

Written Testimony

HB 49

Submitted by: Chris E. Deacon Esq., Former Director of State and School Health Benefits Program, State of NJ; VerSan Principal/Founder; Speaker/Author.

Good afternoon Honorable Ohio State Council Members. Thank you for the opportunity to testify today about HB49. My name is Chris Deacon, and I am the former Director of the State and School Employee Health Benefits Programs for the State of New Jersey where I ran the public sector health plan covering over 820k lives. As a former Treasury Official, Counsel to the Governor, and Deputy Attorney General in the State, I have a unique perspective on the important role hospital and healthcare transparency have for the State, its public servants, and the taxpayers in this great state.

We know that hospitals are essential to the US healthcare system and the communities they serve. Despite their vital role in our communities, the role of hospitals in our economy has shifted in increasingly destructive ways. Maximization of revenue rather than the improvement of health is absolutely the standard operating procedure, often cloaked by the claim of “no margin, no mission.”

Many of those testifying before you here today, including myself, have been tasked with managing billions of dollars in worker wages, taxpayer dollars and employer funds. The maxim, “[y]ou can’t manage what you don’t measure....[y]ou cannot fix what you will not face” holds true.

The United States spends more than other industrialized nations on health care, its outcomes lag. The evidence suggests price, and the deregulated environment in which that price is established, is the driving force behind the difference in spending between the United States and other nations. Hospital price transparency, and indeed more healthcare industry transparency is foundational to begin reversing this disturbing trend. For the first time, healthcare purchasers like the Ohio State health plan and individual healthcare consumers, will begin to see exactly (i) how that new glass atrium is being paid for (ii) why health systems adorn professional sports teams; and (iii) who is paying that multimillion-dollar executive salary.

You will likely hear from numerous hospitals here today, and the Ohio Hospital Association, who has close ties to the American Hospital Association, that it is the profit margins of carriers and insurers that deserve scrutiny, not the hospitals.

The issue, with all due respect, is that when employers and government purchasers sit across the tables from their carriers and third-party administrators, we are told that hospital prices and anticompetitive contract requirements are the cause of the price increases. So, which is

it - this is why we need to see the numbers and make an informed decision instead of guessing, relying on conjecture and pointing fingers to who behaves less bad.

The narrative that the data is too complex or disclosing prices would do consumers no good because they wouldn't be able to digest and understand the information is a transparent attempt to keep the system opaque and shrouded from the disinfectant of sunshine that is so sorely needed in this industry.

The Ohio Hospital Association and other associations, including the AHA, have taken the position that it would be duplicative and unnecessary to pass such legislation because the (i) hospitals are largely compliant; and (ii) additional regulatory burden is unwarranted and unwise given the alleged state of hospitals' financial affairs.

First, a majority of Ohio hospitals are not compliant with the federal transparency rules. As others today here have testified, partial files or anything short of fully complete is non-compliant. Examples of non-compliant hospital systems that clearly have the sophistication and financial wherewithal to comply include Atrium, several hospitals in the Cleveland Clinic System, all Mercy Health System hospitals and all University Hospital System hospitals.

Second, while the regulatory burden of hospitals and health systems is robust, given the nature of hospitals' role in the community and economy it is my opinion that such regulation does not go far enough. If disclosing the price of healthcare services is overly burdensome to hospitals, that reap billions of dollars in tax breaks and government handouts, then we are in more trouble than we care to recognize. While hospitals across the country, including those in your own backyard, are bemoaning the state of their financial affairs as compared to years past, it would be disingenuous for them to claim that compliance with the law should somehow be displaced by their alleged financial woes.

While taking on this issue is beyond the scope of this hearing, suffice it to say that many of the largest institutions and most egregious offenders when it comes to transparency, or lack thereof, continue to build, expand, acquire, invest and engage in venture investing at a record pace. Despite the red ink and a \$1.9 billion dollar investment loss in 2022, the Cleveland Clinic intends to move forward with the opening of Cleveland Clinic Mentor Hospital in July, expansion of the Cole Eye Building, and breaking ground on the construction of the Neurological Building in May of 2023.¹ According to a recent Fitch

¹ <https://my.clevelandclinic.org/-/scassets/files/org/about/financial-statements/3q-2022-interim-unaudited-fs-mda.pdf?la=en>

Ratings report, “[a]lthough recent market volatility has reversed some previous gains, [Mercy Health’s] liquidity position has grown considerably in recent years [with] unrestricted cash and investments increased to just under USD8.9 billion ...in fiscal 2021.”²

We are not asking for anything other than transparency so that we can begin to have an informed conversation about how to achieve an equitable and just healthcare system meaning is given to the mission statements of the hospitals standing before you.

² [https://www.fitchratings.com/research/us-public-finance/correction-fitch-affirms-bon-secours-mercy-health-oh-idr-rev-bonds-at-aa-cp-at-f1-14-09-2022#:~:text=Fitch%20has%20assigned%20'AA%2D',Rate%20Refunding%20Bonds%20\(Ohio\)%3B](https://www.fitchratings.com/research/us-public-finance/correction-fitch-affirms-bon-secours-mercy-health-oh-idr-rev-bonds-at-aa-cp-at-f1-14-09-2022#:~:text=Fitch%20has%20assigned%20'AA%2D',Rate%20Refunding%20Bonds%20(Ohio)%3B)