Approved: 3-24-2006
Date

MINUTES OF THE HOUSE HEALTH AND HUMAN SERVICES COMMITTEE

The meeting was called to order by Chairman Jim Morrison at 1:30 P.M. on March 21, 2006, in Room 526-S of the Capitol.

All members were present.

Committee staff present:
Melissa Calderwood, Kansas Legislative Research Department
Mary Galligan, Kansas Legislative Research Department
Renae Jefferies, Revisor of Statutes' Office
Gary Deeter, Committee Secretary

Conferees appearing before the committee:
Representative Kenny Wilk
Scott Day, Day Insurance Solutions, Ozawkie, Kansas
Beverly Gossage, HSA Specialist, Co-Director, Health Division of Olympic Financial Marketing
Chip Wheelen, Executive Director, Kansas Association of Osteopathic Medicine
Chad Austin, Vice President, Government Relations, Kansas Hospital Association

Others attending:
See attached list (not available on electronic copy).

The minutes for 3-15 and 3-20, 2006, were approved.

The Chair invited members to consider **SB 528.**

Following a member's comments about the bill creating a duplication of services and employing discriminatory language, a motion was made to table the bill. The motion passed 9-7.

The Chair opened the hearing on **HB 3011.**

Scott Day, Day Insurance Solutions, Ozawkie, Kansas, testified as a proponent for the bill. (Attachment 1) He said spiraling health costs need to be addressed, commenting that the bill goes beyond HSAs (Health Savings Accounts) to introduce transparency to medical pricing and to bring competition to the medical field. He gave examples of various prices for the same medical procedure, the difficulty of obtaining consistent charges for a given procedure, and the fact that different insurance companies negotiate different rates for a procedure. He noted a new trend introduced by HSAs, the cash-paying patient, who often can negotiate a lower cost for a service. He commented on the closed system of some medical practices, which control ancillary services and therefore pricing for laboratory work and other evaluation procedures. He noted that some insurance companies are using Medicare rates as the basis for

their payments, forcing the consumer to remain within a preferred provider network.

Beverly Gossage, HSA Specialist and Co-Director, Health Division of Olympic Financial Marketing, spoke in support of the bill. (Attachment 2) She said the bill will unleash consumer/market-driven pricing and create competition; she commented that presently costs are not clearly designated, citing a prescription drug which varied in price from $18 to over $100 in the Kansas City area. She mentioned a California law similar to the bill, noting that it erred in giving retail prices, not net prices, further commenting that a common medical coding system would help consumers make valid comparisons in pricing. She stated that HSAs had helped lower premiums up to 40% for health insurance and had enabled consumers to more accurately evaluate health-care costs.

The following provided written testimony in support of the bill: Ira Stamm, Clinical Psychologist, American Board of Professional Psychology, (Attachment 3) and Wayne Nelson, National President, Communicating for Agriculture and the Self-Employed. (Attachment 4)

Chip Wheelen, Executive Director, Kansas Association of Osteopathic Medicine, spoke in opposition to the bill. (Attachment 5) He stated that the bill will not serve the consumer well because most family physicians offer a diverse and complex range of services, the prices of which vary widely depending upon the needs of the patient. He said collecting pricing information and providing a website for the information can be done without statutory imposition.

Representative Kenny Wilk testified as a proponent. He said the increased use of HSA accounts has accelerated the need for information about medical pricing practices, and he called the bill an important step in helping consumers make knowledgeable decisions in relation to medical services. Acknowledging the complexity of medical coding, he encouraged interested parties to collaborate in creating a pricing index. Responding to a question, Representative Wilk said that providing information about patient outcomes was not a part of the bill, but perhaps should be. To another question, he noted that the newly created Kansas Health Policy Authority had expressed interest in the concepts of the bill and the topic might be considered by an interim committee.

Chad Austin, Vice President, Government Relations, Kansas Hospital Association, testified as an opponent. (Attachment 6) He said that, although the KHA is opposed to the bill, it recognizes the need for consumers to have pricing transparency. He noted that medical coding is too diverse and complex to be listed on a website, but that the Center for Medicare and Medicaid Services (CMS) provides helpful information. Further, he said KHA is working with a task force which is considering hospital pricing policies, noting that data transparency is also of interest to the Kansas Health Policy Authority.

