SENATE BILL REPORT
2SHB 2457

As of February 24, 2020

Title: An act relating to the establishment of a board for the evaluation and containment of health care expenditures.

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).

Brief History: Passed House: 2/17/20, 75-23.
Committee Activity: Health & Long Term Care: 2/24/20.

Brief Summary of Bill

- Establishes the Health Care Cost Transparency Board to annually calculate the total health care expenditures in Washington and establish a health care cost growth benchmark.

SENATE COMMITTEE ON HEALTH & LONG TERM CARE

Staff: Evan Klein (786-7483)

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.

Statewide All-Payer Health Care Claims Database. 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.

Hospital Reporting. 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.

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.

Health Carrier Reporting. 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 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.

Prescription Drug Transparency. In 2019, legislation was enacted to require the reporting of certain information to the Health Care Authority (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 of Bill: The Health Care Cost Transparency Board (Board) is established for the purpose of calculating and analyzing information and trends related to health care costs in Washington. The Board's activities relate to annually calculating 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 Board must also annually calculate health care cost growth, 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. The Board must annually establish the health care cost growth benchmark for increases in total health expenditures. The Board must identify health care providers and payers that exceed the health care cost growth benchmark.

The Board consists of the following 13 members:

- the insurance commissioner, or their designee;
- the administrator of the Authority, or their designee;
- the secretary of Labor Industries, or their 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; and
- an expert in health care financing.

The Governor must appoint the members of the Board and designate its chair. Each of the two largest caucuses from each chamber of the Legislature must submit one nominee for the eight members who are not from the executive branch or the Health Benefit Exchange. The

Governor must appoint the members from the nominees submitted and must choose at least one nominee from each caucus. Members may not have a financial conflict of interest in the Board's decisions.

The Board must establish an advisory committee on data issues and an advisory committee of health care providers and carriers. The Board may choose to establish other advisory committees. The members of both advisory committees must be appointed by the 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 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 Board. The Authority may contract with a private nonprofit entity to administer the Board and provide support. 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 Board's work, unless the private funds could create a potential conflict of interest.

The Board must submit an initial report to the Governor and the Legislature by August 1, 2021. The preliminary report must address the progress toward establishing the 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 Board's work, including deficiencies in data. The Board

must begin submitting annual reports to the Governor and the Legislature by August 1, 2022. Annual reports may include recommendations, including recommendations for lowering health care costs and establishing a rating system of health care providers and payers.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is not a new idea. Massachusetts and Oregon have passed similar legislation that sets up similar boards. The idea is to measure all health care expenditure, and out-of-pocket costs if possible, to determine what sectors of the market are growing and whether that growth is justified. This will also allow Washington to compare itself against other states that are studying this. The long term goal is to bring down the cost of private sector health insurance. The private sector subsidizes Medicaid, but we do not know how much the private sector is subsidizing Medicaid. More individuals need to be represented on the advisory committees. There are plenty of examples of unnecessary tests and expenses that increase costs for health insurance.

OTHER: There are other administrative and compliance costs, Medicare survey requirements, taxes, issues with capacity, and regional differences that drive costs in the system. These cost drivers should be evaluated as part of this Board's work to ensure the Board is reviewing the full picture. The Ambulatory Surgery Facilities (ASFs) do not need a spot on the Board, but there is a hope they can have a spot on the advisory committee. Hospitals are on that advisory committee, but not ASFs.

Persons Testifying: PRO: Representative Eileen Cody, Prime Sponsor; Lonnie Johns-Brown, Office of the Insurance Commissioner; Cindi Laws, Health Care for All Washington.

OTHER: Lisa Thatcher, Washington State Hospital Association; Jim Hedrick, Proliance Surgeons.

Persons Signed In To Testify But Not Testifying: No one.