

# Brief

## Written Testimony to the House Committee on Insurance Regarding Senate Bill 1738

### *Price Transparency: Giving Control to Health Care Consumers*

**By Mary Katherine Stout**

The Texas Public Policy Foundation strongly supports giving Texans greater control over their health care decisions. Senate Bill 1738 aims to bring greater price transparency to health care services, an important first step in strengthening the health care market, creating better consumers, and putting Texans back in the driver's seat with their health care.

One of the biggest problems facing the health care system today is the emphasis on third party payment, which insulates the individual from the price of health care services and from important and personal health care decisions. All too often, prices for health care services are not readily available, making it difficult for consumers to act wisely, make informed decisions, or predict their out-of-pocket costs. Accordingly, ensuring that health care prices are transparent encourages consumers to make more informed decisions, with greater sensitivity to price.

Increasing sensitivity to price makes consumers more sensitive to quality. When consumers are sensitive to price and quality, competition will occur and strengthen the market. In fact, laser eye surgery supports this idea in the world of health care:

Laser eye surgery is popular, yet rarely covered by health insurance. Since the patient is paying the bill themselves, they are naturally more sensitive to price and shop around to get the best deal for the surgery. Prices are transparent and often advertised up front. This has created a great deal

of competition in the market and high patient satisfaction, driving quality and technology up and driving price down. In fact, the average price for laser eye surgery in 1998 was around \$2,200 per eye, while today it has dropped to often as low as \$500 per eye. Ultimately, the case of laser eye surgery illustrates how well the market works by increasing quality and decreasing cost.

In addition, pricing information is desperately needed in health care, where price can vary widely from patient to patient and provider to provider. Predictability is critically important, particularly for the uninsured who are often most vulnerable to price without the benefit of insurance coverage or insurance-negotiated prices. Furthermore, with the rise in consumer directed care, this information will become all the more important as patients need and want information on price. Even the insured would be better able to gauge their cost with greater transparency in pricing.

The state plays an important role in ensuring that market conditions encourage robust competition for all products and services. Health care is no different than any other product or service, and the state has a vital interest in ensuring that the market can operate efficiently and effectively. Texans evaluate price and quality in every day purchases, and making pricing information readily available in health care will help create better, more informed consumers with greater ownership in the most important and personal health care decisions.