

**ALASKA STATE LEGISLATURE**  
**SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE**

March 16, 2018

1:32 p.m.

**MEMBERS PRESENT**

Senator David Wilson, Chair  
Senator Natasha von Imhof, Vice Chair  
Senator Peter Micciche  
Senator Tom Begich

**MEMBERS ABSENT**

Senator Cathy Giessel

**COMMITTEE CALENDAR**

SENATE BILL NO. 81

"An Act relating to criminal and civil history requirements and a registry regarding certain licenses, certifications, appeals, and authorizations by the Department of Health and Social Services; and providing for an effective date."

- MOVED CSSB 81(HSS) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 123(HSS)

"An Act relating to disclosure of health care services and price information; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 81

SHORT TITLE: DHSS CENT. REGISTRY; LICENSE; BACKGROUND CHECK

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/08/17	(S)	READ THE FIRST TIME - REFERRALS
03/08/17	(S)	HSS, JUD
02/02/18	(S)	HSS AT 1:30 PM BUTROVICH 205
02/02/18	(S)	Heard & Held
02/02/18	(S)	MINUTE(HSS)
02/05/18	(S)	HSS AT 1:30 PM BUTROVICH 205
02/05/18	(S)	-- MEETING CANCELED --
03/14/18	(S)	HSS AT 1:30 PM BUTROVICH 205

03/14/18 (S) Heard & Held  
03/14/18 (S) MINUTE (HSS)  
03/16/18 (S) HSS AT 1:30 PM BUTROVICH 205

BILL: HB 123

SHORT TITLE: DISCLOSURE OF HEALTH CARE COSTS

SPONSOR(s): SPOHNHOLZ

02/13/17 (H) READ THE FIRST TIME - REFERRALS  
02/13/17 (H) HSS, JUD  
03/02/17 (H) HSS AT 3:00 PM CAPITOL 106  
03/02/17 (H) Heard & Held  
03/02/17 (H) MINUTE (HSS)  
03/09/17 (H) HSS AT 3:00 PM CAPITOL 106  
03/09/17 (H) Moved CSHB 123 (HSS) Out of Committee  
03/09/17 (H) MINUTE (HSS)  
03/10/17 (H) HSS RPT CS (HSS) 5DP 2NR  
03/10/17 (H) DP: JOHNSTON, TARR, EDGMON, SULLIVAN-  
LEONARD, SPOHNHOLZ  
03/10/17 (H) NR: KITO, EASTMAN  
03/24/17 (H) JUD AT 1:00 PM GRUENBERG 120  
03/24/17 (H) Heard & Held  
03/24/17 (H) MINUTE (JUD)  
03/27/17 (H) JUD AT 1:00 PM GRUENBERG 120  
03/27/17 (H) Heard & Held  
03/27/17 (H) MINUTE (JUD)  
03/29/17 (H) JUD AT 1:00 PM GRUENBERG 120  
03/29/17 (H) Moved CSHB 123 (HSS) Out of Committee  
03/29/17 (H) MINUTE (JUD)  
03/31/17 (H) JUD RPT CS (HSS) 1DP 1NR 4AM  
03/31/17 (H) DP: CLAMAN  
03/31/17 (H) NR: EASTMAN  
03/31/17 (H) AM: KOPP, KREISS-TOMKINS, FANSLER,  
REINBOLD  
04/07/17 (H) TRANSMITTED TO (S)  
04/07/17 (H) VERSION: CSHB 123 (HSS)  
04/10/17 (S) READ THE FIRST TIME - REFERRALS  
04/10/17 (S) HSS, JUD  
03/16/18 (S) HSS AT 1:30 PM BUTROVICH 205

**WITNESS REGISTER**

MARGARET BRODIE, Director  
Division of Healthcare Services  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on SB 81.

REPRESENTATIVE SPOHNHOLZ  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of HB 123.

BERNICE NISBETT, Staff  
Representative Ivy Spohnholz  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the sectional on behalf of the sponsor.

ROSA AVILA, Deputy Section Chief  
Health Analytics and Vital Statistics  
Division of Public Health  
Department of Health and Social Services (DHSS)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions related to HB 123.

JEANNIE MONK, Senior Vice President  
Alaska State Hospital and Nursing Home Association (ASHNHA)  
Juneau, Alaska

**POSITION STATEMENT:** Testified on HB 123.

CHELSEA GOUCHER, President  
Board of Directors  
Ketchikan Chamber of Commerce  
Ketchikan, Alaska

**POSITION STATEMENT:** Supported HB 123.

DOMINIC LOZANO, Secretary/Treasurer  
Alaska Professional Firefighters Association  
Fairbanks, Alaska

**POSITION STATEMENT:** Supported HB 123.

TERRY ALLARD, Member  
Alaska Association of Health Underwriters  
Anchorage, Alaska

**POSITION STATEMENT:** Supported HB 123.

JENNIFER MEYHOFF, Chair of Legislative Committee  
Alaska Association of Health Underwriters  
Anchorage, Alaska

