

**AB 3087 (KALRA) CALIFORNIA HEALTH CARE COST, QUALITY, AND EQUITY
COMMISSION
ASSEMBLY HEALTH COMMITTEE
OPPOSE/JOB KILLER**



April 18, 2018

TO: Members, Assembly Health Committee

FROM: California Chamber of Commerce *Joan Melker*
 Brea Chamber of Commerce
 Building Owners and Managers Association of California
 California Ambulance Association
 California Association of Health Facilities
 California Building Industry Association
 California Business Properties Association
 California Retailers Association
 Camarillo Chamber of Commerce
 Cerritos Chamber of Commerce
 Fresno Chamber of Commerce

Gateway Chambers Alliance
Greater Bakersfield Chamber of Commerce
Greater Conejo Valley Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
International Council of Shopping Centers
Los Angeles Area Chamber of Commerce
Mountain View Chamber of Commerce
Murrieta/Wildomar Chambers of Commerce
National Association of Chain Drug Stores
National Association of Industrial and Office Properties of California
National Federation of Independent Business
North Orange County Chamber of Commerce
Rancho Cordova Chamber of Commerce
Redondo Beach Chamber of Commerce
Orange County Business Council
Oxnard Chamber of Commerce
San Diego Regional Chamber of Commerce
San Gabriel Valley Economic Partnership
Santa Maria Valley Chamber of Commerce
South Bay Association of Chambers of Commerce
Southwest California Legislative Council
Torrance Area Chamber of Commerce
Tulare Chamber of Commerce
United Chamber Advocacy Network:
 El Dorado County Joint Chamber Commission
 Elk Grove Chamber of Commerce
 Folsom Chamber of Commerce
 Rancho Cordova Chamber of Commerce
 Roseville Area Chamber of Commerce
Western Manufactured Housing Communities

SUBJECT: AB 3087 (KALRA) CALIFORNIA HEALTH CARE COST, QUALITY, AND EQUITY COMMISSION SET FOR HEARING – APRIL 24, 2018 OPPOSE/JOB KILLER - AS AMENDED APRIL 17, 2018

The California Chamber of Commerce and the organizations listed above **OPPOSE AB 3087** as amended April 17, 2018, as a **JOB KILLER**, as it interferes with an employer's ability to negotiate for benefit designs and costs for their employees, interferes with Covered California's ability to negotiate with insurers, reduces access to care, adds an additional layer of bureaucracy, and adds a new health care cost called "witness fees".

AB 3087 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. In addition, **AB 3087** would create the Purchaser Participation Program to pay "witness fees" to individuals to advocate on behalf of their client.

There is no disagreement that health care costs are rising and making it more difficult for employers and their employees to afford quality, accessible care. The proponents of **AB 3087** argue their approach will control health care costs. In practice, **AB 3087** may have a short-term result of less access to health care and, in the long term, accelerate cost increases.

PRICE CONTROLS:

Price controls ignore the underlying reason for the cost of services and products. Given the language of **AB 3087**, the proponents' goal is to reduce payments to health care providers and insurers. While the bill contains language for a health care entity to appeal the rates, the process still leaves decisions as what is "fair" to an appointed board, an administrative judge and judicial review. Without adequate reimbursement, price controls will drive providers and insurers out of the market.

INTERFERENCE WITH NEGOTIATIONS:

AB 3087 empowers the commission, in addition to setting rates paid to providers and insurers, to decide the level of copays, deductibles, coinsurance, and any other share of cost for services. Employers, like Covered California, are active purchasers. Active purchasers 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.

INADEQUATE PROVIDER NETWORKS:

Most economists believe price controls keep prices artificially low and supply does not keep up with the 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.

In fact, California is already facing a shortage of physicians. According to the Health Workforce Center of UCSF report titled "California's Primary Care Workforce: Forecasted Supply, Demand, and Pipeline of Trainees, 2016-2030," "California faces a looming shortage of primary care clinicians in the coming decades. If we continue along our current path, more and more Californians will need to visit the emergency room for conditions like asthma, ear infections or flu because they lack a primary care provider."

Hospitals have already identified a loss of \$18 billion if **AB 3087** is enacted. For some communities this could mean the hospital will close its doors. Some areas of the state have already seen this happen. **AB 3087** would increase the burden on emergency rooms at the same time their payments are capped.

ADDITIONAL BUREAUCRACY:

It is unclear how duties would be divided among the proposed Commission under **AB 3087** with the Department of Insurance and the Department of Managed Health Care (DMHC). DMHC is responsible for ensuring a stable health care system that includes things like network adequacy, benefit design, plan financial solvency, and quality of service. The lack of clarity will result in bureaucratic confusion, delays and interference with employers purchasing health care.

INAPPROPRIATE NEW COSTS:

AB 3087 establishes a Purchaser Participation Program to pay witness and advocacy fees funded by fees on insurers. CalChamber believes the fees under **AB 3087** could result in a similar impact as the Proposition 103 intervenor fees, which cost millions.

AB 3087 fails to take into account the major causes of rising medical care costs. Simply capping the rates will not make the costs in the healthcare system disappear, but instead will limit choices, access and, in the long-term, increase costs for employers and their employees. For these reasons, we are **OPPOSED to AB 3087 (Kalra) as a JOB KILLER.**

cc: Donna Campbell, Office of the Governor
The Honorable Ash Kalra
Rosielyn Pulmano, Assembly Health Committee
Peter Anderson, Assembly Republican Caucus
Lisa Murawski, Assembly Appropriations Committee
District Offices, Members, Assembly Health Committee

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