



TESTIMONY

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HOUSE BILL 1837: HOSPITAL PRICE TRANSPARENCY

By Elias Tsapelas

Testimony before the Missouri House
General Laws Committee

TO THE HONORABLE MEMBERS OF THIS COMMITTEE

Thank you for the opportunity to provide testimony today. My name is Elias Tsapelas, and I am the Director of State Budget and Fiscal Policy at the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that advances sensible, well-researched, free-market solutions for state policy. The ideas presented here are my own and summarize research surrounding the topic of hospital price transparency.

BACKGROUND

Missouri families are still struggling with our country's recent bout of inflation, but they have been grappling with rising health care costs even longer. Over the past decade, the price of hospital services nationally has skyrocketed by more than 45%.¹

To make matters worse, patients often don't know the price of a procedure before they receive the bill.

Studies have found wide variation in prices paid for health care procedures across regions, among hospitals, and most alarmingly, within the same hospital based on the type of insurance (or lack thereof) a patient has.² In Missouri, as recently as 2021, data showed that prices of a pelvic CT scan within the same hospital can vary by a factor of 20 depending on a patient's insurance, with prices ranging from under \$200 to multiple thousands of dollars, as shown in the Figure below.

Consumer choice is fundamental tenet to a functioning free market. But without the ability to "comparison shop," patients are making important financial decisions in the dark, which leads to worse outcomes both medically and financially.

ADVANCING LIBERTY WITH RESPONSIBILITY
BY PROMOTING MARKET SOLUTIONS
FOR MISSOURI PUBLIC POLICY

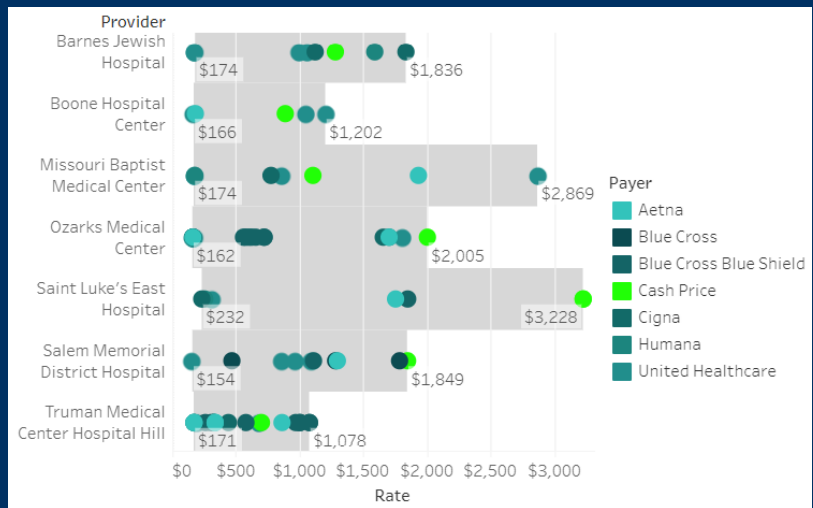
FEDERAL ACTION

In June 2019, the Trump administration issued an executive order requiring hospital price transparency. Since January 2021, hospitals have been required to provide not only list prices but also negotiated charges for 300 shoppable services. Hospitals must make this information available both in machine-readable and consumer-friendly formats. However, recent estimates suggest that only 36% of hospitals are fully compliant.³

Numerous studies have been conducted in recent years that try to determine why compliance has been so spotty. One likely reason is the federal government's lax approach to enforcement. Despite such a high rate of noncompliance, as of a few months ago only four hospitals nationally have been fined by the Centers for Medicare and Medicaid Services.⁴

Price Variation for a Pelvic CT Scan Among Select Missouri Hospitals.

Prices for the same procedure—even in the same hospital—can vary by thousands of dollars depending the type (if any) of insurance the patient has.



Source: *Turquoise Health*

WHAT MISSOURI CAN DO

Missouri need not passively wait for action by the federal government. Other states like Texas and Colorado have already taken steps to reinforce the federal price transparency efforts. By barring noncompliant providers from collecting debt on services that were provided to patients without informing them of the price beforehand, states like Missouri can expect rapid and significant improvement to compliance rates. And there's reason to believe that prices will fall as a result. When New Hampshire rolled out its health care pricing website, patients saved 5% in out-of-pocket costs, and insurers saved 4% (which ultimately benefitted patients through lower premiums).⁵

CONCLUSION

Price transparency will not fix everything that's wrong with America's dysfunctional health care system. But making it easier for patients to see what they'll have to pay before the bill arrives would represent a big step forward. In 2021, there was optimism that no further action would be needed once health care providers began complying with the new federal requirements, but three years later, it's clear that states will need to step in to make hospital price transparency a reality. Until patients can be informed consumers of the care they purchase, no one should expect to keep health care costs under control.

NOTES

1. Consumer Price Index for All Urban Consumers: Hospital and Related Services in U.S. City Average. <https://fred.stlouisfed.org/series/CUUR0000SEMD>.
2. Government Accountability Office. “Actions Needed to Improve Cost and Quality Information for Customers,” 2014, GAO Report 15-11.
3. “Hospital Price Transparency Compliance Report,” Patient Rights Advocate.org.
4. “Hospital Price Transparency Enforcement Updates,” <https://www.cms.gov/newsroom/fact-sheets/hospital-price-transparency-enforcement-updates>.
5. Brown, Zach Y. “Equilibrium Effects of Health Care Price Information,” 2019, The Review of Economics and Statistics, Vol. 101(4).



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