**POSITION STATEMENT:** Supported HB 123.

GINA BOSNAKIS, Representing Self

Anchorage, Alaska

**POSITION STATEMENT:** Supported HB 123.

GRAHAM GLASS, M.D., Representing Self

Anchorage, Alaska

**POSITION STATEMENT:** Testified on HB 123.

DENISE DANIELLO, Executive Director

Alaska Commission on Aging

Juneau, Alaska

**POSITION STATEMENT:** Supported HB 123.

#### **ACTION NARRATIVE**

[1:32:08 PM](#)

**CHAIR DAVID WILSON** called the Senate Health and Social Services Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators von Imhoff, Micciche, Begich and Chair Wilson.

#### **SB 81-DHSS CENT. REGISTRY; LICENSE; BACKGROUND CHECK**

[1:33:59 PM](#)

**CHAIR WILSON** announced the consideration of SB 81.

[1:34:42 PM](#)

**STACIE KRALY**, Chief Assistant Attorney General, Civil Division, Human Services Section, Department of Law, introduced herself.

**CHAIR WILSON** said he had a question about the fiscal note. He asked who would pay for the fees and changes to the regulations.

[1:35:15 PM](#)

**MARGARET BRODIE**, Director, Division of Healthcare Services, Department of Health and Social Services (DHSS), said they submitted a zero fiscal note because the databases that are used for the background checks are already identified in regulations. There is no change in processes, procedures, or regulations.

**CHAIR WILSON** asked if that would include the additional sections on sharing data and information with concurrent investigations.

**MS. BRODIE** said they already notify providers with the information they need to have.

SENATOR VON IMHOF moved to report CSSB 81, Version D, from committee with individual recommendations and forthcoming fiscal notes.

[1:36:42 PM](#)

CHAIR WILSON found no objection and CSSB 81(HSS) moved from the Senate Health and Social Services Standing Committee.

[1:36:57 PM](#)

At ease.

### **HB 123-DISCLOSURE OF HEALTH CARE COSTS**

[1:38:50 PM](#)

CHAIR WILSON announced the consideration of HB 123. He entertained a motion to adopt the work draft committee substitute (CS).

[1:39:13 PM](#)

SENATOR VON IMHOF moved to adopt the work draft SCS for CSHB 123, labeled 30-LS0380\G, as the working document.

[1:39:24 PM](#)

CHAIR WILSON objected for purposes of discussion.

[1:39:36 PM](#)

REPRESENTATIVE IVY SPOHNHOLZ, Alaska State Legislature, sponsor of HB 123, said HB 123 is about health care price transparency. Sir Francis Bacon, father of the scientific method, said knowledge is power. As health care consumers, people in the United States do not have that power. They don't know the prices of health care goods and services before they receive or buy them. This lack of information prevents one of the fundamental tenets about capitalism: the power of the consumer to make choices about what they do or do not purchase. The United States spends more per capita than the rest of the world. Alaska is almost the highest in the nation in health care spending per capita. A map from the Kaiser Family Foundation's State Health Facts shows that Alaska is in the top quartile. The health care cost in Alaska is \$11,064 per person vs. \$8,045 per person nationally. That is a significant difference with no improvement in the outcomes.

She presented a few metrics to illustrate the costs in Alaska. She noted that some were taken from an article Senator von Imhof wrote for Alaska Business Monthly in 2014 and some are from the Kaiser Foundation study.

Medical specialist costs are 35 to 40 percent higher in Alaska than in the lower 48; hospital stays are 50 percent more expensive in Alaska.

90 percent of the Anchorage School District's (ASD) budget is labor; employee compensation is the largest cost driver and this is all due to health care and group coverage costs.

2013 study indicated that ASD cost increases have been because of health care; benefits are more than double the national median.

Alaska's health care costs are second highest in the nation. Only Washington DC is higher.

Health premiums for families have risen from 10 percent of the average Alaskan salary to 33 percent since 2001.

[1:41:58 PM](#)

At ease.

[1:43:12 PM](#)

CHAIR WILSON reconvened the meeting and announced that the committee would first go through the bill changes in order to adopt version G as the working document.

[1:43:28 PM](#)

REPRESENTATIVE SPOHNHOLZ reviewed the following changes from the House Committee Substitute for HB 123, Version I, to the Senate Committee Substitute, Version G:

Version I

1. Providers - list the 25 most common procedures with the CPT [Current Procedural Terminology] code and undiscounted price.
2. Facilities - list the 50 most common procedures with the CPT code and undiscounted price.
3. Price information will be located in a reception area and/or website.
4. Statement will be provided that explains the price will be higher or lower than amount actually paid.

