



March 14, 2022

LEGISLATIVE TESTIMONY

Senate Bill 41

Health Insurance Info.; Incentive Program

Senate Labor & Commerce
Senator Costello, Chair
Senator Revak, Vice Chair
Senator Micciche, Member
Senator Stevens, Member
Senator Gray-Jackson, Member

Chair Costello & Members of Senate Labor & Commerce,

Price transparency is an essential component of markets that work. But health care is not most markets. Its pricing system is extremely complicated. One primary reason for this complexity is the presence of third-party payers for routine care. In most market transactions, payment is made from the person or entity receiving the good or service to the entity providing the good or service. In those instances, consumers typically shop around for the best product/service at the best price.

But some form of health insurance (either private or government-provided) has become the middleman in nearly all health care transactions today. Since patients only receive services but most do not directly pay for services (instead paying for insurance premiums, co-pays or deductibles), they have much less incentive to shop for the best service at the best price. In fact, most Americans don't shop for health care services in our current environment.

So while transparent pricing for health care services is important, this alone will not have a significant effect on the market as long as third-party payers are involved. We have evidence of this from transparency initiatives which have occurred in other states.

[Our 2020 report](#) found that Alaskan health care expenditures per capita have grown significantly faster than the national average over the past 30 years, and are now higher than



every other state. In order to bring down these exorbitantly high health care costs, Alaska must create a competitive marketplace. To truly make a difference in our third-party-payer health care system, **three key elements** must be included.

First is that for patients to be able to make true price comparisons, **they must know what their own insurance plan pays for the service**. California implemented a Payers' Bill of Rights years ago which required disclosure of chargemaster rates, but later studies found "little to no observable effect" on pricing. Listing the undiscounted price or even an out-of-pocket estimate is not sufficient to give consumers the information they need to make a wise choice.

The second, and most important, element is an **incentive**. If only their insurance company stands to gain from a patient choosing a lower cost provider, most will not do the extra footwork to shop around. However, if they personally get a cut of the savings, patient engagement with transparency tools has been shown to increase eleven-fold. So some kind of "shared savings" program is a vital component of any transparency initiative. Some have expressed concern that such an incentive program would push patients to always choose the lowest cost provider and thus affect quality and outcomes. That mindset surely presumes that Alaskans are not smart enough to balance costs with quality, or make their own health care decisions in direct consultation with providers.

The final required element is **loosening restrictive "in network" requirements**. If patients are only encouraged or incentivized to shop around within the network, then network providers may keep costs higher, knowing that they have a captive audience. Patients should be allowed to use lower-priced services outside the network if they so choose.

Lastly, I'd like to make a few specific policy recommendations related to today's discussion.

- A provision should be included for discounted cash prices to also be disclosed by providers/facilities.
- Language should be added to establish that insurers cannot deny referrals to in-network providers from out-of-network providers if the patient went there for a lower cost.
- All of the federal rules enacted in the last five years related to price transparency (within 26, 29, & 45 CFRs) should be codified into this bill.

Thank you for the opportunity to testify.

Bethany Marcum
CEO