Cynthia Smith, Advocacy Counsel, Sisters of Charity of Leavenworth Health System, provided written testimony as an opponent to the bill. (Attachment 7)

Conferees responded to members' questions. Mr. Day replied that he wanted to see less dependence upon health insurance networks and more dissemination of information about medical services pricing. He acknowledged that health insurance companies would oppose this type of legislation, since it would limit

a company's ability to negotiate its own rates. He agreed that the bill does not address quality assessment of medical services, only pricing. Ms. Gossage said legislation in Wisconsin mandated creation of a website to provide pricing information regarding medical procedures.

A fiscal note was provided for members. (Attachment 8)

The Chair closed the hearing on **HB 3011**.

Representative Hill referenced the sub-committee report on **HB 2820** (now **SB 217**). (Attachment 9) He said the initiative for tracking prescription drugs started with **HB 2397**, which was adapted to create **HB 2820,** which had a hearing on March 1. After meeting with all the stakeholders, Representative Hill said the agreements were rolled into **SB 217**. He stated that provisions of the bill had been divided so that the complexities of the distribution documentation mechanism ("pedigree") could be studied further. Thus the bill requires the Kansas Board of Pharmacy to develop licensure requirements for drug wholesalers, to study and recommend to the legislature an effective pedigree system, and to address the use of technology for effective tracking of drugs through the delivery system.

A motion was made, seconded and passed to adopt the sub-committee report.

A motion was made and seconded to recommend **SB 217** as amended as favorable for passage.

Members discussed the changes in the bill, noting that in spite of the complexities of the subject, the bill itself was straightforward. The motion passed.

Representative Mast reported on the work of the sub-committee on **HB 2852** and **HB 2853.** She said the sub-committee deleted the words *expungement* and *juvenile records* from the bill and recommended using rules and regulations to work out other details of the bill. However, she said the sub-committee agreed that introducing the bill at the next legislative session was the best plan.

A motion was made and seconded to remove **SB 528** from the table and reconsider it. The motion passed 10-8.

A motion was made and seconded to recommend **SB 528** as favorable for passage.

A motion was made and seconded to amend the bill to stipulate that all information being collected remain absolutely confidential and not subject to subpoena or discovery. Discussion centered on the amendment's accord with HIPAA (Health Insurance Portability and Accountability Act) and the importance of gathering data while protecting the identify of individuals. The motion failed 10-11.

A motion to amend was made and seconded to strike the lines referring to disability status (page one, lines 36-39). The amendment passed, 11-7.

A motion was made and seconded to pass the bill favorably as amended. During further discussion, other

references to disability were identified. A motion to amend was made and seconded to strike the language on page 3, sub-section 3 beginning on line 19 through the remainder of the sub-section. Discussion centered on why or how a baby's abnormalities could be identified at birth. The motion failed, 9-11.

A motion was made and seconded to strike references to the disability of the mother (page 3, line 19), deleting the words "and any disability of the mother" and deleting the disability definition in lines 22-24. The motion to amend passed, 11-7.

The motion to recommend the bill for passage as amended passed 12-7. Representatives Flaharty, Garcia and Storm were recorded as voting no.

The meeting was adjourned at 3:28 p.m. No further meeting was scheduled.

HOUSE HEALTH AND HUMAN SERVICES COMMITTEE
GUEST LIST

DATE: MARCH 21 2006

NAME	REPRESENTING
Michelle Peterson	Capitol Strategies
Teresa Day	Day Insurance
Scott Day	Day Insurance Solutions
Greg Crawford	KDHE
[illegible]	KFL
[illegible]	[illegible]
[illegible]	GBBA
[illegible]	Saint Lukes Health System
Cynthia Smith	SCL Health System
[illegible]	SKIL
Phyllis Gilmore	BSRB
Josh Dubbert	KHA
Chad Austin	KHA
Derek Hein	Hein Law Firm
CHRIS SHEPARD	DAMRON & ASSOCIATES
BARBARA Hakenmark	LEAWOOD KANSAS - KCA
Chip Wheelen	Ass'n of Osteopathic Med.
Jamie Epstein	Rep Storm
Beverly Gossage	Olympic Financial Mktng

HOUSE HEALTH AND HUMAN SERVICES COMMITTEE
GUEST LIST

DATE: page 2 3-21-06

NAME	REPRESENTING
LaRhea DeVaughn Pate	
Mike Hack	Hein Law Firm
Debra Billingsley	Board of Pharmacy
Sky Wentland	KNASW
Tanya DORF	KACIL

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.