5. Department of Health & Social Services will compile the information and post on their website.

Version G retains those items in Version I and adds the following:

1. Providers and facilities will also provide facility fees and the Medicaid payment rate.
2. Price information will be in a font size no smaller than 20 points.
3. Providers will offer a Good Faith Estimate (GFE) upon request including health care services, CPT codes, facility fees, and identity of others that may charge.
4. In-network and out-of-network information will be displayed (post & GFE).
5. Increases civil penalties up to \$100/day, not to exceed \$5,000.

REPRESENTATIVE SPOHNHOLZ said number 3 is designed to mirror the Municipality of Anchorage's Good Faith Estimate provision that the Assembly passed last year.

[1:46:15 PM](#)

CHAIR WILSON removed his objection. Finding no further objection, he announced that version G was adopted.

[1:46:25 PM](#)

REPRESENTATIVE SPOHNHOLZ said that without price transparency, consumers can't predict or plan whether their medical bill will be on the high or low end of the price spectrum. It means a little capitalism needs to be introduced into the health care field. She clarified that HB 123 is not designed to solve every problem related to health care cost. The health care system's conundrums are so much bigger than any one strategy can fix. Probably many adaptive changes will need to be applied. She described the bill as the first mile in a marathon. It will set a foundation for the kinds of changes that need to be made over time. She said her office worked hard with health care providers, payers, and the Alaska State Hospital and Nursing Home Association to make HB 123 simple to implement while

providing meaningful information to health care consumers as they navigate the health care marketplace.

[1:48:41 PM](#)

BERNICE NISBETT, Staff, Representative Ivy Spohnholz, Alaska State Legislature, presented the sectional analysis for SCS CSHB 123, version G:

**Section 1.** The Department of Health & Social Services (DHSS) currently collects information and maintains a database related to public health. AS 18.15.360(a) has been amended to include health care services and price information.

**Section 2.** AS 18.23.400 Disclosure and reporting of health care services and price, and fee information.

Subsection (a) -Providers will list 25 health care services most commonly performed.

Subsection (b) -Facilities will list 50 health care services most commonly performed.

Subsection (c) -if fewer than 25 or 50 health care services are performed, the provider or facility will list all of the health care services performed.

The lists will include:

- Procedure code
- Undiscounted price
- Medicaid price
- Facility Fees

Subsection (d) -a provider working in a group practice is not required to post price information.

Subsection (e) -a health care provider or facility will compile the information under (a) and (b) once a year by January 31st.

- The list will be given to DHSS.
- The posting of the price information will be in font size no smaller than 20.
- "You will be provided with an estimate upon request."
- In-Network preferred providers will also be displayed.

Subsection (f) -DHSS will post this information once a year on their website.

Subsection (g) -Good faith estimate (GFE):

- A patient can request a GFE for nonemergency health care services.
- No later than 10 days after receiving the request or by date of service is provided (if less than 10 days).
- Can be received verbally, in writing, or by electronic means.

Subsection (h) -the estimate must include:

- Description of procedures, services, products, supplies with procedure codes
- Facility fees
- Individualize charges
- Identity of others that my charge
- Prices
- Individual's in-network preferred provider and out-of-network providers.

Subsection (i) -Providers and facilities will not be liable for damages if the estimate is different from the amount charged.

Subsection (j) -Emergency departments are not required to provide a GFE.

Subsection (k) -Civil penalty after March 31st is \$100 a day, not to exceed \$5,000. GFE civil penalty after 10 days is \$100 a day, not to exceed \$5,000.

Subsection (l) -Providers and facilities can challenge their penalties with the office of administrative hearings.

Subsection (m) -a municipality may not enforce an ordinance that imposes health care price disclosure requirements. Supremacy clause.

Subsection (n) -department, facility fee, health care facility, health care insurer, health care provider, health care service, nonemergency health care service, patient, third party, and undiscounted price are defined.

**Section 3.** Effective date will be January 1, 2019.

[1:53:31 PM](#)

SENATOR BEGICH asked about the supremacy clause in subsection m on page 6, line 3. He asked why a municipality should not be able to go beyond this law and require even more disclosure.

REPRESENTATIVE SPOHNHOLZ said the good faith estimate provision passed by the Municipality of Anchorage is a good law. Her office worked with the municipality to come up with something substantively equivalent that could be implemented throughout the state. They do not want health care providers who operate in multiple jurisdictions to comply with code in various communities. There are many practices based in Anchorage which operate throughout the state.

SENATOR MICCICHE asked whether the graph on slide 3 about health care expenditures per capita is the state's Medicaid expenditures.

REPRESENTATIVE SPOHNHOLZ said yes.

SENATOR MICCICHE pointed out that that is not health care per capita.

[1:55:40 PM](#)

REPRESENTATIVE SPOHNHOLZ said there is no great measure nationwide and state to state to track total health care spend. She has been working with Milbank Memorial Fund, the nation's oldest public health foundation, to identify a best practice to measure the total health care spend in the state.

SENATOR MICCICHE asked if that may be because many of the insurance companies are out of state, and it's hard to collect it within the boundaries of the state itself.

