

FINAL BILL REPORT

2SHB 2457

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Synopsis as Enacted

Brief Description: Establishing the health care cost transparency board.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Cody, Kloba, Robinson, Schmick, Tharinger, Macri, Pollet and Wylie).

House Committee on Health Care & Wellness
House Committee on Appropriations
Senate Committee on Health & Long Term Care
Senate Committee on Ways & Means

Background:

Washington collects information about the cost of health care through several different sources, such as the Statewide All-Payer Health Care Claims Database (APCD), hospital financial reports, insurance rate filings, and prescription drug reports.

The APCD is administered by the Health Care Authority (Authority) with the stated goal of improving transparency to assist in informed decision making, improve health care provider performance, identify value, and promote competition based on quality and cost. The APCD requires health carriers, third-party administrators, and public health care programs to submit health care claims data regarding billed, allowed, and paid amounts. Data in the APCD are available to requesters and the reports are made public on topics that promote awareness and transparency in the health care market.

Hospitals must submit financial data to the Department of Health. Each hospital must report data elements identifying its revenues, expenses, contractual allowances, charity care, bad debt, other income, and total units of inpatient and outpatient care. In addition, certain hospitals must report compensation information regarding specific employees.

Health carriers must annually file all rates and forms with the Office of the Insurance Commissioner. The information must include an estimate of incurred claims; an estimate of prudently incurred expenses; provisions for contribution to surplus, contingency charges, or risk charges; an estimate of forecasted investment earnings on assets; adjustment of the base rate; and actuarial certification.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Certain information must be reported to the Authority about the cost of prescription drugs. Health carriers must annually report information such as the 25 most frequently prescribed prescription drugs, the 25 costliest prescription drugs and the plan's total spending on them, and the 25 prescription drugs with the largest annual increase in wholesale acquisition cost. Pharmacy benefit managers must provide information about discounts and rebates received by manufacturers for each drug on their formularies and the total dollar amount of discounts and rebates retained by them. The Authority publishes an annual report on the overall impact of prescription drug costs on health insurance premiums.

Summary:

The Health Care Cost Transparency Board (Transparency Board) is established for the purpose of calculating and analyzing information and trends related to health care costs in Washington. The Transparency Board's activities relate to annually calculating total health care expenditures. "Total health care expenditures" is defined as all health care expenditures in the state by private and public sources, including payments on health care providers' claims, other payments to health care providers, cost-sharing paid by residents, and the net cost of private health coverage. The Transparency Board must also annually calculate health care cost growth. The term "health care cost growth" means the annual percentage change in total health care expenditures in Washington. The calculation must be performed statewide, by geographic area, for each health care provider or provider system, for each payer, by market segment, per capita, and for other categories recommended by advisory committees. In addition, the Transparency Board must annually establish the health care cost growth benchmark for increases in total health expenditures. The "health care cost growth benchmark" is the target percentage for health care cost growth. The Transparency Board must identify health care providers and payers that exceed the health care cost growth benchmark. Beginning in 2023, the Transparency Board must analyze the impacts of cost drivers to health care and incorporate the analysis into determining the annual total health care expenditures and establishing the annual health care cost growth benchmark. The cost drivers may include labor, capital costs, supply costs, uncompensated care, administrative and compliance costs, taxes, availability of post-acute care and housing, and regional differences in input prices.

The Transparency Board consists of the following 13 members:

- the Insurance Commissioner, or the Commissioner's designee;
- the Administrator of the Health Care Authority (Authority), or the Administrator's designee;
- the Director of Labor Industries, or the Director's designee;
- the Chief Executive Officer (CEO) of the Health Benefit Exchange, or the CEO's designee;
- a representative of local governments that purchase health care for their employees;
- two members representing consumers;
- a representative of Taft-Hartley health benefit plans;
- two representatives of large employers, at least one of which is a self-funded group health plan;
- a representative of small businesses;
- an actuary or an expert in health care economics;
- an expert in health care financing; and

- a nonvoting member who has operational experience in health care delivery and serve on the advisory committee of health care providers and carriers.

The Governor must appoint the members of the Transparency Board and designate its chair. Each of the two largest caucuses from each chamber of the Legislature must submit to the Governor five nominees for the eight voting members who are not from the executive branch or the Health Benefit Exchange. The Governor must appoint at least one nominee from each caucus. Members may not have a financial conflict of interest in the Transparency Board's decisions.

The Transparency Board must establish an advisory committee on data issues and an advisory committee of health care providers and carriers. The Transparency Board may choose to establish other advisory committees. The members of both advisory committees must be appointed by the Transparency Board. The advisory committee on data issues must consist of persons with expertise in health data collection and reporting, health care claims data analysis, health care economic analysis, and actuarial analysis. The members of the advisory committee of health care providers and carriers must include:

- a representative of hospitals and hospital systems, selected from a list of three nominees submitted by the Washington State Hospital Association;
- a representative of federally qualified health centers, selected from a list of three nominees submitted by the Washington Association of Community Health;
- a representative of ambulatory surgical facilities, selected from a list of three nominees submitted by the Ambulatory Surgical Center Association;
- a physician, selected from a list of three nominees submitted by the Washington State Medical Association;
- a primary care physician, selected from a list of three nominees submitted by the Washington Academy of Family Physicians;
- a representative of behavioral health providers, selected from a list of three nominees submitted by the Washington Council for Behavioral Health;
- a representative of pharmacists and pharmacies, selected from a list of three nominees submitted by the Washington State Pharmacy Association;
- a representative of advanced registered nurse practitioners (ARNPs), selected from a list of three nominees submitted by ARNPs United of Washington State;
- a representative of tribal health providers, selected from a list of three nominees submitted by the American Indian Health Commission;
- a representative of a health maintenance organization, selected from a list of three nominees submitted by the Association of Washington Healthcare Plans;
- a representative of a managed care organization that contracts with the Authority to serve medical assistance enrollees, selected from a list of three nominees submitted by the Association of Washington Healthcare Plans;
- a representative of a health care service contractor, selected from a list of three nominees submitted by the Association of Washington Healthcare Plans; and
- three members, at least one of whom represents a disability insurer, selected from a list of three nominees submitted by America's Health Insurance Plans.

The Authority is responsible for establishing the Transparency Board, but may contract with a private nonprofit entity to administer and support it. The contracted entity may not have a financial interest that could create a conflict of interest or potential bias. The Authority or the

contracted entity must solicit federal and private funds to support the Transparency Board's work.

The Transparency Board must submit a preliminary report to the Governor and the Legislature by August 1, 2021. The preliminary report must address the progress toward establishing the Transparency Board and advisory committees, as well as the total health care expenditures, health care cost growth, and the health care cost growth benchmark. The preliminary report must discuss any obstacles related to conducting the Transparency Board's work, including deficiencies in data. The Transparency Board must begin submitting annual reports to the Governor and the Legislature by August 1, 2022. Annual reports may include recommendations related to the Transparency Board's work, including recommendations for lowering health care costs and establishing a rating system of health care providers and payers.

Votes on Final Passage:

House	75	23	
Senate	32	17	(Senate amended)
House	67	29	(House concurred)

Effective: June 11, 2020