

HOUSE BILL REPORT

HB 2341

*As Reported By House Committee on:
Health Care*

Title: An act relating to the hospital charges to health care providers who order them.

Brief Description: Providing for disclosure of the cost of hospital health care services.

Sponsor(s): Representatives Moyer, Braddock, Paris, Franklin, Hochstatter, Morris, Forner, Cantwell, Rasmussen, Hargrove, Padden, Wang, Winsley, Brough, Van Luven, Nealey, Chandler, Roland, D. Sommers, Mitchell, Bowman, Wynne, Spanel, May, Carlson, P. Johnson and Sprenkle.

Brief History:

Reported by House Committee on:
Health Care, January 30, 1992, DPS.

**HOUSE COMMITTEE ON
HEALTH CARE**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 8 members: Representatives Braddock, Chair; Moyer, Ranking Minority Member; Casada, Assistant Ranking Minority Member; Cantwell; Edmondson; Franklin; Paris; and Sprenkle.

Staff: John Welsh (786-7133).

Background: The costs of health care are increasing at an alarming rate, threatening access to health care services for many people. Hospital costs constitute approximately 44 percent of health care expenditures nationally. New technology accounts for half the yearly cost increases. Because most new diagnostic devices are non-invasive, medical barriers to their use are removed. Some physicians and other health care providers may be unaware of the charges for the diagnostic and other services they order for their hospitalized patients.

A recent study by the New England Journal of Medicine found that physicians informed of the charges for outpatient diagnostic tests in an academic primary care medical practice ordered 17 percent fewer tests, which resulted in 15 percent lower charges for patients in scheduled visits.

Summary of Substitute Bill: There is a legislative finding that the disclosure of charges for hospital services ordered by physicians and other health providers for in-patients may make providers more aware of the cost consequences. This may result in a reduction in the utilization of hospital services and have a positive effect on containing health costs.

The chief executive officer of a hospital or psychiatric hospital, including the superintendent of a state hospital, is required to establish a procedure for disclosing the charges of hospital-based services to physicians or other health care providers who order these services for hospital patients. The charges are to be posted on the patient's chart, and totaled each day, and include an itemization of charges for the previous day. The patient may be informed of these charges by the health providers.

The state Hospital Association, in cooperation with the state Medical and Nurses Associations and other interested parties, and in consultation with the Department of Health, is invited to develop a protocol that establishes a standardized system of disclosure of charges for hospital-based services for the purposes of this law, that promotes better cost-consciousness among health providers leading to cost-benefit comparisons of appropriate alternatives, and that minimizes the costs of hospitals in instituting this information system.

The effective date of sections 1 and 2 is July 31, 1993. By December 31, 1992, the Department of Health is required to report to the Legislature on the status of the protocol and its voluntary implementation by hospitals, with recommendations for improving the law, its continued necessity and the appropriateness of its repeal.

Substitute Bill Compared to Original Bill: Changes were made that invited the Hospital Association, in cooperation with the Medical and Nurses Associations, and Department of Health, to develop a protocol that establishes a standardized system of disclosure of hospital charges. The department is to report to the Legislature by December 31, 1992 on the status of the protocol, with recommendations. The effective date of sections 1 and 2 is delayed until July 1, 1993.

Fiscal Note: Available.

Effective Date of Substitute Bill: July 1, 1993, except for sections 3 and 4 which take effect ninety days after adjournment of session in which bill is passed.

Testimony For: Many physicians may not be aware of the costs of the services, medications and supplies that they order for their hospitalized patients. If they were more informed about hospital charges, they may be inclined to be more cost-conscious and discerning about using alternatives or even order fewer tests. A recent study found such results, which is indicative of a potential for some substantial savings, up to 15 percent. This will more than offset the minimal costs of implementing an internal hospital cost information system.

Testimony Against: Hospitals presently have a billing system for hospital charges, but there is no system developed for posting charges earlier. This will cost money and inevitably increase hospital costs further. However the substitute bill will enable hospital and other health care providers to get together and develop a standardized protocol that will achieve the purposes of the bill in a more appropriate fashion and minimize the costs of implementation.

Witnesses: Representative Moyer, prime sponsor (pro); Dave Smith, Department of Health (pro); Dave Broderick, Washington State Hospital Association (pro); and Joe Legal, Sacred Heart Hospital (pro).