REPRESENTATIVE SPOHNHOLZ said there is just not a very good standard nationwide for how to measure health care spend. GDP is a much bigger and specific methodology, but there's not a concrete way of measuring and comparing state to state. It's a big problem. The Milbank Memorial Fund has put together a working group to identify a methodology. Mark Foster at ISER [Institute of Social and Economic Research] did a paper around 2010 to look at the total health care spend in Alaska, but that data has not been updated.

SENATOR VON IMHOF asked if the Department of Health and Social Services (DHSS) is going to collect the information from private hospitals and clinics.

REPRESENTATIVE SPOHNHOLZ said the bill requires individual health care providers to send in their price disclosure sheets. The process is a once a year, point-in-time analysis that each

health care practice would do to identify their most frequently offered services. They would create a formatted document with all the information, post in their reception area and/or website, and send it to the department. DHSS will upload the document to a public website. DHSS is not required to create a database. It's good to get that information into the public domain. She would like to see researchers start doing something useful with that data.

SENATOR VON IMHOF said Representative Spohnholz had mentioned that they are both sitting on a blueprint committee [Comprehensive Health Plan Working Group]. She asked what if another entity is created that should be the one to collect, analyze, and maintain a database vs. DHSS. She asked whether it should be left open by adding something like "or other appropriate state-appointed health care agency."

REPRESENTATIVE SPOHNHOLZ responded that there needs to be a public place for that information to go now that researchers and individuals who want to do a comparison could use. There could be another organization at a later date. They are not mutually exclusive. Another entity in the future could take over with more resources and do more analysis.

[2:00:24 PM](#)

SENATOR VON IMHOF said there is a zero fiscal note from the [Health Analytics and Vital Statistics], so they will take this on and absorb the cost of the work.

REPRESENTATIVE SPOHNHOLZ said they have been clear that they are not asking DHSS to create a database or do any additional analysis.

SENATOR VON IMHOF asked about health care procedure codes. For example, if a child has a tonsillectomy, there's the anesthesiologist, the recovery, the whole procedure. There's a series of health care acts for a procedure.

REPRESENTATIVE SPOHNHOLZ said the bill has two sections. There's the price menu that goes in the reception area and the good faith estimate. The tonsillectomy would probably fall in the good faith estimate. Someone would ask for an estimate of the total charge. The office would provide a list of all the individual things they expect to do, along with others who may charge, and the facility fees, and whether they are in- or out-of-network with the patient's insurer and the total price. It would be a one-page document. The bill allows for a verbal

estimate. The suggestion is that it be documented. Most of those things will be in writing.

REPRESENTATIVE SPOHNHOLZ said they asked the Municipality of Anchorage how many people are requesting the good faith estimate. Providence may have provided 24.

SENATOR VON IMHOF said the good faith estimate is required only if the patient asks. She asked whether a provider should notate that a patient did not ask for a good faith estimate.

REPRESENTATIVE SPOHNHOLZ said they would not need to notate that someone did not ask. They are expecting that a provider would document when a request was made and that the estimate was given verbally. The best practice would be to document due diligence since they are implementing accountability measures.

CHAIR WILSON said the penalty fee, which is not to exceed \$5,000, could be a drop in the bucket for some health care organizations.

REPRESENTATIVE SPOHNHOLZ said there are two separate penalties. One for not providing a good faith estimate and one for not providing prices. Not providing good faith estimates over and over could be expensive. For price listing, the court of public opinion will be useful. Consumers will want that information and will notice when it's not there.

[2:05:39 PM](#)

CHAIR WILSON said many people have called his office to say that the price board is like the MSRP [manufacturer's suggested retail price] for cars that people don't pay. They'll get sticker shock. He asked whether it would be a better use of effort to call an insurance provider to get the usual and customary listings instead of the rack prices that few people pay.

REPRESENTATIVE SPOHNHOLZ said version G has two separate prices, the undiscounted price and the Medicaid price. She suggested that those will be amongst the highest and lowest prices that any provider would charge. Medicare charges are lower, but they have a different fee schedule that is difficult to crosswalk in a simple way. It is important to have that in the public discussion, so people understand what things do cost. They have allowed for a disclaimer that states the actual rate may be higher or lower. Please talk to the billing office or insurer. But they need to start from somewhere. They heard that feedback

from many folks, but practitioners have nondisclosure agreements with insurance companies. That is a whole other nut to crack. Sometimes more data is not more information. If someone has 18 different prices for the same service on a spreadsheet on the wall, is that more useful information for health care consumers or more data that tunes people out further from the problem. They felt that showing high and low pricing with a statement to talk to the billing office to get a specific estimate was a way of landing in the middle.

CHAIR WILSON said the bill exempts facilities operated by Alaska tribal health organizations. They make up more than half of the health care clinics in the state. He asked why they should be exempted.

REPRESENTATIVE SPOHNHOLZ said those organizations are tribal so there are legal preclusions to make them do something like that.

SENATOR BEGICH asked why Alaska's health care costs began to deviate from the national average around the year 2000.

