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April 20, 2018

The Honorable Ash Kalra
 California State Assembly
 State Capitol Room 5160
 Sacramento, CA 95814

SUBJECT: OPPOSE: AB 3087, THE CALIFORNIA HEALTH CARE COST, QUALITY, AND EQUITY COMMISSION

Dear Assemblymember Kalra:

I write on behalf of the East Bay Leadership Council (EBLC), in opposition to AB 3087 as amended April 9, 2018, which would reduce access to care and add a counterproductive layer of additional bureaucracy. There is no question that health care costs are rising and making it more difficult for employers and their employees to afford quality accessible care. AB 3087 would likely have the short-term result of less access to health care and a long-term result of accelerating cost increases.

Price controls ignore the underlying reason for the cost of services and products. Most economists believe price controls keep prices artificially low, suppressing supply and in turn resulting in unmet demand. In the case of health care, the lack of supply means fewer health care providers. Without an adequate supply of health care providers, consumers may pay less but not have access to the care they need.

AB 3087 also establishes an appointed commission to impose price controls on health care providers and insurers and determine the amount of an individual's copays and deductibles. While the bill contains language for a health care entity to appeal the rates, the process still leaves decisions as to what is "fair" to an appointed board, an administrative judge and judicial review. Without adequate reimbursement levels, price controls will drive providers and insurers out of the market.

Further, this bill empowers the commission to decide the level of copays, deductibles, coinsurance and any other share of cost for services. Employers are active purchasers and negotiate with health plans on prices, networks, and quality measures. The ultimate price plays a key role in other facets of a health plan such as the number of doctors offered to patients or cost-sharing. Under AB 3087 those issues are delegated to the new Commission.

Hospitals have already identified a loss of \$18 billion if AB 3087 is enacted. For some communities, this could mean their hospital will close its doors. Simply capping the rates will not make the costs in the healthcare system disappear, but instead will limit choices, access, and increase costs for employers and their employees. For these reasons, we oppose AB 3087.

Sincerely,

Kristin Connelly
 President & CEO

Cc: Honorable Jim Wood, Chair, Committee on Health, California State Assembly

April 10, 2018

The Honorable Jim Wood
Chair, Assembly Health Committee
State Capitol, Room 6005
Sacramento, CA 95814

RE: AB 3087 (Kalra) – *OPPOSE*

Dear Dr. Wood:

Kaiser Permanente opposes AB 3087, which will create a centralized, politicized government commission to set health care rates in California. The bill produces the same fundamentally disruptive effect as SB 562, without curing the underlying market instability that complicates coverage accessibility and affordability for Californians. California's health care marketplace is a shining example for other public and private payers across the country exploring payment reform and accountable care models, where high quality and positive outcomes are shared goals. We are learning important lessons about how to create health care value for consumers. Those models have shown promise and they should be encouraged and replicated, not punished with price-setting schemes. We should collectively pursue opportunities to build off this success rather than centrally planning an entirely new system.

Cost containment deserves more thoughtful discussion.

Kaiser Permanente agrees with the goal of AB 3087, to reduce health care costs in California. We strive each day to improve affordability for our members. But AB 3087 takes a radical approach that was developed without any input whatsoever from those who actually finance and deliver health care. Until real payment and delivery system reforms are addressed, these kinds of "band-aid" proposals may grab headlines but will destabilize and disrupt the state's health care market. Specifically, AB 3087 does not address the underlying cost drivers and marketplace dynamics that are driving premium increases — including prescription drug prices, unmanaged chronic conditions, misaligned financial incentives, an aging population, healthcare workforce demands, benefit mandates, new rules and regulations that drive up plan and provider administrative costs, and seismic retrofit requirements.

AB 3087 undermines Kaiser Permanente's unique integrated delivery system.

As the state's largest private employer, Kaiser Permanente's 160,000 employees and physicians collaborate in the care and coverage of 8.5 million Californians. AB 3087 would fundamentally destabilize our world-renowned model and create significant upheaval for the individuals, businesses and public employers who purchase coverage from us, as well as for our employees, vendors and contractors.

Our integrated model, made possible through a carefully nurtured, unique partnership among three entities – our medical groups, our hospitals and our health plan – would be fundamentally destabilized by the bill's rigid price-fixing system. An arbitrary, one-size-fits-all premium would cripple our ability to finance our delivery system and provide the level of care and coverage and access our members deserve and expect.

Central planning is not market stabilization.

By putting health care finance in the hands of a government bureaucracy, AB 3087 will simply starve the system and produce myriad negative consequences. Empowering a central government authority to determine premium costs and provider rates will lead to restrictions on benefits, coverage levels, and access. In reality, the authority

enjoys only a handful of options to actually control costs: raise premiums, force cuts in benefits, seek new taxes or create barriers to medical treatment – potentially even rationing care. Any of these options only undermine access and affordability for Californians.

AB 3087 ties Kaiser Permanente's hands in serving its members and communities.

Under AB 3087, the commission would determine whether resources would be available for capital expenditures. This would require higher base rates – an unlikely scenario with the politicized nature of the commission and the pressure to keep costs down. The process in the bill is unclear, but it would likely be a bureaucratic nightmare to secure adequate resources to invest in capital needs, which will jeopardize our ability to meet the health care system's vast infrastructure demands, such as building new hospitals and investing in equipment, technology and electronic medical records. These require significant capital expenditures, as well as an understanding of and commitment to the needs of a local community and years of planning. When rates are not adequate and the money runs out, where will the commission turn to finance these critical projects?

