

Contra Costa County Unions United for Affordable Healthcare



April 19, 2019

Hon. Diane Burgis, District 3 Supervisor
Legislation Committee Chair
Contra Costa County Board of Supervisors

Submitted via email: supervisor_burgis@bos.cccounty.us

RE: Union Coalition Request for Board of Supervisors to establish a Support position for SB 343 by Contra Costa County

Dear Supervisor Burgis:

On behalf of the Unions copied herein representing nearly 5,000 Contra Costa County workers, we are writing to ask you and the other Supervisors to establish a Support position by Contra Costa County for SB 343, authored by Dr. Richard Pan, Chair of the Senate Health Committee.

I've attached a letter from the Cal Labor Fed providing additional details and justifying their sponsorship of SB 343.

In essence, SB 343 seeks to improve transparency in healthcare costing by eliminating the current "Kaiser exemption" in state reporting laws. SB 343 would help policy experts and healthcare researchers gain access to better information about Kaiser's cost-drivers in the individual and group health plan markets so we can make more accurate determinations whether Kaiser's annually proposed rate increases are reasonable and justified or not.

As you know, our members in Contra Costa County know well the challenges of reining in continually rising healthcare costs. There was a 12% rate increase in the Kaiser Health Plan A/Plan B this year for County employees. We're equally concerned about Kaiser costs for residents who purchase their own Kaiser plan on the Covered California health insurance exchange. There was a 9% annual rate increase on Contra Costa County residents purchasing their own Kaiser insurance on the exchange this year.

While there is no direct impact on County programs or operations, by requiring Kaiser to conform to existing state reporting laws on par with all other health plans and insurers statewide, SB 343 could provide the County with more uniform health care cost data during future purchasing negotiations for employee health insurance plans.

SB 343 is another possible tool for us to better control healthcare costs. Again, we urge you to establish a Support position by Contra Costa County for SB 343.

Sincerely for the Union Coalition,



Sean Stalbaum
Lead Representative/Organizer
IFPTE Local 21

CC: Hon. John Gioia, District 1 Supervisor
Hon. Candace Andersen, District 2 Supervisor
Hon. Karen Mitchoff, District 4 Supervisor
Hon. Federal Glover, District 5 Supervisor
David Twa, CAO
Lisa Driscoll, Finance Director
Jeff Bailey, Labor Relations Manager
Shawn Stewart, President, AFSCME Local 2700
America Patterson, President, AFSCME Local 512
Winston Ingram, President, AFSCME PEU Local 1
Brandon Banks, President, Contra Costa Public Defenders Association
Aron DeFerrari, President, Deputy District Attorneys Association
Sue Guest, President, IFPTE Local 21
David MacDonald, President, Physicians & Dentists Organization of Contra Costa (PDOCC)
Dan Jameyson, President, SEIU Local 1021
Michael Dossey, President, Western Council of Engineers (WCE)
Doug Jones, Contra Costa County Central Labor Council Executive Committee, SEIU-UHW



California LABOR Federation

Headquarters: 600 Grand Avenue, Suite 410 • Oakland, CA 94610 • Tel: (510) 663-4000 Fax: (510) 663-4099
 Legislative Office: 1127 11th Street, Suite 425 • Sacramento, CA 95814 • Tel: (916) 444-3676 Fax: (916) 444-7693

Art Pulaski *Executive Secretary-Treasurer* Kathryn Lybarger *President*

www.CaliforniaLabor.org

March 6, 2019

Senator Richard Pan
 Chair, Senate Health Committee
 State Capitol, Room 2191
 Sacramento, CA 95814

RE: **SB 343 (Pan) – SUPPORT**

Dear Senator Pan:

The California Labor Federation supports your bill, SB 343, which will create uniformity in health plan and hospital reporting to state regulators by removing exemptions in existing law that allow Kaiser Permanente to report more limited information than other plans or facilities.

Rising health care costs have created an affordability crisis. Californians struggle to afford their premiums, deductibles, and co-pays and often ration their own care. Kaiser is one of the largest players in the health care industry in California, as a health plan, hospital, and medical group. Understanding Kaiser's financial status, cost drivers, and other information is critical to understanding and controlling health care costs.

Under existing law, health plans and health insurers are required to submit rate filings to the Department of Managed Health Care and Department of Insurance detailing cost drivers of premiums and other data. Regulators then review the filings for the individual and small group market and make determinations if rate increases are reasonable and justified or not.

However, Kaiser is specifically exempted from having to report certain information that other health plans are required to report in their rate filings. In practice, this has allowed Kaiser to propose rate increases without showing the underlying assumptions driving or justifying those increases. This exemption allows Kaiser to continue to increase rates in a black box hidden from regulators and the public. For purchasers in the large group market – employers and trust funds – this lack of information limits our ability to understand rising health care costs and negotiate for better rates.

Existing law requires licensed health facilities to make certain reports to the Office of Statewide Health Planning and Development (OSHPD). Kaiser hospitals again have an exemption in the law that allows them to report a fraction of the information that other hospitals provide. This exemption prevents purchasers, regulators, and researchers from investigating regional and facility differences and obscures the full financial picture of Kaiser.

