Addressing Healthcare Affordability: Targeting Price Variation and High Unit Prices

California LABOR Federation

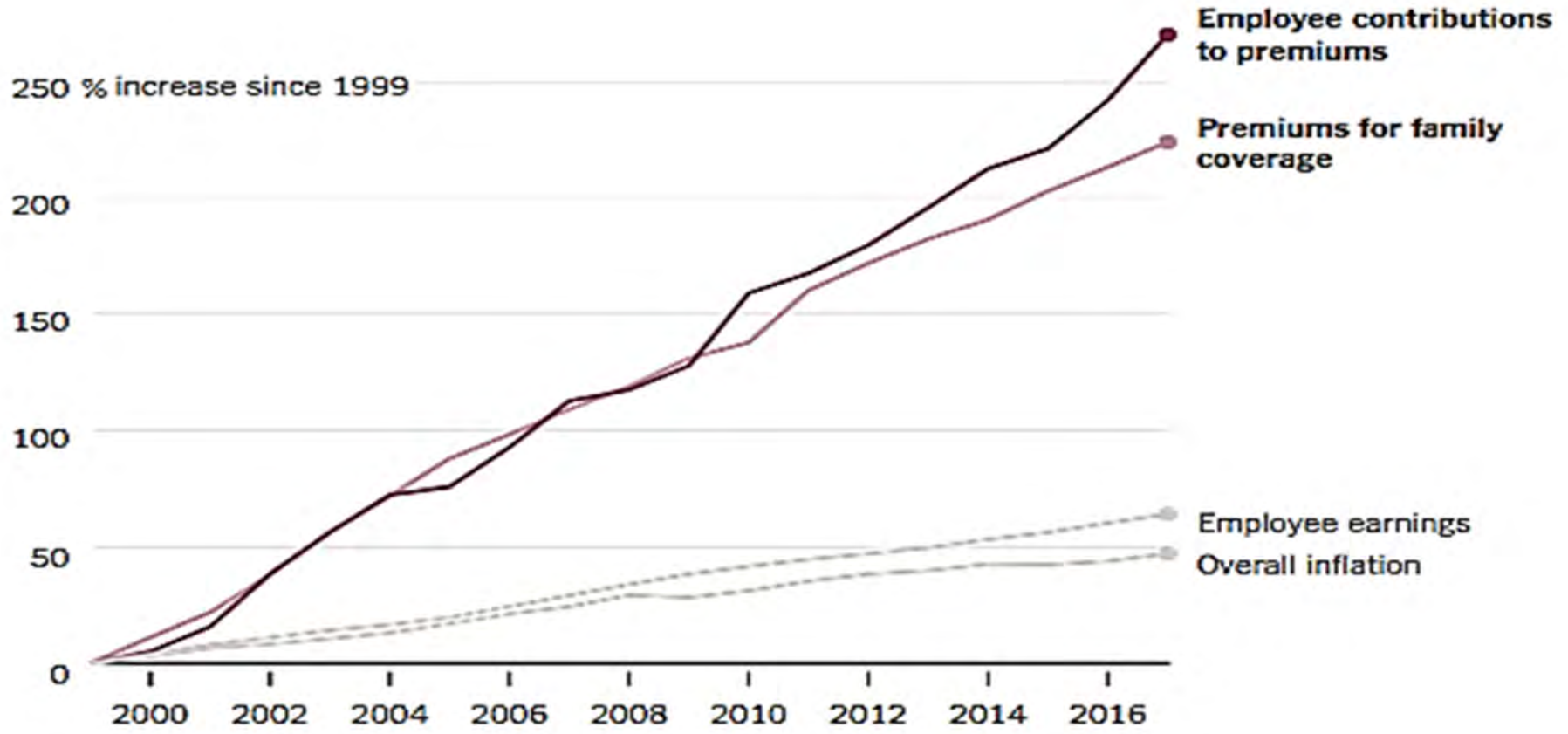
NOVEMBER 2018

Why do unions care about health care?

- CA Labor Fed represents 1200 unions and 2 million union members.
- Unions negotiate for & purchase health coverage for members and run trust funds
- Our unions also represent health care workers—doctors, nurses, pharmacists, techs, etc.

Every dollar spent on health care is a dollar out of workers' wages.