REPRESENTATIVE SPOHNHOLZ said she will not put a theory on record.

SENATOR MICCICHE noted that language on page 5, line 26 states the department may impose a penalty. He asked about listing violations on a website for the court of public opinion. That might be a stronger statement.

[2:10:13 PM](#)

REPRESENTATIVE SPOHNHOLZ said she would be open to that.

SENATOR MICCICHE said he has seen research on the effects of gas wars. Sometimes the average price increases or decreases. Most states require that the cost of gasoline be posted on the corner. Prices can go both ways. He asked if the expectation is that transparency alone will bring costs down or if transparency will cause competition.

REPRESENTATIVE SPOHNHOLZ said she expects that the court of public opinion will stimulate some interesting conversations about the costs of health care, which is a big part of why she introduced this legislation. Now charges are done entirely in a private manner without much discussion about rates and fees and whether something is reasonable and fair. It is time for that conversation in the state of Alaska. She'd like to think that this information being out in the public in an accessible manner

will lead to a reduction in health care cost. If it does not, over the long-term health care consumers may be more mindful about how they consume and use services.

She said health care providers tend to err on more testing and more information, not always considering the cost benefit and whether the information gleaned from one more test justifies the expense. For example, kids playing soccer have a head-on collision, nine times out of ten a superficial examination can be done to know whether a child has a concussion. But a lot of times a doctor will say they don't know for sure, but they could do an MRI or this or that test. People need to start asking if that \$1,000 test gives them that more information. If there is no price information, the doctors will feel they are offering more information and the parents will think they are not being good parents if they do not opt for the test. All inclinations are toward increasing health care costs without considering whether there is real value in that additional information. She would like them to have that conversation.

[2:14:08 PM](#)

SENATOR MICCICHE said he agrees. He doesn't think the actual listing results in a lower price. He uses the analogy that if his wife shopped without knowing the price and no one stopped her at the door to pay, she would probably purchase more items. He believes that many people eligible for Medicaid would self-regulate if they had some idea of cost. There is a benefit to just knowing what their services cost.

REPRESENTATIVE SPOHNHOLZ said that she agrees and believes that also applies to the private market. Through the insurance market people have de-sensitized themselves as to what things really cost. Those with health insurance don't often see the full cost. People see the EOB [Explanation of Benefits] and they look to see what their responsibility is. They might actually get ahead of this with more information about what health care costs.

CHAIR WILSON said in the mid-90s, some health care CEOs in hospitals were making a \$100,000, some were making a million plus. People said they need to shame them by showing what they make. That openness didn't decrease prices, it increased them. This could be a way of getting around antitrust laws. He said it's a concern.

SENATOR VON IMHOF asked whether the January 1, 2019 effective date will also be the effective date for the penalties. She

asked if Representative Spohnholz had thought about phasing in the penalties.

REPRESENTATIVE SPOHNHOLZ said they worked hard to make sure the bill is as simple and easy to implement as possible. It should not be difficult for any practice or facility to figure out their most frequently offered services and run the Excel spreadsheet. It's downloading a report, dropping it into Excel, doing some formatting, blowing it up to 20 point font, and printing it off. Any delay is not necessary given that it is straightforward to implement.

[2:17:50 PM](#)

SENATOR VON IMHOF asked if there are other states with similar legislation and how is it faring.

REPRESENTATIVE SPOHNHOLZ said the idea originally came from a constituent who saw a price list in a clinic in Florida. Florida enacted the law in 2016 and it's a little too soon to note its effect. Colorado just enrolled a law in January to do the same thing.

CHAIR WILSON asked if there is any data from Anchorage and how they are faring with a similar law.

MS. NISBETT said according to Melinda Freeman who oversees the program in Anchorage, fewer than 10 people have called to complain about the good faith estimate.

REPRESENTATIVE SPOHNHOLZ said the most complicated health care organization in the state is Providence Alaska in Anchorage and they have already figured out how to implement the ordinance. It will be easier for health care facilities in the rest of the state.

[2:20:30 PM](#)

SENATOR VON IMHOF read Section 1 and said she assumes that health care services and price information collected under this new statute will be wrapped in to DHSS's authorization and duties.

[2:21:09 PM](#)

ROSA AVILA, Deputy Section Chief, Health Analytics and Vital Statistics, Division of Public Health, Department of Health and Social Services (DHSS) said they collect some information through the Health Facilities Discharge Reporting Program. They have limited information on charges but not total costs of

medical events. She said her understanding is that they will post these lists on their website without doing any analysis or maintenance of the data. At this time that amount of time will be negligible and absorbed within their current resources.

2:22:32 PM

CHAIR WILSON opened public testimony on HB 123, version G.