SB 343 simply levels the playing field between Kaiser and all other health plans, insurers, and hospitals in the state by removing the "Kaiser exemption" in existing state reporting law.

For these reasons, we urge you to vote "YES" on SB 343 (Pan) when it comes before you in the Senate Health Committee.

Sincerely,

Sara Flocks
 Public Policy Coordinator
 SF: sm
 OPEIU 29 AFL CIO

Cc: Committee Members

SEIU California



1130 K Street
Suite 300
Sacramento, CA 95814
916.442.3838
Fax: 916.442.0976

3055 Wilshire Blvd.
Suite 1050
Los Angeles, CA 90010
213.368.7400
Fax: 213.381.7348

www.seiucal.org

February 26, 2019

Honorable Dr. Richard Pan, Chair
Senate Health Committee
State Capitol, Room 2191
Sacramento, CA 95814

RE: SB 343 (Pan) Healthcare Data Disclosure – SPONSOR & SUPPORT

Dear Senator Pan,

On behalf of our 700,000 members, the California State Council of the Service Employees International Union (SEIU California) is proud to sponsor SB 343 (Pan), your bill to remove Kaiser-specific exceptions to health insurance and hospital transparency specified in existing law. SB 343 (Pan) will ensure that union members and employers bargaining for benefits have adequate information to understand the underlying cost drivers behind Kaiser's rates and the degree to which Kaiser hospitals contribute to health care costs. Given that Kaiser health plan represents 40% of the insurance market, and one out of every ten California hospitals is a Kaiser facility, these data from Kaiser are crucial to policymakers' understanding of how California's healthcare markets are functioning. More importantly, the unlevel playing field afforded to Kaiser puts purchasers at a competitive disadvantage when negotiating insurance rates and gives Kaiser an unfair advantage with its competitors.

While employers shoulder a significant share of healthcare costs, the impact on individual workers is even more severe. As the price of healthcare escalates, workers are left to shoulder the financial burden of higher premiums, co-pays and deductibles – an invisible form of compensation that does not go back into the family budget and the economy as a whole. A recent national study by the Economic Policy Institute shows that for family coverage, total employer sponsored insurance premiums rose from \$5,791 in 1999 to \$18,142 in 2016. For the bottom 90% of workers, this change meant the share of a worker's earnings going toward healthcare doubled, over the period. In real money, this is comparable to the loss of \$12,350 per year for a family, or a foregone pay raise of 26%. In California, premiums for job-based health insurance have risen 249% since 2002 - more than six times the rate of general inflation.

What is worse - workers are paying more for their coverage, even when they use the same or fewer healthcare services. The transparency we now have tells a story of prices driving cost increases without any justification on the utilization side. For example, last year alone, Kaiser increased insurance premiums on 4.9 million Californians by 5.2%, which amounts to an additional \$1.4 billion in premium costs. Despite limited detail on the justification for the proposed rate hike, the 2018 large group insurer rate filings demonstrated that all of Kaiser's 5.2% premium increases were due to price inflation, not utilization.

Transparency has been an effective tool for: 1) better understanding the underlying healthcare cost drivers, and 2) holding the industry accountable. California has enacted a series of successful laws to bring greater transparency to health insurance. In particular, SB 546 (Leno) Chapter 801, Statutes of 2015 requires insurers in the large group market (those with over 100 covered lives) to submit aggregate rate reports to California's two health insurance regulators, the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI), respectively. SB 546 also requires those regulators to hold an annual public meeting on large employer market rate filings.

Existing laws for large group market rate review effectively exempt Kaiser from requirements placed on all other insurers to provide their projected trend factor by benefit category. Rather, Kaiser alone is allowed to rely on actual experience from the prior benefit year, using categories that are, "the maximum extent possible, the same or similar to those used by other plans" in rate filings. In practice, this has allowed Kaiser to sidestep the requirement altogether and propose rate increases without demonstrating their underlying assumptions to regulators or purchasers. 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's report collapses all these benefit categories into a single aggregate "hospital inpatient" number and uses the actual trend factor from the prior 12 months as justification, rather than a projection for the year ahead. Given that Kaiser health plan dominates the large group insurance market with 58% market share, this lack of transparency has a huge impact on California workers and their employers.

In addition to removing Kaiser's insurance reporting exemption, SB 343 would strike Kaiser's unique exemption to facility-based hospital reporting under the Office of Statewide Health Planning and Development (OSHPD), which permits Kaiser to report costs and revenues regionally, rather than by hospital. Due to the regional variation in hospital prices across California, particularly between Northern and Southern California, it is important to understand Kaiser's hospitals as they contribute to overall hospital pricing, as well as Kaiser's insurance rates.

There was a time when Kaiser's integrated delivery model was truly novel. In the years since Kaiser's phenomenal economic success – Kaiser currently has \$31 billion in reserves and \$2.5 billion in net profits – many other health systems have adopted the integrated delivery system model. In 2019, it is no longer fair or reasonable to exempt Kaiser from the transparency requirements which apply to all other integrated delivery models, and to all other health plans and hospital systems. It is for those reasons that we are proud to support your SB 343.

Sincerely,

A handwritten signature in blue ink, reading "Michelle Doty Cabrera".

Michelle Doty Cabrera
Healthcare Director