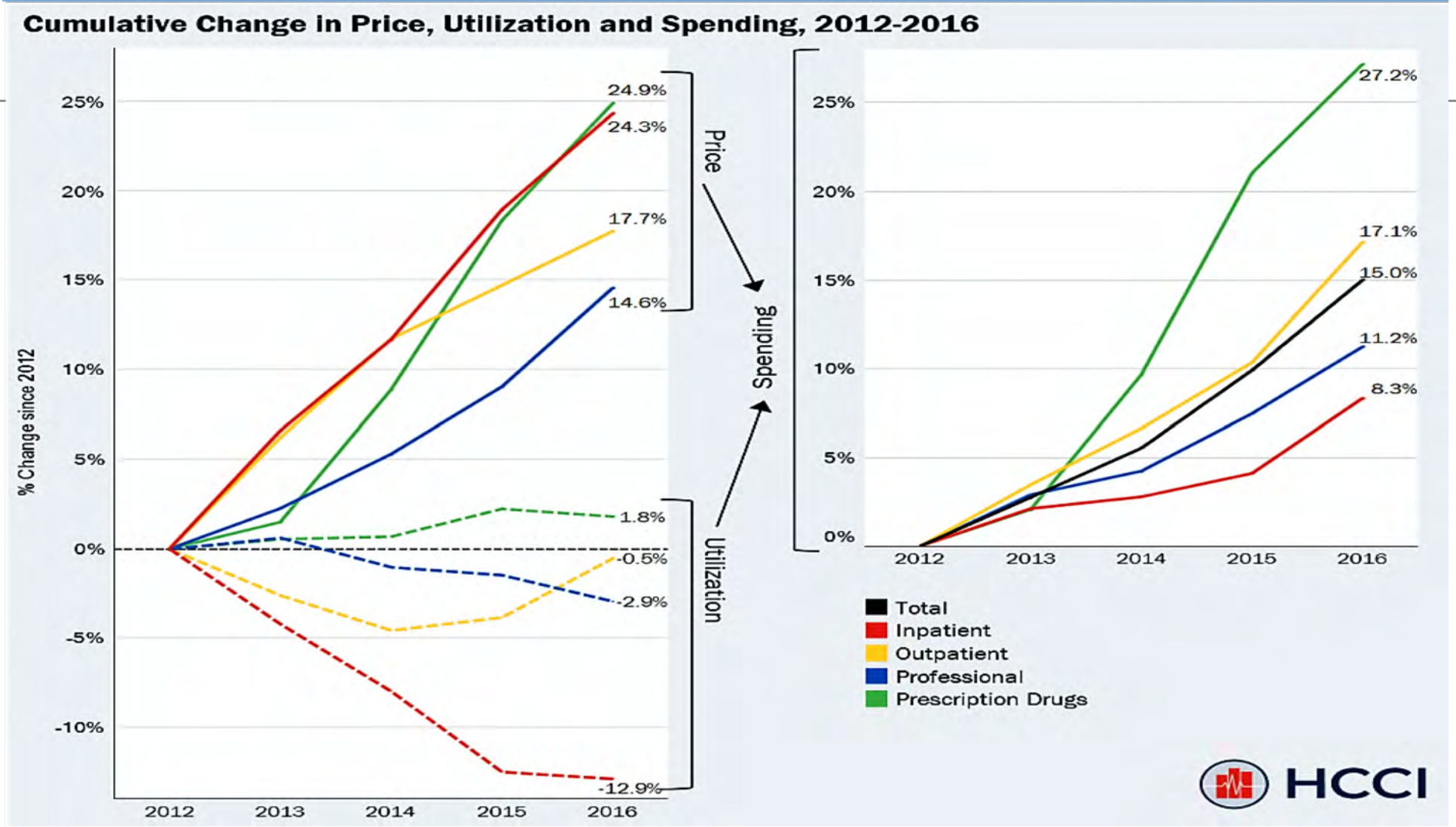
Premiums rising faster than earnings



Percent increases in employee earnings are of seasonally adjusted average hourly earnings recorded in April of each year.