2:22:47 PM

JEANNIE MONK, Senior Vice President, Alaska State Hospital and Nursing Home Association (ASHNHA), thanked Representative Spohnholz for taking their comments on HB 123 into consideration. She said ASHNHA supports price transparency and consumer engagement in health care decision making; however, price transparency is difficult to implement even when all agree that it is desirable. Realistic expectations about what price transparency will achieve are important. The economic theory and real-life experience support the idea that consumers are only engaged in price shopping up to point of their out-of-pocket expenses. Low deductibles mean that price transparency won't matter to consumers because there is no incentive for them to shop based on price alone. Most of Alaska's public plans still have relatively low deductibles, but private sector plans are increasingly adopting high deductibles and that is where price transparency becomes more important. It seems that providers would have access to the most important information in understanding price, but the insurer has the best data. A complement to this effort may be requiring insurers to make transparency tools available to consumers. Their members say the bill is workable and they can comply. Providence in Anchorage has been complying with this.

MS. MONK said the bill requires providers and facilities to post payment rates for Medicaid rates, which are set by the Department of Health and Social Services and are public information. Alaska Medicaid rates for professional billing are already on a website. The Medicaid rates are not as relevant to the issue of transparency since the state mandates rates. Rather than asking every facility and every provider to publish Medicaid payment rates, the state should provide a link to Medicaid rates. ASHNHA supports the effort for health care providers and hospitals to provide good faith estimates. Hospitals have systems in place to accommodate that. Cost estimates are most appropriate for planned procedures. She said ASHNHA has concerns about how facilities and providers would handle a situation where a provider might be asked to provide a written estimate before examining a patient. Patients sometimes

go to the emergency department and then are admitted to the hospital as an inpatient. The language is unclear about when it quits becoming an emergency and when that patient is entitled to a good faith estimate. Finally, for patients with insurance, working with their insurer is the best way to get accurate information about costs. This is a first step and ASHNHA looks forward to working cooperatively on future initiatives to better engage consumers in health care decision making.

[2:28:06 PM](#)

SENATOR MICCICHE said he thinks there is value in Medicaid/Medicare costs being transparent. Many recipients have no idea what their services cost. Those here who have to cover those costs in the \$1.2 billion range want to bring that cost down. Alaska's separation from the national average [slide 3, Health Care Expenditures per Capita, 1991-2014] continues to increase on an annual basis. Everyone needs to do their part to keep costs down because it affects all the people in the state. This is another tool in the tool box to keep those costs down. He thinks there is value in listing the costs.

MS. MONK agreed that Medicaid beneficiaries should understand the cost of their care. She said she's not convinced that they will read a sign on the wall and change their behavior. They should look at all the tools to engage them. They are trying to balance the work involved for providers in generating this list. If this data is available already, putting it in every provider's and hospital's office is a big burden that could be done through a centralized manner through the state.

SENATOR MICCICHE said every restaurant has a menu. He realizes it's more complicated than that, but it's a reasonable expectation.

SENATOR BEGICH said he was intrigued by her thoughts on insurance. Maybe that is something to look at next session. He was concerned about her comment implying that a higher deductible makes people more aware. The higher the deductible, the more out-of-pocket expense for an individual, the greater the burden becomes for an individual. He asked if there is a better way than simply raising the deductible to get people's attention about the high cost of care. He asked if there is something to add to the bill or put in another piece of legislation to make people aware of the cost.

MS. MONK said she is not an expert in this area, but there is lots of information on how to design health care plans to get

desired results, such as low deductibles for things such as preventative and routine care, and high deductibles for care insurers want people to avoid. That is an innovation that could be explored. A high deductible is a burden on the consumer and sometimes it is inequitable. Some insurance companies, such as Aetna, have good patient portals that allow the patient to not just look at the price but also to look at quality. They need to remember that they also want patients to receive high quality, safe care. High quality care and high cost are not always correlated, but sometimes in the patient's mind it is. How to provide that information is complicated. Some states are looking at requiring every insurer to provide a patient portal.

SENATOR BEGICH asked if the sponsor can answer the question about how to draw the line to determine when an emergency is no longer an emergency.

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CHAIR WILSON said the committee could look into that and possibly offer an amendment to clarify that.

SENATOR BEGICH said he wonders if there is a simple answer to the question.

MS. MONK said there is a definition of nonemergency care, but it might not have the necessary clarity.

[2:34:45 PM](#)

CHELSEA GOUCHER, President, Board of Directors, Ketchikan Chamber of Commerce, supported HB 123. She said supporting a statewide law that would alleviate many of the problems associated with opaque pricing practices in the health care industry fits the chamber's mission perfectly. Health care consumers are increasingly seeking information about the costs of health care procedures. Timely, transparent disclosure of health care costs is essential to protecting the interests of consumers and allowing markets to function efficiently. Health care is the only business where consumers get services without understanding the price in advance or in a predictable manner. Many Alaskans have had difficulty obtaining information about the cost of health care services in a timely and consistent fashion. This foments a culture of mistrust, billing disputes, and an increased tendency to seek medical services outside of Alaska, none of which is in the interests of homegrown practitioners or the health of the state as a whole. HB 123 requirements are reasonable. Even though Ketchikan is working on its own local ordinance and HB 123 would preempt any local

ordinance, they support the bill. IT strikes a balance between protecting consumers while not putting an undue administrative burden on providers. The passage might bolster the competitive position of providers relative to providers out of state, which is an issue in Ketchikan because it is close to Seattle. Alaska deserves a standard set of requirements that are the same for all providers.

