

HB 2457, to establish a health care cost transparency board

By Roger Stark, MD, FACS

March 2020

Key Findings:

1. The ever-increasing cost of health care remains a serious problem within our medical delivery system.
2. HB 2457 would add a complex layer of bureaucracy to Washington state health care without a meaningful impact on costs.
3. HB 2457 does not address the underlying problem that a disinterested third-party, either government or employers, pays for the majority of health care in the United States.
4. The bill's fiscal note projects that the board would cost over \$600,000 per year.
5. Instead of creating another top-down state agency, a policy of transparent price competition combined with true patient choice would create effective incentives for providers to control costs and lower prices.

Introduction

The political right and left agree that the overwhelming problem with the United States health care delivery system is the ever-rising cost. All Americans, except those enrolled in the subsidized Medicaid entitlement program, have seen their health care expenses go up.

States are considering multiple actions to identify cost drivers in health care and then working to reduce those costs.¹ At this point, most of these activities entail centralized data collection, although price controls seem to be gaining popularity.

This Legislative Memo examines a bill that would collect private information on health care costs in Washington state and report that information back to the governor and the legislature.

Text of HB 2457

HB 2457 would establish a “health care transparency board.”² The board would determine overall spending on health care in the state and would establish a “health care cost growth benchmark.” It would collect medical data from both public and private sources. The board would collect information on providers, provider systems, payers, and individual patients. It would identify providers that exceed board-determined benchmarks. These providers would be identified as spending “too much” on treating patients.

The board would be composed of 13 members representing various government agencies, businesses, labor, consumers, health care economists, but no providers. The board must set up a separate 12-member advisory committee that would actually collect health care spending and cost data. The advisory committee would be made up of providers and insurers.

¹“The State of State Legislation Addressing Health Care Costs and Quality,” by R. Murray, J.S. King, S.F. Delbanco, and M. Lehan, Health Affairs, August 22, 2019, at <https://www.healthaffairs.org/doi/10.1377/hblog20190820.483741/full/>.

² “HB 2457, establishing the health care transparency board,” Washington state legislature, introduced January 14, 2020, at <https://app.leg.wa.gov/billssummary?BillNumber=2457&Year=2019&Initiative=false>.

The board would pay for itself by soliciting funds from the federal government and “private” sources. The fiscal note projects a cost of over \$600,000 per year. The board must report to the governor and the Legislature by August 1, 2021 and annually thereafter.

Policy analysis

HB 2457 would add yet one more layer of government bureaucracy to our health care system and would not address the underlying problem that drives ever-increasing costs. Over 80 percent of health care in the U.S. is paid for by a third party, either the government through Medicare, Medicaid, and Obamacare or by employers. If patients, as consumers of medical care, are isolated from the costs, there is virtually no incentive to advocate for competition to hold costs down.

Similarly, providers have no reason to control costs when serving patients, because they know that a third party will pay the bill no matter how inflated.

Compounding this third party payment model is the fact that patients do not have access to real price comparisons. In turn, providers have no incentive to compete on prices. Although the board would establish price benchmarks, which would essentially be imposed government price controls, the real solution is for providers to voluntarily post their prices so patients can make informed decisions on costs as well as quality of care.

Unless private funding can be found, the cost of the board to federal taxpayers would be over \$600,000 per year. Washington state taxpayers are federal taxpayers and consequently would ultimately be responsible for funding the board.

Conclusion

Forming a 13-member board, plus a 12-member advisory committee, would simply add another layer of bureaucracy to a health care system that is already overly cumbersome and overly complex. The bill would create yet another state agency which would collect private medical information, second-guess the practice of medicine by setting arbitrary benchmarks, and then target doctors whom the board members think are spending “too much” on treating patients.

Everyone who uses health care knows that prices continue to increase. HB 2457 would allow elected officials to claim they are doing something about ever-increasing health care costs. The reality is that passing HB 2457 would simply add more pointless oversight while having virtually no impact on solving the problem.

Dr. Roger Stark is the health care policy analyst at Washington Policy Center and a retired physician. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.

*Published by
Washington Policy Center
© 2020*

Visit washingtonpolicy.org