COMMITTEE ON EDUCATION & THE WORKFORCE

COMMITTEE STATEMENT

**Opening Statement of Rep. Bob Good (R-VA), Chairman**
**Subcommittee on Health, Employment, Labor, and Pensions Hearing:**
**"Competition and Transparency: The Pathway Forward for a Stronger Health Care Market"**
**June 21, 2023**

(As prepared for delivery)

While everyone seems to recognize that health care costs in the United States are continuing to rise at alarming rates, it seems that no one wants to take responsibility.

The hospitals blame the health insurance companies. The health insurance companies blame the drug manufacturers. The drug manufacturers blame employers. The employers blame the Pharmacy Benefit Managers (PBMs). And on it goes.

But, the American people don't want finger-pointing. They want quality health care that they can afford.

Today, this subcommittee will dig deep into two broad policy ideas that have the potential to drive down costs, expand choice, and empower consumers.

All sectors of our health care system are plagued by market consolidation and a lack of transparency. Until these issues are addressed, patients will remain victims of a broken, exploitative health care system.

Hospitals are a prime example.

Market consolidation is a proven health care cost driver, and hospitals are consolidating at a rapid rate. From 1998 to 2021, 1,887 hospitals merged. Twenty years ago, we had around 8,000 hospitals in this country. Now, we have about 6,000.

Not only do hospitals buy each other, but they also buy the physicians' offices nearby. Physician's offices were traditionally independent practices, reserved for check-ups and screenings, but they are slowly being replaced by outpatient facilities.

Hospitals already have an advantage over other industries. Emergency medical care is a unique service. When a patient needs care, they don't have the time or ability to shop around for options.

Hospitals have a monopoly and, as a result, there is no accountability regarding billing practices once a hospital takes control. This is a major reason why employer-sponsored insurance pays two to three times what Medicare pays for hospital services.

One solution is to bring transparency and require hospitals to disclose where and what they charge. Hospitals shouldn't be rewarded with high reimbursement rates for using incorrect billing addresses. They shouldn't charge hospital fees for services occurring in doctors' offices miles away.

In some places, patients are getting x-rays from their family doctor and being slapped with higher hospital facility fees, just because the hospital is now the owner of the family doctor's practice. Location shouldn't increase the price for the same service.

For too long, medical prices have been shrouded in mystery, and patients have lived in fear of how much their medical bills will end up costing them. The Trump administration issued a rule to require hospitals to give employers and consumers accurate pricing data. Hospitals were required to file this information, but only 25 percent of hospitals fully comply.

The Trump administration issued the transparency-in-coverage rule to ensure that patients receive the pricing information they need from their plans. This rule has been very successful, but there are improvements that can be made.

First, Congress should ensure the data that insurers are submitting is highly accurate and usable. Many of the files currently submitted are too large and cannot be used

by employers and academics. We must push for standardized data, and make it usable so employers can effectively meet their fiduciary obligations.

Second, Congress must codify the transparency-in-coverage rule to ensure the administration enforces requirements that plans submit drug pricing data. Without this critical information, employers and patients will be left in the dark when it comes to navigating the complexities and costs of the drug supply chain.

Consolidation and cover-ups are not only a factor for hospital services. They are a problem for pharmaceuticals too.

Drug makers have a large role in determining drug prices, but the role of PBMs must also be addressed, due to their significant influence over what patients pay at the pharmacy counter.

Three PBMs own a massive 80 percent of the market. Additionally, the "Big Three" are all subsidiaries of Fortune 500 health care companies that also own insurers, pharmacies, and—most recently—physicians; giving them even more influence over prescription benefits.

PBMs also operate in a black box. Nobody knows the details of the rebate deals they negotiate with drug manufacturers, creating perverse incentives for PBMs to choose more expensive drugs with larger rebates. If they truly passed rebate savings to consumers—like PBMs say they do—this would be a non-issue. Without transparency, the PBM business model is ripe for abuse.

Giving consumers choice works. The Trump transparency-in-coverage rule has already helped some large employers save millions by rooting out waste in their health plan. Patients would benefit from more transparency from PBMs too.

Corruption thrives in darkness, and as a conservative, I believe that for good governance, we ought to strive for more transparency. At a minimum, you should be able to expect transparency from your elected representatives, and we in turn need to demand it from our nation's health care industry.

These types of reforms have had wide bipartisan support, and I look forward to today's discussion and charting a path forward on robust health care reforms to bring costs down for all Americans.