[2:37:27 PM](#)

DOMINIC LOZANO, Secretary/Treasurer, Alaska Professional Firefighters Association, supported HB 123. He said HB 123 is a small step toward pricing transparency. As a firefighting union they negotiate contracts. Health care costs are always the driving factor in negotiations. Firefighters in Anchorage, Fairbanks, and Ketchikan belong to their health trust run out of the state of Washington. Health care costs in Alaska are 37 percent higher than in the state of Washington. The lack of ability to see prices and to make choices about where to get procedures hurts. They try to get their members to be smart health care consumers. This bill is a small step in that direction to enable them to do that. Firefighters believe this will help the state, unions, municipalities, everyone in the state.

[2:39:14 PM](#)

TERRY ALLARD, Member, Alaska Association of Health Underwriters, supported HB 123. She said she worked in the health insurance industry in Alaska for over 30 years. Her association has been very involved in the passage of bills like this to help consumers. The rising cost of health care in Alaska is making it difficult for individuals and families to receive and pay for care. The cost escalation is unsustainable. Employers are making difficult decisions about whether they even have the ability to offer coverage. They are increasing deductibles and out-of-pocket costs on a regular basis. Employees are paying more for their share of premiums. Over the last two years they've seen the average deductible for a PTO plan go from \$1,000 to \$2,000. In many cases families are paying \$1,500 up to \$2,500 or \$3,000 a month for their share of the coverage. They have been educating them on how to be a good consumer, but what is lacking is the ability for the consumer to have the information to make informed decisions. They can research many things about treatment, but so often they hit a roadblock about what the services will cost. As a consumer in Alaska, she can shop based on cost and quality for all other goods, but not health care. The Municipality of Anchorage passed the ordinance that helps in Anchorage, but many consumers live in other parts of the state.

Those clients that she works with do not have the ability to get that same information.

She said just as Uber and Lyft and Airbnb have transformed their industries, it is time for the health care industry to evolve and provide consumers information they need. She doesn't want providers to go away. Thirty years ago, when she started in this business, it was common to need to go outside of the state to get care. They need a way for providers and consumers to work together to determine reasonable cost.

[2:43:13 PM](#)

SENATOR VON IMHOF said they are asking doctors, hospitals, and other health care facilities to publish their rates. She asked Ms. Allard her thoughts about adding a section to the bill requiring insurance companies to publish what they pay for the top 25 to 50 codes.

MS. ALLARD responded that she is not the best person to answer that. She said an insured person with CPT [Current Procedural Terminology] codes can get information from their plan about how the services will be covered. They want the consumer to do that, to be an informed consumer.

[2:44:27 PM](#)

JENNIFER MEYHOFF, Legislative Committee Chair, Alaska Association of Health Underwriters, supported HB 123. She said their organization helps employers design their employee benefit plans. They work with public, private, and nonprofit employers all around the state and beyond. They see first-hand the effects of high costs for employers and employees. She suggested thinking about the marketplace of goods and services. Someone stops at a coffee stand with a big price list. Coffee comes from other places, is processed in many ways, but they can tell right to the ounce what it costs. The same for gasoline prices. Aviation is also complicated. In every aspect of people's lives, they are a participant in a market where the price is known except for going to a doctor or hospital. The transition to high-deductible plans is designed to make people be good consumers, but the missing piece is knowing the price. They have heard that medical providers have trouble providing prices because it's complicated, but other businesses manage to do that. Much needs to be done to rebalance the health care marketplace. HB 123 is part of that. Consumers need to be empowered with information to make economic decisions.

[2:49:40 PM](#)

GINA BOSNAKIS, Representing Self, supported HB 123. She said she is a small business owner. She has been in the Alaska employee benefits industry for more than 30 years. She works with clients' employees and family members. Working with people about claim problems is usually easy. The most difficult part of her job, outside of a death claim, is when a person thinks they did everything they were supposed to do to get a procedure from the right doctor or facility. Often the patient asks if their insurance is accepted and the answer is yes. The proper question is, "Are you a preferred provider or are in network," and if answer is no, it changes the whole dynamic for the patient. HB 123 gives patients the ammunition to know exactly what the out-of-pocket cost will be. If a provider is not in network the patient will know their out-of-pocket expenses will be much higher than expected and then they can consider other options, such as going out of state for their care. As an Alaskan and business owner, she finds it difficult to suggest getting services outside that can be provided in Alaska, but that can save a family from lifelong debt and stress. Health care costs have gotten so out of whack in Alaska for a number of reasons, but HB 123 will absolutely save Alaskans from debt and potentially lower health care costs.