Attachment 1
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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.

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 Beverly Gossage and I am here today to express my support for HB 3011, the Kansas Health Care Price Transparency Act. I am an HSA/HRA Specialist and Co-Director of the Health Division of Olympic Financial Marketing, a health insurance agency licensed in 35 states with a home office in Overland Park.

I am here today because I am concerned about how escalating health care costs have affected Kansans. Medical Provider Price Transparency will help lower health care rates for everyone; especially those with HSA qualified plans. Over 90% of the insurance policies, both group and individual written by Olympic agents have been Consumer Driven Health Care plans. These clients pay for their first dollar benefits and want to find the best price for a service. They also recognize that once they meet the deductible, the insurance company will pick up the tab. Higher prices for health care are ultimately passed on to all consumers in the form of higher premiums. These purchasers of HSAs want to be wise consumers by shopping the price of certain procedures. They can only do this if the prices are available. This bill, HB 3011, has the capacity to assist all Kansas citizens by helping them be aware of the true cost of health care.

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.

How will Transparency in Health Pricing help with the Rising Cost of Health Care?

Last week in D.C., I met with *Roy Ramthun, Special Assistant to the President for Economic Policy*. We discussed current and pending legislation to address the increasing burden of health spending on the U.S. economy. Two of the initiatives that were mentioned were to promote more tax breaks for HSAs and to require Health Care Price Transparency. Bills have been introduced in both houses of Congress to require price transparency. Similar legislation has been passed in six states and pending in others, including Ohio.

This legislation is being driven largely due to the rising popularity of Health Savings Accounts (HSA). 3.2 million Americans now have an HSA and the Department of the Treasury has estimated that with the President's initiatives this number will increase to 21 million by 2010. HSAs are high deductible health plans that lower premiums and allow the insured to make tax free contributions into a savings account to pay for services prior to reaching the deductible. Since owners of HSAs no longer pay copays, they becoming wise consumers and are asking for information about the true cost of medical procedures as they plan for expenses.

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As reported on kaisernetwork.org, The House Energy and Commerce Subcommittee on Health on Wednesday of last week held a hearing on the potential effects of increased price transparency for health care providers. Joe Barton, the committee chair said, "Instead of a marketplace, we have a system that prevents patients from seeing how much their health care services actually cost. The health care system hides prices and it blurs quality."

Newt Gingrich, founder of the Center for Health Transformation, stated, "Health care is the only area of America's economy where the consumer and the provider have no idea what the goods and services they trade cost."

Rep. Mike Burgess wrote in the Washington Times on 3/16, "A more transparent pricing system would help give providers and patients more control over their health care dollar. Patients with portable health care dollars that can be paid at point of service are extremely attractive to most health care providers who normally have to wait for an insurance company to reimburse them." He adds "the opportunity to plug into a fully transparent system would transform the American health care system in a radical manner, improving care for all Americans, rich and poor."

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.

Websites such as www.cashdoctor.com and www.healthygrades.com are beginning to list health care providers' prices.

The President's office reported on Friday that in the next few months the administration intends to post online the prices that Medicare pays for common medical procedures as part of a larger initiative to disclose price and quality data. According to the *Washington Post*, in the next few months the government also will post online rates negotiated by the Defense Department and the Federal Employees Health Benefits Program.

Knowledgeable consumers, like HSA owners, communicate more with their physicians and they ask questions.

Conclusion:

We need to require the health care providers in Kansas to provide health care costs, both the retail price and the discount price as negotiated by the preferred provider networks.
We support HB 3011.

