



July 22, 2024

The Honorable Anna Caballero
Chair, Senate Appropriations Committee
State Capitol, Room 412
Sacramento, CA 95814

SUBJECT: AB 3275 (Soria, R. Rivas) – SUPPORT

Dear Senator Caballero:

California's hospitals see firsthand the devastating impact harmful practices by health plans have on patient care. Access to timely and vital health care services is too often limited by improperly denied or delayed reimbursement for care provided.

The California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, is writing to express support for Assembly Bill (AB) 3275 (Soria, D-Merced; R. Rivas, D-Salinas), which would clarify and update requirements for health care service plans or health insurers to reimburse services provided by small or rural providers, critical access hospitals, or distressed hospitals in a timely manner.

CHA believes this bill does not have significant financial impact on the state, and in fact, could provide an overall benefit. Clarifying the requirements for timely payment of claims does not increase the overall cost of care and will help avoid harmful and costly consequences for vulnerable hospitals, including closures of essential medical services. This measure will also reduce unnecessary administrative costs that are incurred by hospitals and others to receive payment for services already rendered.

Current law states that, "A health care service plan...shall reimburse claims or a portion of a claim...as soon as practicable, but no later than 30 working days after receipt of the claim by the health care service plan, or if the health care service is a health maintenance organization, 45 working days after receipt of the claim by the health care service plan..." Despite the requirement that claims be paid "*as soon as practicable*," our member hospitals report that many plans delay payment until the statutory "cap" of 30 or 45 days. Moreover, they are experiencing an increasing number of unpaid claims extending well beyond the 30/45 days.

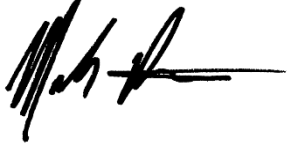
As a result, hospitals must devote significant resources to a time-consuming communication and appeals process, just to receive payment for care that has already been provided. The situation is dire for our rural, critical access, and distressed hospitals, who serve our state's most vulnerable residents. Such hospitals operate on very thin or even negative margins, and do not have reserves to support ongoing operations when plans delay payments for care provided to their members. In recent years, we have seen

individual hospitals forced to declare bankruptcy or even close. While the financial pressures on these hospitals are multiple and complex, ensuring timely and accurate payment would address one of the major contributing factors.

CHA appreciates the opportunity to support these reasonable changes to health plan payment practices and timelines, which represent a crucial step toward protecting the rights of Californians to receive medical care appropriate to their needs.

For these reasons, CHA requests your “AYE” vote on AB 3275.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Farouk', with a long horizontal flourish extending to the right.

Mark Farouk
Vice President, State Advocacy

cc: The Honorable Esmeralda Soria
The Honorable Members of the Senate Appropriations Committee
Agnes Lee, Consultant, Senate Appropriations Committee
Joe Parra and Tim Conaghan, Consultants, Senate Republican Caucus