By Denise Lu | Sources: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2017; Bureau of Labor Statistics

Price, not utilization, drives spending



Source: Health Care Cost institute, : 2016 Health Care Cost and Utilization Report, January 2018.
https://www.healthcostinstitute.org/research/annual-reports/entry/2016-health-care-cost-and-utilization-report

Previous Health Care Legislation

- **AB 72 (2015):** Banned surprise medical bills for patients who go to in-network facilities but get an out-of-network doctor. Set reimbursement rates for doctors at greater of 125% of Medicare or average contracted rate. *Health Access co-sponsor, signed into law*

- **SB 1182 (2014) & SB 546 (2015):** Transparency of claims data. Rate review & public meeting by state regulators of the way insurers set premiums for large group purchasers. *Signed into law*

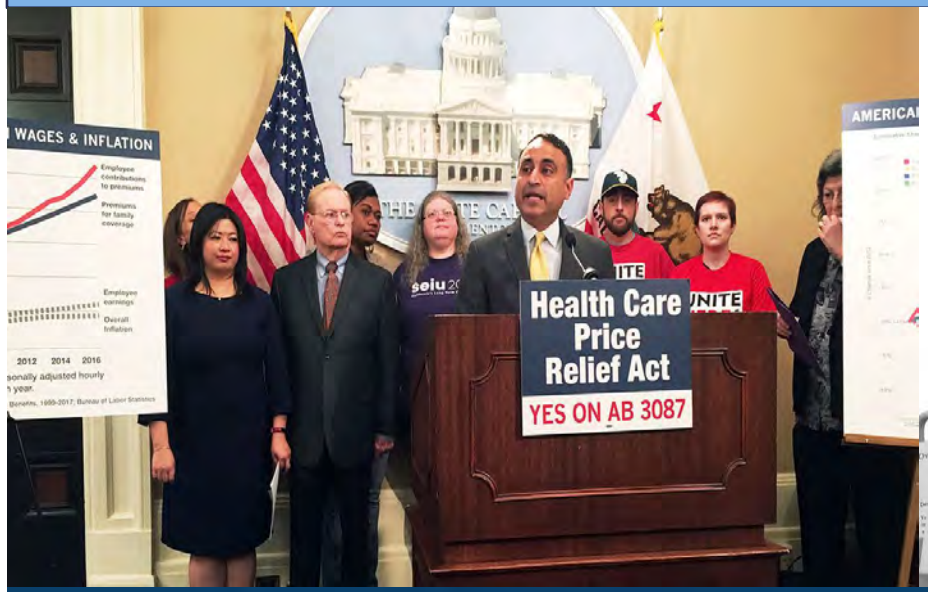
- **SB 17 (2017):** Advance notice and disclosure of price increases for prescription drugs by drug makers. *Health Access co-sponsor, signed into law*

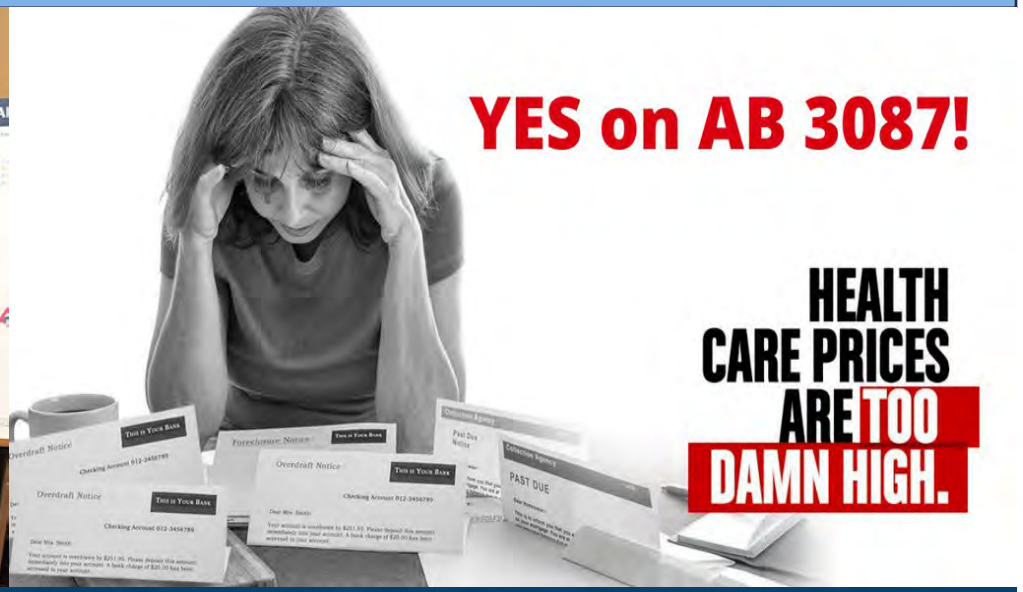
- **SB 538 (2017, 2018):** Prohibits anti-competitive contract provisions between hospitals and health plans to prevent monopoly price inflation. *Not yet a law—maybe 2019?*

Context & Principles for AB 3087

- Build toward a universal health care system.
- Aim to contain costs, increase quality, improve health outcomes and reduce health disparities through regulation of prices.
- Allow for flexibility to assure financial stability for regulated entities, as well as to account for reasonable costs.
- Operate with maximum simplicity and transparency.

