Testimony In Support of SF 431, The Patient's Right to Save Act

Ladies and Gentlemen of the Committee,

My name is Jonathan Wolfson and I'm the Chief Legal Officer and Policy Director for Cicero Action, a nonprofit that advocates for entrepreneurial solutions to public policy problems across the country.

Making Healthcare Price Transparency Work for Patients and Providers

American families face high and rising costs for healthcare, especially in the individual and small group insurance markets. Insurance premiums continue to rise, with the average family facing a nearly $24,000 premium in 2023. Premiums have risen 47% in the past decade, leaving small businesses struggling to continue offering their employees health insurance. One major driver of these high costs is that patients lack both the tools and incentives to find lower-cost healthcare options. SF 431, the Patient's Right to Save Act, can lower the cost of healthcare and insurance premiums by rewarding patients who shop for better priced care.

Imagine how health care looks different when SF 431 becomes law. The next time an insured constituent needs a diagnostic colonoscopy they could jump on an app in the doctor's office and find a $250 cash-based option down the street. That's way less than even the $800 lowest priced insurance option, not to mention how much less than the nearly $2,500 average. Our team at Cicero found these real numbers in our research which shows that patients are forced to waste hundreds or thousands of dollars out-of-pocket each year because insurers discourage cash pay. SF 431 ends this discrimination and gives patients deductible credit when they use a less expensive option. For sick patients the situation is even worse as they will quickly exceed their deductibles due to high prices and their high medical needs.

For these sick patients under SF 431 the app will not only find a cash option, but make an appointment and file their paperwork with the insurance company. The app might even front the patient money to pay for any out-of-pocket costs. The app's developer only makes money when it saves the patient money. For those suffering from Crohn's disease, needing dialysis, or other chronic conditions SF 431 will be a major upgrade from the status.

For decades the promise that price transparency can restore the healthcare marketplace have seemed illusory since most price transparency in healthcare has not yet delivered on its vision to help patients make better choices with their healthcare dollars. The reason is that traditional insurance does not encourage patients to shop for the best and most affordable care. As the real-life example I just mentioned shows,

insurance instead encourages patients to go to an "in-network" doctor and pay whatever price the insurer has already negotiated - even if that price is many multiples of the cash price. As a result, most patients simply go to the doctor, hope their insurance will cover most of the costs, and pray that they can afford their portion of the final bill.

And if higher spending was correlated with better health, this might not matter. But nearly every study finds little difference in quality of care when prices go up, some studies even show that the highest costs are for the lowest quality services.

Unfortunately, as healthcare spending goes up, annual premiums do too. This makes health insurance more expensive not only for the highest spending individuals, but also for every one of their coworkers who are in the same risk pool. And as prices rise, businesses have less money to spend on employee raises, driving down real wage growth in the process.

The Patient's Right to Save Act makes price transparency work for patients by not only ensuring easier access to prices, but also rewarding patients who use that information to save on healthcare costs. The Act has 3 key components:

1. Require cash rate disclosure from all providers
    - These prices should be posted in electronic format on the provider's website and insurers must also publish their lowest negotiated rates. This builds off federal rules that require cash disclosure of prices.
2. Provide deductible credit for cash rate care at lower cost than through the insurer
    - Patients are spending their own money on deductibles and shouldn't be punished for saving money by paying cash for necessary care.
3. Incentivize shopping by letting patients share cost savings with insurer for cash rate care post-deductible
    - Reward patients who take time to shop and save the insurance company money with half the money they save the insurer. Third party apps can help patients find better deal with the highest quality care.

Those three steps will bring the individual and small group healthcare market in Iowa a little closer to the functioning marketplace we see in so many other parts of our economy.

Who benefits:

- Doctors save time and money by not having to fight with insurance companies, reducing administrative burden and cost. Plus, they get paid immediately—improving cash flow.
- Patients have access to more doctors at competitive prices. All patients can save their own deductible money because cash prices are often more than 30% lower than insurer rates.

- Patients with chronic illnesses and high annual costs can save money for their insurers and reap their own financial rewards.
- Employers in the small group market will face smaller annual premium increases.
- Patients in the individual insurance market will pay less for insurance.
- Health insurance companies will save money.

The Patient's Right to Save Act is the next big step in healthcare price transparency that reduces wasteful spending. Patients in the individual and small group markets need not only lower monthly insurance premiums, but also a reward for shopping for the best priced care. Iowa has the opportunity to lead in this important area.

Thank you all for your time. I am happy to answer any questions you might have.