



April 19, 2018

The Honorable Ash Kalra , California State Assembly
State Capitol Room 5160 , Sacramento, CA 95814
SUBJECT: AB3087

Dear Assembly Member Kalra:

The Novato Chamber OPPOSES your AB 3087 as amended April 9, 2018, that 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.

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. We believe 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.

Sincerely,



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