Attachment A

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SB 343: Standardizing Disclosures for Health Plans and Hospitals

Purpose

SB 343, sponsored by SEIU California, will create uniformity in the data health plans and healthcare facilities are required to report to state regulators by removing provisions of law that allow Kaiser Permanente to report more limited information compared to all other health plans and hospitals.

Background on health plan provisions

Under existing law, health plans and health insurers are required to submit detailed data and actuarial justification for rate increases in the individual and small group markets, and to disclose aggregate rate increases in the large group markets, via reports to the Department of Managed Health Care or the Department of Insurance, which are available to the public. Though regulators do not have the authority to modify or reject rate changes, "rate review" has increased transparency on the factors contributing to the rising cost of health insurance.

As part of this rate review process, health plans are required to report the projected trend factor by benefit category, such as the projected cost increase for hospital inpatient, hospital outpatient, physician services, prescription drugs, and other ancillary services. However, Kaiser is specifically exempted from having to report projected assumptions, and instead is permitted to disclose its actual experience for the prior benefit year "using categories that are, to the maximum extent possible, the same or similar to those used by other plans." In practice, this has allowed Kaiser to propose rate increases without showing the underlying assumptions. Rate filings from other health plans, such as Blue Shield of California, show projected medical trend factor assumptions for various categories, such as hospital inpatient or outpatient, radiology, and laboratory services. Kaiser, on the other hand, lumps all of these into one "hospital inpatient" category, and just provides the actual trend factor from the prior 12 months rather than a projection for the year ahead. Kaiser has a very large market share in the large group market. Not having to report its assumptions for price increases across benefit categories, like every other health plan is required to do, prevents purchasers and regulators from being able to negotiate for more favorable terms or accurately judge whether the proposed rate increases are reasonable.

Background on hospital provisions

Under existing law, licensed health facilities are required to make certain reports to the Office of Statewide Health Planning and Development (OSHPD), including financial and utilization data, such as revenues by payer and by revenue center for individual hospitals. However, Kaiser hospitals are authorized to report costs and revenues as a group, so that all of their hospital's revenues are reported as a group for either Kaiser Permanent Southern California or Kaiser Permanente

Northern California. In practice, this has meant that the public has only a fraction of the information that other hospitals in the state provide. Allowing Kaiser to avoid reporting on a per facility basis has prevented purchasers and policy makers from comparing regional price variation and profitability (i.e., Bay Area vs. Sacramento) among Kaiser hospitals, unlike the data provided by each of Sutter Health's hospitals, for example.

This bill:

Creates more uniform reporting standards for health plans and hospitals by:

- Deleting Kaiser-specific language allowing a different method of reporting in individual, small group, and large group health plan and health insurance rate filings.
- Deleting Kaiser-specific language allowing more limited and aggregated hospital financial reporting to OSHPD.

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