide this information when requested by patients and will continue to do so whether or not the legislation is enacted.
3. The third area focuses on requiring insurers to provide information to allow covered patients to compare prices and to provide estimate of out of pocket expenses. **We support this aspect.** Insurers are in the best position to help their members find out the total estimated price of the service. Health plans should help members estimate their expected out-of-pocket costs, based on their current deductible status along with copayment and coinsurance information. Health plans often have access to price information for many providers in a region, which they can use to help members factor price into their decision-making process.
4. The fourth area requires insurers to develop an incentive program. **We do not support this section in the legislation as currently drafted.** We recommend elimination of Sec. 21.96.225 because it undercuts the existing contractual framework between insurance companies and providers. Insurance discounts are based on volume. If volume goes out of network to other providers, it undercuts the reason for the contract and could result in more providers being out of network. This would raise costs for both insurers and patients. In addition, the structure of this incentive program places our rural health system at risk.

If the goal is to incentivize competition in the state, we recommend adding the following language to the incentives section:

An insurer or health plan may not offer an incentive to a covered individual for a health care service obtained from a health care provider located:

- (A) Out of state; or
- (B) More than 20 miles from the covered individual's primary residence if the residence is within 20 miles of a critical access hospital that provides the same health care service.

Explanation: Our costs will always be higher than the costs in Seattle, because health care is a labor-intensive business, our labor costs are significantly higher, and we are spreading those costs over a smaller volume. If we incentivize travel outside of the state, we will end up eroding critical health care infrastructure in Alaska. As an example, cardiac surgery is much more expensive in Alaska, but is it of value to have a cardiac surgeon on call in an emergency? If we incentivize all heart surgeries to go out of state, we will lose the financial capacity to have the emergency service available.

Critical access hospitals (under 25 beds) are already on the margin financially. Some of the services that can be provided elsewhere at a lower cost are the services that are helping to underwrite the hospital's operating cost. It is more expensive to provide care in rural areas, but we don't want to get to a point where we only have hospitals in urban areas.

5. Finally, this bill gives the State the authority to regulate disclosure of price information for health care services. **We support state preemption to provide a statewide standard for both hospitals and consumers.** We want to ensure comparable information is available for consumers and minimize the burden of compliance for health care providers.

Health care price transparency is a complex topic. We appreciate that this body is taking a first step toward price transparency and we look forward to working with you on this and other initiatives to better engage consumers in health care decision-making.

Sincerely,



Becky Hultberg
President/CEO

CC: Senator Shelly Hughes