Testimony on HB 3011 to the Kansas House Health and Human Services Committee
March 21, 2006

Dear Representative Morrison and Members of the House Health and Human Services Committee:

President George W. Bush has endorsed transparency in health care financing as one way to empower the consumer to make wise decisions in purchasing health care. HB 3011 as it is currently written takes a good first step in the disclosure process but does not go far enough.

A doctor or hospital's retail prices for services bears little resemblance to the marketplace transactions that take place every day in healthcare. A few patients pay the retail price out-of-pocket, but for most consumers the retail price bears little relation to the actual price paid for their health care. Retail prices are for most consumers a work of fiction.

The **insurance company's allowable fee** for a given service is the key figure driving health care purchases. The insurance company's *allowable fee* is the benchmark figure in healthcare comparable to the benchmark figure of the cost of a barrel of crude oil in energy markets.

For consumers to make informed choices based on the transparency of health care prices, the consumer needs to know the *allowable fee* his or her insurance company pays the doctor or hospital for a given service. It would be relatively simple for each doctor or hospital to disclose these fees to patients – as follows:

In the waiting room and posted on a web-site – would be a notebook which would contain the following information in spreadsheet format.

The doctor or hospital's retail rate for each service provided
The Medicare *allowable fee* for that same service
The Medicaid *allowable fee* for that same service
The Champus/Tricare *allowable fee* for that same service
The Federal government *allowable fee* for its employees
The *allowable fee* for that service from each commercial insurance carrier – i.e.
Commercial carrier A
Commercial carrier B
Commercial carrier C
Commercial carriers D-Z

Consumers would be able to compare the fees allowed by different commercial insurers and the federal government. They would become aware of discrepancies in different plans – including Medicare Part B Plans. They would become aware of common practices in health care – Plan A pays the doctor twice as much as Plan B for the same service. This might help them to understand why the doctor may spend more time with a patient from Plan A

Attachment 3
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than a patient from Plan B – or why their doctor and hospital does not accept the insurance from Plan E.

As an example, a psychologist treating a depressed patient in Kansas with an hour of psychotherapy may charge $125 for that hour. Some insurance companies will allow that full fee of $125; other insurance companies will allow $119, $106, $85, $70, or $65. Medicare Part B allows $97 but only reimburses mental health providers at 50% of the allowable fee. The consumer will be able to learn the relationship between what the doctor and hospital charge, what the insurance company pays, and the services the patient receives.

To summarize, making available to the consumer and patient both the retail prices charged by doctors and hospitals and the *allowable fees* offered by insurance companies will empower the consumer and enable the consumer to make wise choices in the purchase of their health care.

Thank you.

Ira Stamm, Ph.D., ABPP
Board Certified in Clinical Psychology
American Board of Professional Psychology

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Statement of Wayne Nelson, President
Communicating for Agriculture and the Self-Employed

Submitted to the Kansas House of Representatives
Health and Human Services Committee

In support of H.B. 3011, the Kansas Health Care Price Transparency Act

Tuesday, March 21, 2006

Chairman Morrison, members of the committee, I would like to submit a statement on behalf of the members of our organization in Kansas, in support of H.B. 3011, the Kansas Health Care Price Transparency Act.

My name is Wayne Nelson. I serve as national president of Communicating for Agriculture and the Self-Employed (CA). CA is a national, non-profit rural organization made up of farmers, ranchers and rural small business members across the country. Throughout CA's 33-year history, we have always been an active and strong advocate on behalf of our members for more affordable health care, access to health insurance, and for improved rural health care quality.

We strongly urge the Kansas Legislature to take the same step other legislatures are taking across the country to require that hospitals, clinics and health care providers develop lists of standardized pricing for common health care procedures -- and make them readily available to the public. Transparency in health care pricing is crucial task that must be done to provide more effective accountability for health care costs for consumers, employers, tax payers and the government.

The promise of the new wave of "consumer-directed" health care -- which relies on the use of high deductible health insurance plans and a greater role for consumer oversight of their health care spending – is dependent upon consumers being able to shop and compare when spending their own out-of-pocket dollars.

For too long, hospital and medical bills have been a mystery for patients to understand – and a shocking mystery at that, because of their size. We understand that there are many operational costs that are part of a particular medical procedure. But that is no reason for keeping average

Attachment 4
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charges hidden or unobtainable by the public when people need to make decisions about their health care.

