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Dear Members of the House Health Finance and Policy:

My name is Peter Nelson and I am a Senior Policy Fellow at Center of the American Experiment. Thank you for the opportunity to provide comments on HF 293, HF 294, and HF 926. Each of these bills take important steps to increase price transparency across the state's health care system.

Hidden pricing is a key contributor to the high and rising cost of health care in America. Keeping prices hidden substantially lessens the competitive pressure to keep prices down. Health plans, hospitals, and drug manufacturers all profit from this status quo at the expense of patients and taxpayers. In every other industry, transparent pricing supports efficient and competitive markets that tend to deliver better products and services at lower prices. The same can be true in health care. Therefore, Center of the American Experiment strongly supports federal and state efforts to increase price transparency in health care. This includes general support for the three bills being heard in this committee.

From late 2017 to early 2021 I worked as a Senior Adviser to the Administrator at the Centers for Medicare & Medicaid services. In that role I helped manage the administration's regulatory agenda related to health insurance. Part of that work involved leading the Transparency in Coverage rulemaking which requires all health plans to publicly post their negotiated rates, including prescription drug pricing. During that time CMS also implemented a hospital price transparency rule which took effect on January 1, 2021.

Since coming back to Minnesota, I've paid close attention to the implementation of these two rules. Unfortunately, both rules have run into challenges. Despite the hospital rule being in effect for over two years, many Minnesota hospitals still don't fully comply. One review released last August found only 10 percent of the 40 Minnesota hospitals it reviewed were in full compliance. Those that do comply often take advantage of loopholes to avoid being fully transparent. In addition to issues with hospital compliance, drug manufacturers and pharmaceutical benefit managers have also been successful at delaying drug pricing disclosure under the health plan rule.

The three bills before you take strong steps to strengthen and add to these federal rules. HF 293 would empower the state to enforce the federal hospital rule and expand the requirements to medical and dental practices. Hospitals have been doing their best to report data in different

formats to make it harder to aggregate and compare the data. This bill would require them to standardize the data format to make it easier for patients to compare. The vision for these pricing disclosures is to spur the development of price comparison tools. This bill would require the state make such a tool available to the public.

HF 294 focuses on making drug prices more transparent. The bill would require manufacturers to report the wholesale acquisition cost (WAC) for drugs, which is commonly referred to as the list price. These prices are available from private companies that collect this information from manufacturers, but are often not available to prescribers and patients when making decisions in a clinic or hospital. While this price does not reflect what a patient actually pays, it provides what CMS calls an “anchor price” to help guide decisions. To further aid decision making at the point of care, HF 294 would also require health plans and pharmacy benefit managers (PBMs) to use a real-time benefit tool (RTBT). This would make cost information visible at the point of prescribing. HF294 would also require health plans to include their formularies in their annual rate filings. This information would be helpful to ensure people and employers have full, upfront information on a health plan’s formulary when they are shopping for a health plan.

HF293 and HF294 would also restrict drug manufacturers and health plans from making certain mid-year changes to drug prices and formularies. There is an understandable interest in ensuring that health insurance enrollees get what they pay for when they sign up for an annual insurance contract. However, we do have reservations on limiting current industry practices that would restrict their ability to make mid-year changes to control costs for the health plan.

Finally, HF 926 would add new requirements on health plans and third-party administrator to report information on value-based payment arrangements to the state’s all payer claims database. The bill allows the Department of Health to continue using of the database to analyze variations in health care system that would otherwise expire at the end of this year. With access to new data on value-based and alternative payment arrangements, the bill also then required the Commissioner of Health to provide the legislature with a report on transparency of health care payments, including recommendations on how to gather better data to support certain health care priorities.

These bills work to increase price transparency across three different areas of the health care system. HF 293 targets hospitals and other medical clinics; HF 294 target prescription drug pricing; and HF 926 targets health plans’ value-based purchasing arrangements. Together these bills will greatly expand the pricing information available to patients and provide valuable information to consumers as they shop for health plans.

Sincerely,

/Peter Nelson/

Senior Policy Fellow
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