



March 31, 2021

Secretary Mark Ghaly, M.D.  
California Health and Human Services Agency  
1600 9th Street, Suite 460  
Sacramento, CA 95614

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

Re: AB 1130 (Wood)/Budget Trailer Bill on the Office of Health Care Affordability Support with Amendments

Dear Secretary Ghaly and Dr. Wood:

On behalf of those who receive health services and purchase health coverage for Californians, including consumers, small businesses, large employers, and working families, our organizations, the California Labor Federation, AFL-CIO; Health Access California; Purchaser Business Group on Health (PBGH); and Small Business Majority, come together to strongly support the Office of Health Care Affordability which would set enforceable targets for health care costs across the full spectrum of health care costs.

We also seek amendments to assure that the consumers and purchasers of health coverage, whether individual consumers, employers who purchase on behalf of their employees and dependents, or labor-management trust funds, have a clear majority on the "advisory board" to the Office of Health Care Affordability and that the role of the advisory board is slightly revised.

### **A Broken Health Care Market Calls for a New Approach to Health Care Costs**

AB 1130 and the identical trailer bill propose a new approach to a broken health care market. As the intent language in both measures says so eloquently:

"While California has reduced the uninsured share of its population to a historic low of 7 percent through implementation of the federal Patient Protection and

Affordable Care Act (PPACA: Public Law 111-148) and other state efforts, affordability has reached a crisis point as health care costs continue to grow.

[F]amilies with job-based coverage experienced a 45 percent increase in premiums, or more than twice the rate of wage growth.

Escalating health care costs are being driven primarily by high prices and the underlying factors or market conditions that drive prices, particularly in geographic areas and sectors where there is a lack of competition due to consolidation, market power, and other market failures.

Surveys show that people are delaying or going without care due to concerns about cost, or are getting care but struggling to pay the resulting bill.”

By setting enforceable targets on health care costs for the entire State and by region and sector of the health care industry, AB 1130 proposes to address the broken health care market which suffers from excessive concentration and incentives to increase health care costs without improving quality or reducing health disparities.

Critically, AB 1130 and the identical trailer bill require that the Office of Health Care Affordability address quality, equity and workforce stability at the same time as setting enforceable cost targets—and that the health care industry receive the tools it needs to achieve the triple aim of lower costs, higher quality and improved equity. These tools include an emphasis on primary care and behavioral health as well as a shift to alternative payment methods away from fee-for-services payments that reward volume of services without consideration for the quality of care or reduction of disparities.

Enforceability of targets is central to achieving these goals and essential to our support of these measures. Without enforcement, the Office is merely a study committee producing yet another report to sit on someone’s shelf.

### **A Purchaser Majority on the Advisory Board**

As currently drafted, AB 1130 and the identical trailer bill would allow the advisory board to be composed entirely of physicians, hospital administrators, pharmaceutical company financial officers, insurance company executives, trade association lobbyists or any combination of these. The point of the Office of Health Care Affordability is to control costs without reducing quality, worsening disparities or destabilizing the health care workforce. The current language would allow the board to be controlled entirely by the industry whose costs are the subject of the cost targets.

The incentives of the health care industry are aligned to drive up costs: if hospitals charge more, doctors get paid more or prescription drug prices escalate, the medical loss ratio means that insurers make more. This is why premiums have escalated almost 300% in the last two decades while wages have remained flat.

Purchasers pay the bill: consumers pay more in terms of share of premium, higher copays, more prevalent deductibles and flat wages while small and large employers absorb escalating health care costs for their employees and trust funds try to control costs while protecting access and quality.

Purchasers, whether individual consumers or businesses, small businesses, large employers, or union trust funds, should be a clear majority of the advisory board to ensure that the board's discussion and recommendations regarding health care costs, quality and equity reflect the interests those who receive health services and pay for coverage. We often find that industry-dominated entities overlook the patients' and purchasers' perspectives on affordability, patient experience, quality outcomes and equity. In other words, this change is needed to make sure that the benefits to the general public are paramount in OHCA's decisions.

We also suggest that CalPERS and Covered California be considered as health care purchasers, since both of these entities purchase coverage on behalf of millions of Californians and have an effective track record of purchasing based on cost and quality and, more recently, equity.

### **The Role of The Advisory Board**

As introduced, AB 1130 and the identical trailer bill propose an important role for the "advisory" board that is more than merely advisory, although it is not an independent board like the boards which govern CalPERS or Covered California. Specifically, the advisory board makes recommendations on cost targets and may advise on other aspects of the Office of Health Care Affordability, although the director of the Office of Statewide Health Planning and Development may overrule the advisory board if the board deadlocks or if the director does so publicly with justification.

Our proposed amendments revise the role of the board by including the responsibility to provide recommendations on additional important topics including factors contributing to cost growth, the methodology for setting targets, public reporting on performance on targets, strategies to improve affordability, addressing the impacts of market power and other aspects of the Office rather than merely advising the director while allowing the director to overrule such recommendations as proposed.

These changes broaden the role of the advisory board to give recommendations on a more extensive list of responsibilities while preserving the authority of the director to overrule such recommendations if appropriate.

### **Summary**

Our organizations support the creation of an Office of Health Care Affordability that would set and enforce cost targets while providing the health care industry the tools it needs to improve quality and equity, shift to alternative payment methods, emphasize

primary care and behavioral health while preserving the stability of the health care workforce.

Our organizations seek amendments to assure that a clear majority of the advisory board represent consumers and purchasers of health coverage, including individual consumers, small businesses, large employers, and trust funds, while slightly revising the role of the advisory board to provide a broader range of recommendations but preserving the basic structure proposed in both AB 1130 and the trailer bill.

We look forward to working with you to enact the Office of Health Care Affordability with a clear role for the consumers and purchasers of health coverage so that the those who receive health care services and pay the cost of coverage have a voice in recommending public policies to reduce costs while improving quality and equity.

Sincerely,

California Labor Federation, AFL-CIO  
Health Access California  
Purchaser Business Group on Health  
Small Business Majority