Price Matters: AB 3087





HEALTH CARE PRICES ARE

OUT OF CONTROL

YES ON #AB3087

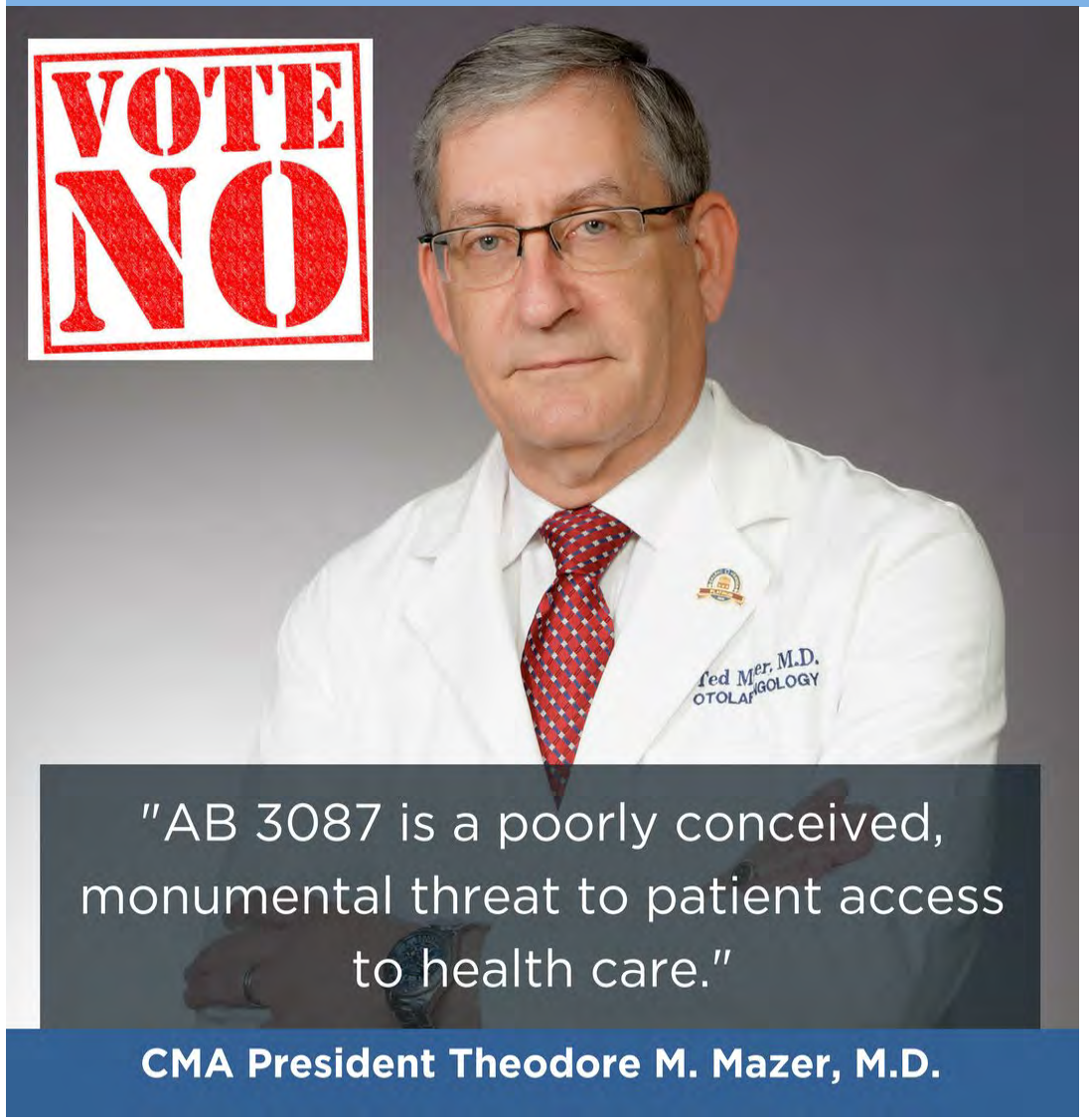
AB 3087: CA Health Care Price Relief Act

- Created the CA Health Care Cost, Quality & Equity Commission
- Granted the Commission authority in a public process to set rates for hospitals, doctors & health plans in the commercial market only (not for Medicaid, Medicare or public programs).
- Commission would set rates as a percentage of Medicare (docs & hospitals) or Medicare Advantage (risk-adjusted for health plans), based on a range of criteria.
- Rates could vary for providers. Providers could appeal for a higher rate based on set criteria.

