

## Health and Human Services

To: Chairman Jim Morrison and the Honorable Members of the House Health and Human Services Committee

Subject: HB 3011: The Kansas Health Care Price Transparency Act

### **Introduction:**

My name is Scott Day and I am here today to express my support for HB 3011, the Kansas Health Care Price Transparency Act. I am a co-owner of Day Insurance Solutions, LLC, a health insurance agency in Ozawkie, Kansas.

I am here today because I am concerned about the current status of our health care delivery system and the negative effects that medical inflation has on our citizens and their ability to acquire affordable health care and affordable health insurance. This bill, HB 3011, has the potential to assist 100% of Kansas citizens.

### **Purpose:**

The purpose of this bill is to introduce a method for controlling the staggering growth of health care costs and escalating health insurance premiums.

*“Health Care Price Transparency”* is a concept that is high on President Bush’s Reform Agenda to make health care in America more affordable, portable, transparent, and efficient. Bills have been introduced in both houses of Congress: S. 1827 in the Senate; and H.R. 3139 in the House of Representatives. Similar legislation has been passed in California, Florida, Maine, Minnesota, Texas, and Wisconsin. Currently, the state of Ohio has a bill introduced in this session.

Most of this legislation is being driven by the rapid growth and usage of Health Savings Accounts (HSA). HSAs are high deductible health plans that allow the insured to make tax sheltered contributions into a savings account to pay for services prior to the meeting of their deductible. Owners of HSAs are asking for information about the cost of medical procedures as they plan for these expenses, as paid from their HSA. Knowledgeable consumers communicate more with their physicians and they ask questions about their treatment, about affordable alternatives that may be available, about generic medications versus brand name drugs, etc. This is a healthy communication between physician and patient that will result in more cost effective treatments.

By introducing the concept of *“Health Care Price Transparency”* to the medical profession, we allow economic competition to assist in lowering the cost of medical procedures.

## **Benefits of HB 3011:**

**Consistent price information for our citizens.** In our current system, there are a variety of prices that you may be billed depending on your situation: **a) the uninsured** – there are no price constraints on this group. You can be billed any amount the provider wants for its services. Usually, most providers will discount their services, but they are not required to; **b) the insured, IN network patient** – medical providers accept the negotiated rate from the insurance company or Preferred Provider Organization (PPO) network as paid in full; **c) the insured, OUT of network patient** – medical providers have no price constraints on this group. Insurance companies pay a lower percentage of the cost and the patient is balance billed for everything insurance did not pay; and **d) the CASH paying patient** – most medical providers will accept a lower rate for services if you have the ability to make a lump sum payment. All recipients of health care services will benefit from consistent pricing practices.

**Lower utilization of services.** Our current system of health care dramatically hides the true cost of medical procedures from our citizenry. Low deductibles, low office visit co-pays, and low prescription drug co-pays hide these costs to the consumer. Since consumers only worry about their actual costs, they don't CARE how much it costs, as long as insurance pays for it. This concept has fostered and encouraged the over utilization of the health care system. Higher utilization equals higher insurance premiums.

The low deductible, low co-pay plans are disappearing fast. Employers are moving towards higher deductibles, higher co-pays, lesser benefits, and towards HSA qualified plans. Employees are becoming cost conscience on their health benefits. Higher utilization will decline to necessary utilization.

**Competition for services lowers health care costs.** Health care is one of the rare industries in the United States where economic market forces are not a factor in regulating price control. In our current system, hospitals compete with each other to offer the most advanced (and most expensive) technologies. This technology costs money, so hospital systems encourage the use of these technologies. Insurance pays for most of the cost, so everybody is happy. But, high utilization of costly technologies is a major cause of medical inflation.

As consumers compare the cost of these technologies and inquire about affordable alternatives, competition and less demand will begin to lower the cost for these services. We have already seen a steady growth of outpatient surgery centers, outpatient MRI centers, and urgent care centers which offer lesser known, but more affordable services. Even Wal-mart and Hy-Vee have announced plans to offer low cost clinics in their stores.

Competition lowers costs!

**Decline in our reliance upon insurance companies to negotiate & regulate medical provider's costs.** Our current system developed as Health Maintenance Organizations (HMO's), Preferred Provider Organizations (PPO's), and insurance companies negotiated medical rates with health care providers in an attempt to regulate and control costs. This has developed into a

confusing system of pricing schedules that was previously discussed. As competition lowers the cost of health care, we will not need to rely upon the insurance companies to negotiate lower rates. Nor will we worry if services are IN network or OUT of network.

### **Current Trends in Health Care:**

- There is a growing number of doctors that do not accept or process health insurance claims. They can charge rates as they determine, they do not have to wait on insurance payments, they can discount more for cash payments, and they have less billing.
- More insurance companies are switching from Usual, Customary, & Reasonable reimbursement procedures for OUT of network payments to Medicare Reimbursement Rates. The insurance companies will be paying even less for OUT of network procedures. It is becoming CRITICAL for patients to make sure that ALL service providers are contracted with that network.

### **Recent Client Experiences:**

- A client in the Topeka area became concerned about increasing pain that he was experiencing. After consultation with his physician, surgery was scheduled. The surgery could not be scheduled until one month later. As our client was in obvious pain, I recommended he get a second opinion and to check with the other hospital system in town. He was able to schedule the surgery in ten days, he personally saved \$1000 off of the procedure, and he did not have to endure unnecessary pain. Fortunately, both hospitals and doctors were IN network. That is not always the case in Topeka.
- Some of our insurance companies offer free laboratory services if the Lab One system is utilized. Lab One provides a label to put on client's medical records to assure the patient receives these benefits. We counsel our clients to ask for these services. A client in SW Kansas kept receiving a bill from her local hospital for laboratory charges. She had specifically remembered to ask for the Lab One service. Finally, she had to go to the hospital to contest the charges. Upon pulling her records, they saw the Lab One label. With much chagrin, the hospital reversed the charges.
- In the Kansas City metro area, we refer our clients in need of maternity delivery services to Shawnee Mission Medical Center (SMMC). SMMC provides very generous discounts to patients that will be paying cash or schedule pre-payment for these services. All you have to do is call and they will fax you their maternity rates.

### **Conclusion:**

It is obvious to everyone that our health care system has serious flaws in its delivery and pricing practices. Health insurance premiums have become so high that our citizens choose to go without health insurance. We do not need to revamp the entire system; we cannot afford the astronomical cost and poor quality of a national government health care system. We need to embrace the American heritage of a free market economy system and allow economic competition to curb our medical inflation.