Recent news reports and studies from other states illustrate the wide range of charges hospitals and providers bill for procedures.

- A recent Wall Street Journal story (Dec. 27, 2004, "California Hospitals Open Books, showing huge price differences") documented how a study had found a wide variance in prices charged. It cited an example of the generic version of Tylenol billed at $5, $5.50, $7, and $9 for just one pill at different California hospitals, but just 12 cents at one Los Angeles hospital and free at others. A standard, front and side view chest X-ray was priced at $125 at San Francisco General hospital, but cost twice that at another Bay area hospital that is part of a nonprofit chain; while two hours away in Sacramento another hospital charged over $400, and yet another charged $790.
- A Las Vegas Review Journal story (May 15, 2005, "Expensive Place to get Sick: Hospital stays cost most here") documented how data compiled by state health care agencies and Select Quality Care from Medicare found that an open heart surgery involving a heart valve replacement carried a list price of $88,273 at Cleveland Clinic, which is recognized as the top heart care center in the world. However, at five Nevada hospitals, the same procedure's charges ranged from $156,953 up to $233,259. Yet at the renowned Mayo Clinic in nearby Phoenix, Ariz. The same operation cost $79,601.

While these are examples from other states than Kansas, more research continually finds there is a wide variance among hospital charges everywhere. It makes sense that state policymakers take action to require health care providers to develop standardized charges and make them widely available for payers. And those standard procedures and charges need to be made as easy as possible for the general public to understand.

Wisconsin, California, and Minnesota are among states where legislatures have moved to make this requirement. In Wisconsin, the price comparisons were first made available through the state Bureau of Health Information. Since then, the Wisconsin Hospital Association has taken over responsibility for the program, and launched a website. It can be found at www.wipricepoint.org. The program provides price comparisons for about 470 different kinds of hospital stays. There is also a link to another site with some quality and safety comparisons of some hospitals.

We believe Kansas needs to join other states that are taking action to require more transparency in health care charges. Doing so will enable consumers to make more informed decisions about which providers to use. It may also help bring the levels of cost-shifting going on behind the scenes more out in the open, and bring more discipline to the marketplace.

Methods for health care cost comparisons should be developed with the input and expertise of the health care providers organizations, as well as independent academic experts, insurance industry payers, and government public health program payers – to develop a workable system and apples-to-apples comparisons as much as is possible.

These standard pricing systems are being done elsewhere, and it makes sense for Kansas to get started as well. Health care consumers in Kansas will benefit.

We urge you to approve H.B. 3011.

Thank you.

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Kansas Association of Osteopathic Medicine
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Testimony in Opposition to House Bill 3011
to the
House Health and Human Services Committee
By Charles L. (Chip) Wheelen
March 28, 2006

Thank you for this opportunity to express our reservations about the provisions of HB3011. We believe this bill would accomplish very little in the public interest, and instead would create an unreasonable burden for physicians, as well as questionable expenditure of health care resources.

Because most of our members are family physicians, they provide a diverse range of primary medical care services to their patients. A single "list for public disclosure of the health care provider's charges for certain and common health or medical care services" (lines 15-16, HB3011) would necessarily be rather lengthy. If the family physician would publish a complete list of all services he or she may provide to their patients of all ages, the publication would be the equivalent of a short book. Because of the subtle distinctions among the numerous codes contained in the International Classification of Diseases, the listing of ICD codes and corresponding charges would be confusing and useless to most consumers. The cost of printing such a list or booklet would be an added cost to the health care delivery system.

Medical practices are generally willing to provide information about the cost of a normal office visit. But that's not what most patients are interested in. Instead, they want to know whether the physician participates in their health plan. The patient knows that the health plan has already negotiated a specific payment rate for office visits and other services, and if the physician is a participating provider, the physician has agreed to accept the insurer's schedule of fees for services. There will be no additional cost to either the insurer or the patient, regardless of deductibles or co-payment requirements.

