

WRITTEN TESTIMONY OF HONORABLE STEVE KAGEN, M.D., WI

THE HOUSE COMMITTEE ON ENERGY & COMMERCE

SUBCOMMITTEE ON HEALTH

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TRANSPARENCY IN HEALTH CARE PRICING

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The Transparency In All Health Care Pricing Act of 2010 (H.R. 4700)

Thank you Chairman Pallone, Ranking Member Shimkus, Chairman Emeritus Dingell, and all Members of the Subcommittee on Health for holding today's important hearing on transparency in America's health care delivery system.

My name is Dr. Steve Kagen. I have lived in Northeast Wisconsin my entire life and, before becoming a Member of Congress, I practiced medicine in a privately owned clinic during three decades as an Allergy, Asthma and Immunology Specialist, having also served our military veterans in multiple VA hospitals.

Today, you will hear testimony from a number of expert witnesses on the importance of establishing a transparent medical marketplace to help guarantee the highest quality of care at the lowest possible prices.

In Northeast Wisconsin, we are extremely fortunate to have the highest quality care in the nation. We have a number of excellent health care entities, including Affinity, Bellin-NEWHVN, Prevea, ThedaCare and Aurora-BayCare health care systems – all working to provide integrated models of coordinated continuing care. And this morning, you will hear testimony from one of the nation's thought leaders in health care reform from my hometown of Appleton, Wisconsin, Walt Rugland, the CEO of the ThedaCare Center for Health Care Value.

As every Member of this Subcommittee already knows, health care in America is upside down. When someone with no insurance gets sick and goes to the hospital, the hospital gives them the Big Bill, but if someone else who has insurance goes to the hospital, they receive a discount.

This takes place each and every day in your congressional district and mine, primarily because there is no price transparency in our health care marketplace.

While the passage of our nation's new health security law earlier this year will help guarantee that no citizen will lose their home or go broke just because they get sick or have an accident, it did not create a transparent medical marketplace to foster competition between caregivers, pharmaceutical manufacturers and health insurers. Competition is a good thing, indeed, it is an essential element of capitalism, and when there is a level playing field, competition drives quality up and prices down.

Everyone knows that the listed prices for medical services are meaningless, for the real price is being hidden; therefore, prices our constituents pay for insurance coverage, for prescription drugs, and for hospital and doctor bills are "whatever they can get."

Take for example the recent case of Mr. Tom Taylor whose story appeared in the L.A. Times on April 24, 2010, which reads: (slide 1)

Tom Taylor learned a lesson about healthcare finances when he had both his knees replaced a couple of months apart at separate hospitals in Northern California.

The tab at the first hospital was \$95,000, but the second cost \$55,000.

The same doctor performed identical surgeries on both knees, and Taylor says he can't detect any differences between the two. □ □

"Nobody knows what it costs," said Taylor, 53, a former health insurance sales executive.

"There is a complete lack of transparency in the healthcare system." □

Here in my hand is a prescription bottle with 30 pills in it. How much does it cost? The price accepted as payment in full depends upon who is paying for it, only because prices are not being openly disclosed to the public.

There is no reason patients should be prevented from knowing the price of a pill before they buy it – and knowing what the person in line in front of them is paying for the same prescription. If all of us in this room have the same prescription, and we are standing in line at a given pharmacy, is there any good reason that we are all paying a different price? Only in health care is the price non-transparent.

Some will make the argument that average prices for medical products and services should be revealed publicly. But who among us wants to receive average care or receive the average change when we buy something?

Some will argue that showing everyone all of the prices is too complex, for there are tens of thousands of prices at any given hospital. But today's technology allows all of us to go online on the Internet and search for items to purchase and find exactly what we want to buy within milliseconds.

Some will argue that a hospital cannot know in advance what to charge you for taking out your bad gall bladder, because there may be complications, and that no two patients are exactly the same. This may be true, but if they want to do something really complicated they should go to Sub-Way and order a sandwich. There are 2 to the 23rd power combinations of choices to make in placing your order, but a foot-long sandwich costs you \$5 - no matter what you decide to put into it. If the owners of Sub-Way can figure out how to make money by "lumping" their prices, so can our nation's hospitals.

In restaurants and hospitals, lumping makes more sense than splitting.

We have made a great deal of progress together improving on what we already have in our health care system, and now it is time to finally allow consumers to see all of the real prices for health care.

When enacted, The Transparency In All Health Care Pricing Act of 2010 will guarantee that any individual or business entity offering medical products or services for sale to the public will at all times openly disclose all of their prices, including on the Internet.

Doing so will help to establish a very competitive medical marketplace, allowing families to find the essential information necessary to make their health care decisions based upon the quality, the price and the service of available caregivers within their hometown area and even across the nation.

We all believe in transparency and so does President Obama, as he said, "Transparency promotes accountability."

Without transparency in all health care pricing, there will continue to be opportunities for fraud and price manipulation – much like occurred on Wall Street. We have all experienced economic damages caused by opaque and non-transparent financial markets in the greatest economic recession of our time, and we must, therefore, prevent such occurrences from taking place in health care.

We can fix our health care system by working together.

Let's create a competitive medical marketplace, where all of the prices we pay are always openly disclosed, including on the Internet. Let's enact H.R. 4700, The Transparency in All Health Care Pricing Act of 2010.

Thank you again Mr. Chairman for holding today's hearing.

Steve Kagen, M.D.

Member of Congress

Wisconsin – District 8