



Testimony

SB 1137

Testimony Before the Texas Senate Committee on Health & Human Services

by David Balat, Director, Right on Healthcare

Chairwoman Kolkhorst and Members of the Committee:

My name is David Balat. I am the director of the Right on Healthcare initiative at the Texas Public Policy Foundation and have worked in the healthcare industry as a hospital executive and CEO for nearly 20 years. Thank you for giving me the opportunity to testify in support of SB 1137.

It is next to impossible for a patient to walk into a hospital and see a list of prices for the services it offers. Yet, according to a national survey from May 2020, nearly 9 out of 10 people believe all prices in healthcare should be disclosed. The responses also showed that patients would feel more comfortable getting the care they may need if they knew the prices in advance. Knowing the negotiated rates can mean a difference of hundreds, if not thousands, of dollars that could remain in Americans' pockets.

Lack of price transparency has contributed to rising healthcare costs in the United States and making health insurance almost worthless, especially when consumers are enrolled in high-deductible plans. Most Americans have health insurance, but it offers limited financial protection. According to a 2019 Kaiser Family Foundation survey, the average family with employer-sponsored coverage pays premiums of more than \$20,000, and families enrolled in high-deductible plans through their employers have a deductible of about \$4,800.

Importantly, increasing transparency could benefit consumers in many ways. Price transparency will lead to better informed consumers and patients. As people become more knowledgeable shoppers, higher-price facilities will begin to lower prices to avoid losing customers. This happened in California last decade when the state adopted a reference pricing model for state employees. The result: a 9 to 14 percentage point increase in the use of low-price facilities and a 17% to 21% reduction in prices.

Employers can also use increased price transparency to hold accountable the middlemen—insurers and third-party administrators (TPAs)—whom they have hired to negotiate with providers on their behalf. Commercial rates are often far above hospitals' marginal costs for providing services. According to economist Larry Van Horn, cash prices average nearly 40% below negotiated insurance rates.

It is increasingly clear that insurers lack the same incentives as employers and consumers to obtain the lowest possible cost for quality care. Insurers and TPAs often receive payments that are a function of total spending, which creates an incentive for them to prefer higher spending. With transparency, employers can monitor the effectiveness of insurers by comparing different payment rates for providers across insurers and across regions. Transparent prices will help employers eliminate counterproductive middlemen and contract with other entities to develop new benefit designs that will incentivize employees to utilize lower-cost providers, including those outside of their local region.

SB 1137 builds upon an executive order that allows businesses and patients to see the real prices that are inherent to the benefits that they purchase. This bill builds upon the existing order by establishing this requirement as a condition of licensure for the hospital facilities. The *de minimis* penalty that currently exists has resulted in an abysmal compliance rate throughout the nation and sadly in our own state of Texas.

Thank you for your strong consideration of this bill, and I am happy to take any questions you may have.

ABOUT THE AUTHOR



David Balat is the director of the Right on Healthcare initiative at the Texas Public Policy Foundation. He has broad experience across the healthcare spectrum with expertise in healthcare finance. He is a former congressional candidate in Texas' 2nd Congressional District and a seasoned hospital executive with more than 20 years of healthcare industry leadership and executive management experience.

About Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 nonprofit, nonpartisan research institute. The Foundation promotes and defends liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