AB 3087 ignores out-of-control prescription drug prices.

While Kaiser Permanente does not endorse rate setting of any kind, the bill's complete lack of focus on pharmaceuticals is astounding. Drug spending accounts for nearly 20% of health care spending – how is it possible to contain costs in the health care system while completely ignoring one of the largest and most unfettered contributors to increasing costs? The absence of any effort to hold pharmaceutical companies accountable for their skyrocketing prices only reveals the lack of any sincere interest in solving real problems while punishing good actors in the system.

AB 3087 siphons precious health care dollars out of care – and to the bill's supporters.

Stunningly, the bill creates an income stream for so-called “purchaser participation,” where advocates would be compensated to represent consumers before the commission. The funding source would be fees from the entities regulated by the bill – health plans and health care providers. This is the Proposition 103 intervenor model where “consumer advocates” make millions off the process. This provision in AB 3087 will divert precious health care resources into the pockets of supporters of the bill instead of into actual patient care.

The Affordable Care Act is working in California – but there is more work to do.

It is remarkable that this bill is being put forward, while the Legislature is not entertaining a state-level proposal to require individuals to buy coverage to replace the effectively repealed federal mandate. The absence of a robust individual mandate will cause health care premiums to rise in California by at least 35% in the next three years, on top of current trend. We need to stabilize our health care system so that people can count on it in the future, not create more uncertainty with proposals like AB 3087.

AB 3087 will cause upheaval at a time when we need stabilizing responses to disruptive federal changes. For the above reasons we urge a “no” vote on this measure.

Sincerely,



Teresa Stark
Director, State Government Relations

cc: Assemblyman Ash Kalra
Assembly Health Committee Members
Kristene Mapile, Assembly Health Committee Consultant
Peterson Anderson, Assembly Republican Caucus



ALAMEDA-CONTRA COSTA MEDICAL ASSOCIATION

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April 17, 2018

The Honorable Karen Mitchoff
President, Contra Costa County Board of Supervisors
2151 Salvio Street, Suite R
Concord, CA 94520

RE: East Bay Physicians Urge Opposition to AB 3087

Dear President Mitchoff and Honorable Members of the Board:

On behalf of the 4,200 members of the Alameda-Contra Costa Medical Association, we are writing to ask the Contra Costa County Board of Supervisors to join us in opposing AB 3087 (Kalra), which would establish an unelected commission of nine individuals to set physician and hospital rates for commercial health care services in California. We are especially concerned about the consequences for patients from the diminished access to care that would result if AB 3087 becomes law. We urge you to join us in opposing this flawed legislation. Please consider the following points:

AB 3087 will harm access to care for California patients. By only seeking to reduce commercial rates without also increasing Medicare and Medi-Cal rates, AB 3087 will jeopardize the historic gains California has made over the past several years to expand health coverage and access as a result of the Affordable Care Act. The bill does nothing to address chronically low reimbursement in Medicare and Medi-Cal, which for decades have been the major barrier to patients covered by those programs accessing services. California's Medi-Cal provider rates are among the lowest in the nation and do not cover the actual costs of services, and AB 3087 will further limit the volume of Medicare and Medi-Cal patients that physicians can see without risking their own financial viability. Medicare and Medi-Cal patients already have a challenging time accessing some medical services in our community, and AB 3087 would exacerbate this problem for seniors, the disabled, individuals of limited means, and others covered by Medicare and Medi-Cal.

AB 3087 will exacerbate California's physician shortage. California is currently suffering from a physician shortage. California ranks 32nd in the number of primary care residents and fellows per 100,000 population, six of nine California regions are facing a primary care provider shortage, and 23 of California's 58 counties fall below the minimum required primary care physician-to-population ratio. California is among the highest tax states with a very high cost of living, and the average medical student is graduating with \$200,000 in debt. AB 3087 would drive physicians out of the state and make recruiting new physicians extremely difficult, thereby depleting the physician workforce. Physicians nearing retirement would opt for early retirement, and young physicians would opt to practice elsewhere. Hospitals and medical groups would face great difficulty recruiting physicians to practice here compared to other states. Again, it is

patients who would ultimately suffer if AB 3087 becomes law and exacerbates California's physician shortage.

AB 3087 is an attack on the medical profession. The bill establishes an unelected Commission of nine individuals to set physician rates, which will be funded in part using physician licensing fees, yet physicians are expressly prohibited from serving on the Commission. While there is technically an appeals process established in AB 3087 to challenge the rates, the responsibility for making appeal decisions is vested with the same Commission who set the original base rates.

AB 3087 flies in the face of the expert recommendations from the recently commissioned UCSF report "A Path to Universal Coverage and Unified Health Care Financing in California", which included 1) increasing Med-Cal reimbursement rates to increase access; and 2) developing a comprehensive strategy to ensure a robust physician workforce. AB 3087 would be a major step backwards in advancing these recommendations.

California has made great progress increasing coverage and access to care. We have embraced the Medi-Cal expansion, started Covered California, and passed the Proposition 56 tobacco tax to increase reimbursement rates and improve access to care in the Medi-Cal program. AB 3087 would destabilize the commercial health insurance market and would be a step back in California's efforts to expand access to care. For these reasons, the ACCMA asks for you to oppose this misguided and dangerous legislation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Thomas Sugarman MD", with a stylized flourish at the end.

Thomas Sugarman, MD
ACCMA President

Cc: Janus Norman, Senior Vice President, CMA Government Relations