AB 3087: CA Health Care Price Relief Act

- Rate-setting authority only applied to individual, small and large group commercial market, not public programs—not true "all-payer" rate-setting.
- Included fully-insured and ERISA self-insured plans.
- Replicated MA's "soft cap" on annual increases of the total cost of care, similar to a state global budget.
- Did not require federal waivers, ERISA exemptions, tax increases or major disruption to structure of health care market.

The Opposition



Dangerous Rate Setting Proposal Threatens to Decimate California's Health Care Delivery System—LA County Medical Society

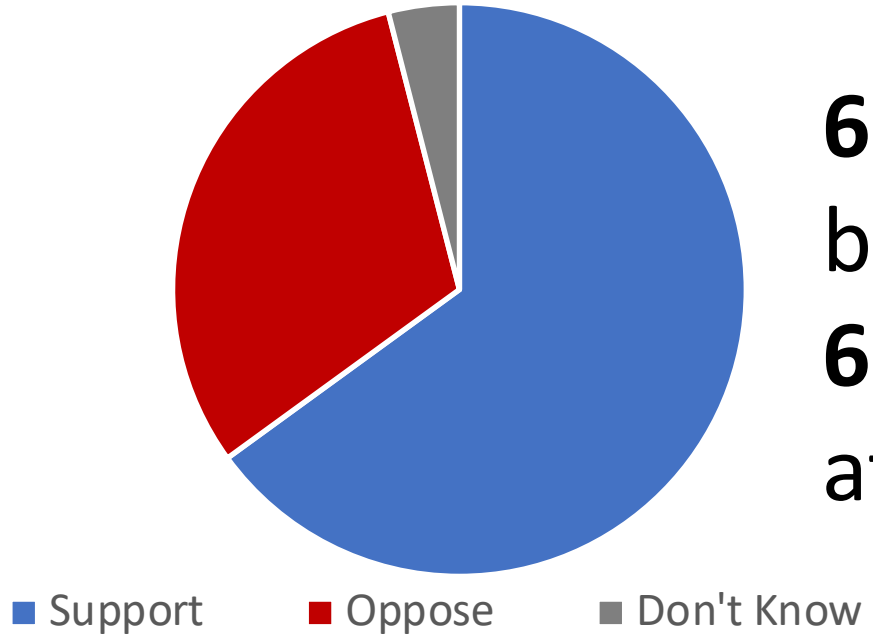
AB 3087 ignores the real cost drivers– like costly new benefit mandates, and new rules and regulations. –CA Association of Health Plans

California health care community condemns AB 3087—CA Medical Association

California Hospital Association Announces Opposition to "Radical" AB 3087—California Hospital Association

AB 3087: What does the public think?

Do you support or oppose establishing an independent commission to review and approve the prices hospitals, doctors, and other providers of health care can charge?



68% Support
before arguments
65% Support
after arguments

Thank you to Health Access & SEIU for the poll

Arguments in Support

- **Transparency (78% Convincing)**

Prices.. aren't transparent and you can't shop around.. When you are sick. We need a fair system to establish prices, so people most in need don't get ripped off.

- **Monopoly Utility Regulation (76% Convincing)**

We should regulate & require an explanation of prices in health care, just as we do for other near-monopoly providers of essential services, like water and electric utilities.

- **Medicare Rates (62% Convincing)**

Medicare has high satisfaction ratings and lower costs than private insurance, because the government is able to negotiate lower prices… This proposal would bring down the costs.. by applying these lower Medicare prices to private and employer-based insurance too.

Thank you to Health Access & SEIU for the poll

Where do we go from here?

- **Rate-Setting:** Cap out-of-network rates as % of Medicare, monopoly providers, surprise bills, price variation.
- **Limit fees:** Set schedules or limit outpatient facility, ER, or trauma activation fees.
- **Transparency:** Price transparency for consumers & purchasers, strengthen existing premium rate review process.
- **Monopoly Regulation:** Prohibit “all-or-nothing” contracts, strengthen oversight of mergers, esp. vertical consolidation.
- **Global budgets/growth targets:** Follow the lead of MA, MD, VT
- **Prescription Drugs/PBMs:** Gifts to docs, purchasing collectives

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