[2:53:18 PM](#)

GRAHAM GLASS, M.D., Representing Self, testified that he is a neurologist who has been the past president of the Alaska State Medical Association. He said incremental change is important in something as big as health care. Everyone in the health care world feels transparency is important to provide people with the right information to make good choices, both for their health and financial well-being. His issue is with the information people will be given. He's heard analogies to menus, to gas stations, to Uber. Posting rack rates is not an undue burden, but it doesn't provide necessary information. Rack rates are a grossly inadequate reflection of price information. Accurate information is insurance rates, contracted rates with Blue Cross, Aetna, Cigna, and others. Providers and facilities are precluded from posting those because of nondisclosure agreements in insurance contracts. Someone may set a lower rack rate to get more business, but their contracted rate is actually higher. Gas is gas, a ride from the airport is a ride from the airport. The quality of health care is not being compared. It is important for patients to understand what Medicaid pays and what commercial insurance companies pay. It's not relevant to use rack rates to make that comparison.

DR. GLASS said that in the future something legislatively perhaps should be done so that nondisclosure agreements will not be in contracts, so that contracted rates can be posted. A lot of these tools already exist online. Washington requires insurance companies to provide look up tools so that patients with CPT codes can look up in network costs with certain providers. In his office they do their best to provide that information, but they are not privy to up-to-date information about deductibles and coinsurances which may affect the good faith estimate. He and the providers he has spoken to strongly support the good faith estimate. Some say everyone does this, but they don't. They need to have the right information. Posting rack rates is misleading in many ways. The right information comes from insurance companies. It is important to force people to provide good faith estimates.

[2:58:24 PM](#)

DENISE DANIELLO, Executive Director, Alaska Commission on Aging, supported HB 123. She said seniors are the biggest consumers of health care. Seniors want to know how much a medical procedure is going to cost because a lot of them live on fixed incomes. She said ACA is very happy about many things in the committee substitute, especially the good faith estimate. The requirements had nothing about Medicare rates. More than 82,600 Alaskans are on Medicare. That includes some younger adults. She suggested adding Medicare price information in the good faith information, but not the price disclosure. Perhaps other benefits like VA benefits should also be included.

SENATOR BEGICH asked Representative Spohnholz for clarification about the ambiguity about emergencies and good faith estimates.

REPRESENTATIVE SPOHNHOLZ said the bill states that "'nonemergency health care service' means a health care service other than a health care service that is immediately necessary to prevent the death or serious impairment of the health of the patient." She said she struggled about how to appropriately find a way to carve out care once someone shows up at the hospital. They were clear that the bill does not require good faith estimates for people who show up at the emergency room. Conceptually, they agreed that most of the care in the hospital is typically for inpatient care. That is mostly lifesaving care and for the most part would be excluded from the requirement for a good faith estimate. She said she would be open to a better way to address that.

[3:02:47 PM](#)

SENATOR MICCICHE opined that the definition on page 7 is satisfactory.

REPRESENTATIVE SPOHNHOLZ said simplicity in design was one of the key principles for the bill.

SENATOR VON IMHOF asked Representative Spohnholz for her response to Dr. Glass's thoughts about rack rate vs insurance rates.

REPRESENTATIVE SPOHNHOLZ said they had a lot of discussion during the interim about how to land on the range of prices because they received lots of pushback from providers about the undiscounted rate, which was the only rate required in the original bill. There is some validity to that. It is not a concrete price someone is going to pay. They found that with insurers there is not one price. Aetna, for example, may have 25 prices for any one service. The list gets very large quickly if all those prices are compiled. More data is sometimes not more information. She is interested in adding more transparency about health care insurance prices. That may be another bill at another time. It's another area of law, it's complex and requires due diligence. Her observation has been that various actors in the health care market all have ways of pointing fingers at other actors in the market for being responsible for lack of health care price transparency. Everyone has to be part of the solution. This bill looks at providers and facilities. Another bill to look at health care insurance is probably a good idea.

[3:06:38 PM](#)

CHAIR WILSON closed public testimony on HB 123.

REPRESENTATIVE SPOHNHOLZ said they tried to approach a complex problem using simplicity as a core value. In pursuing transparency, she encountered lots of obfuscation about price transparency. Multiple websites dedicated to health care price transparency do not make the solution clearer. That is an illustration of the level of complexity. Health insurance has served as an intermediary between providers and those who get care for a long time. The level of complexity has grown since Blue Cross was the first insurer 100 years ago. Everyone has seen huge billing offices and long billing codes. She would urge everyone to not get too distracted about the noise about price transparency. They can tackle bite-size pieces to make progress. If they make the perfect the enemy of the good they will never

solve this sticky, intractable problem that is outrageous health care costs in Alaska.

CHAIR WILSON held HB 123 in committee.

3:08:45 PM

There being no further business to come before the committee, Chair Wilson adjourned the Senate Health and Social Services Standing Committee at 3:08 p.m.