Obviously the uninsured patient, or the patient who has a high-deductible health plan, is more concerned about the cost of services. If they know in advance what their diagnosis is, and the appropriate medical care for that diagnosis, they can simply ask for the information regarding charges. Most medical practices employ staff who can respond to such inquiries. This allows the cost-conscious consumer of health care to make comparisons among health care providers.

Furthermore, if a consumer believes he or she has been overcharged for services provided by a physician, he or she has a method of recourse available to them. One of the many definitions of unprofessional conduct under the Healing Arts Act is, "Charging an excessive fee for services rendered." Another definition of unprofessional conduct is, "Performing unnecessary tests, examinations or services which have no legitimate medical purpose." In other words, consumers may file a complaint in the event of excessive or inappropriate charges for physician services.

Perhaps a more effective method of informing the public would be the posting and maintenance of a website that reports the usual and customary charge for each category of medical service within a region of the country. This would allow consumers to identify the service or procedure relevant to them and then compare the usual and customary rate with the amount charged by their physician or other health care provider. Of course there would be a cost for a subscription to the source of information as well as for website design and maintenance. And of course there would have to be a way of providing the information to consumers who do not have access to the internet.

Thank you for considering our testimony. We respectfully request that you recommend HB3011 not be passed.

Attachment 5
HHS 3-21-06

KANSAS HOSPITAL ASSOCIATION

TO: House Health and Human Services Committee

FROM: Chad Austin
Vice President, Government Relations

SUBJECT: House Bill 3011

DATE: March 21, 2006

The Kansas Hospital Association appreciates the opportunity to testify on House Bill 3011. The area of health care data transparency in general, and hospital pricing specifically, has been an issue of policy discussion and development for our membership over the past year. Throughout those discussions our members have been unanimous in their belief that as we move towards a more consumer driven health care marketplace that transparency of all health care data will be the key component for consumers, employers and policy makers.

Last year this Legislature began the first steps towards accomplishing this goal by creating the Health Policy Authority (HPA). In their report to the Joint Committee on Health Policy Oversight on March 1 of this year, Dr. Marci Nielson, chair of the HPA, presented their vision of a data management plan to drive health policy development. To quote from her presentation:

> *The Board will develop a "Data Consortium" composed of private and public sector stakeholders which will make health care policy recommendations to the Health Policy Authority in three specific areas (1) Health Care Quality, (2) Health Care Pricing, and (3) Public Health/Consumer Information. The goal of the Data Consortium will be to collect, analyze and disseminate health care information that will improve decision-making in the allocation and financing of health care and public health and of initiatives in other organizations and agencies, such as KDHE's www.healthykansas.com wellness toolkit.*
>
> *The board intends to embrace a comprehensive health care data collection system with a "one-stop-shop" for all health care data, pricing, and quality information which will be available to consumers.*

Attachment 6
HHS 3-21-06

We believe this is the best approach to accomplishing truly consumer-driven health care. House Bill 3011 is well intended, and absent the creation of the Health Policy Authority, may be worthy of consideration. However, we believe strongly that incremental approaches to health care data transparency would only serve to derail the more comprehensive approach being proposed by the Health Policy Authority.

The Kansas Hospital Association urges the committee to allow the Health Policy Authority to fulfill the goals that this Legislature originally created for them to accomplish. Therefore, we request this Committee to oppose House Bill 3011. Thank you for consideration of our comments.

Sisters of Charity of Leavenworth Health System

House Committee on Health and Human Services

Testimony in opposition to H.B. 3011
Price Transparency
March 21, 2006

The Sisters of Charity of Leavenworth Health System dates to 1864 with the founding of Saint John Hospital in Leavenworth, Kansas. The health services corporation was formed in 1972. The Health System is headquartered in Lenexa, and operates three hospitals in Kansas – Saint John Hospital, St Francis Health Center in Topeka, and Providence Medical Center in Kansas City, Kansas. We also have six other acute care hospitals in California, Colorado, and Montana, and a total of four safety net clinics that serve the uninsured. SCL Health System has approximately 2,000 staffed beds supported by 11,000 full-time equivalent employees.

We appreciate the opportunity to share with you our thoughts about HB 3011 and price transparency.

