

Chairman Costello and members of the Senate Labor & Commerce Committee, please accept the following as testimony for the record on Senate Bill 119. Thank you.

Making informed, budget-driven choices (let's call this "shopping around) is a mainstay of American society. Americans are experts at finding great products and services for the price they can afford. And their savvy has driven those who provide products and services in many different industries to respond: competition repeatedly brings down costs and improves products and services. This is the beauty of our free market system.

That being said, American health care is not currently a free market: it is a heavily-regulated environment where the majority of costs are paid not directly by the consumer but by a third party, and where most costs are undisclosed to consumers. Health care price transparency is one of the policies that can move the health care industry toward a free-market environment.

Health care price transparency can have an effect on two different kinds of costs. The first is the cost of insurance premiums. When patients make health care choices without shopping around and choose higher-cost health care, these higher costs are absorbed by the insurers and ultimately passed on to consumers by way of higher premiums. The second type of cost effected is the cost of actual care to the consumer, the direct effect on his or her wallet. Today, consumers are bearing more and more of the costs of their health care, not just in the form of higher premiums, but by way of co-pays, deductibles and charges which are more than the "usual and customary." Price transparency can help patients get more for their money, having a positive effect on personal incomes and ultimately our economy.

Posting prices publicly and providing written cost estimates are simply good practices. In fact, one of the most cutting-edge movements in health care, the Direct Care Model, is growing rapidly partially based upon its transparent flat-fee pricing.

To be sure, this is a sensitive area: physicians and hospitals often do not have just one cost for each type of service they provide. They typically have different costs for cash-pay patients, for those on various government health care plans, and for those on different private health plans. And this is perfectly understandable because of the convoluted way our third-party payer system is structured. But the move to untangle this system must start somewhere.

One consequence of our third-party payer system is that even when provided with transparent price information, consumers aren't inclined to shop around. Many insurance companies do provide a price comparison tool but insurers report very low usage rates. If your homeowners' insurance was paying your grocery bills every week, you might not give much attention to choosing lower priced foods. BUT if you were to get an incentive for choosing lower priced foods, by way of a percentage of the savings, you may well be driven to shop for a balance of quality AND price.

Right to Shop is the common term given to this concept. Just making prices more transparent has not been shown to have much impact but once customers are incentivized to shop around, the benefits of competition begin to be apparent. Action to provide more health care price transparency should be accompanied by some version of Right to Shop to be effective.

We have much more information on this topic, and would be happy to discuss it further with committee members.

Thank you.

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