As you may know, price transparency is receiving a lot of attention nationally. Hearings were held just last week by the Health Subcommittee of the U.S. House Energy & Commerce Committee. Apparently there was no consensus on whether the availability of price information would do anything to control rising health care costs (individuals will get a better price when they are part of a group; pharmaceuticals are a large element of rising costs) or solve the growing problem of the uninsured.

Yet we are not ignoring the issue. SCL Health System has established an internal Transparency Task Force which has developed a work plan to determine where we are regarding transparency, where we need to be, and how to get there. Our state and national associations, including the Catholic Health Association and the American Hospital Association, are also helping their members determine how to best meet the needs of patients for information about pricing, as well as information about charity care policies, quality and outcomes.

As transparency issues are being tackled by hospitals and health systems, we believe a state mandate on how to get it done is not only unnecessary, but not the best approach. We are certain we can do a better job voluntarily, in a manner that allows some flexibility in how to get information to patients today and in the future. We know many in Congress agree. Even the White House is saying they hope we can do it voluntarily rather than have to push legislation in Congress. It is our intent to satisfy policymakers and patients alike.

We urge the committee to forego action on HB 3011.

Respectfully submitted,

Cynthia Smith, JD
Advocacy Counsel
Sisters of Charity of Leavenworth Health System

Attachment 7
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March 21, 2006

The Honorable Jim Morrison, Chairperson
House Committee on Health and Human Services
Statehouse, Room 143-N
Topeka, Kansas 66612

Dear Representative Morrison:

SUBJECT: Fiscal Note for HB 3011 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 3011 is respectfully submitted to your committee.

HB 3011 would require health care providers to prepare and maintain one list for public disclosure of charges for certain common health or medical care services. The bill would prohibit discrimination in prices based on insurance coverage. The bill would require the list to be available to consumers upon request.

HB 3011 would require the five state hospitals to maintain a public schedule of all ancillary and normal daily rates and charges. The Department of Social and Rehabilitation Services states that passage of this bill would have little or no fiscal effect on the hospitals. The rates charged at the hospitals are already public and available. A small supply of rate schedules for distribution could be printed within the current resources of each institution.

Sincerely,

Duane A. Goossen

Duane A. Goossen
Director of the Budget

cc: Cathy Brown, Board of Healing Arts
Aaron Dunkel, Health & Environment
Dan Roehler, Health Planning & Finance/Health Policy Authority
Jackie Aubert, SRS
John Campbell, Insurance Department

Attachment 8
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March 16, 2006

Report of the House Health and Human Services Subcommittee on HB 2820

The Subcommittee, chaired by Rep. Don Hill with members Rep. Willa DeCastro and Rep. Tom Holland, met twice with representatives and staff of the Board of Pharmacy and representatives of various parts of the prescription drug industry. After a thorough discussion of the various policy issues presented in 2006 HB 2820 and in 2005 HB 2397, the Subcommittee makes the following recommendations:

- Introduction of a substitute bill to replace the contents of SB 217 (the substance of which was enacted by the 2005 Legislature) with requirements for licensing of wholesale distributors, as that term is defined in HB 2820.

- Inclusion in the substitute bill of a requirement that the State Board of Pharmacy undertake a study that will result in a report and recommendations to the 2007 Legislature. The scope of the study would be such that the Board would be able to present to the Legislature a plan, including a recommendation for necessary legislation, for implementing a prescription drug distribution documentation mechanism (commonly referred to as a pedigree system). The plan would have to address both policy and practical aspects of implementing, monitoring and regulating participants in the state's prescription drug distribution system. The plan also would have to address, to the extent possible, the use of technology to ensure effective and efficient implementation of the plan for the Board and for its licensees.

The Subcommittee would like to recognize the effort of all participants in its deliberations. Representatives and members of the Board of Pharmacy, representatives of various tiers of the prescription drug manufacturing, distribution and retailing system and many other interested persons contributed to the fruitful discussion enabling the Subcommittee to reach its conclusions and make this recommendation. The Subcommittee looks forward to an equally productive outcome of the Board's efforts over the next few months and to receipt of the Board's report next January.

Resectively Submitted,

Representative Don Hill, Subcommittee Chairman
Representative Willa DeCastro
Representative Tom Holland

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Attachment 9
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