May 6, 2025

The Honorable Anna Caballero
Chair, Senate Appropriations Committee
1021 O Street, Room 3310
Sacramento, CA 95814

SUBJECT: SB 660 (Menjivar) — CONCERNS

Dear Senator Caballero:

Hospitals and health systems have been at the forefront of data exchange, investing significant resources in health information exchange (HIE) and participating in state, federal, and national initiatives toward its advancement. Hospitals support an HIE governance framework that will advance seamless care transitions, improve quality, and reduce disparities in care.

The California Hospital Association (CHA) appreciates the ongoing dialogue with Senate Bill (SB) 660's author, sponsors, and committee staff to achieve a balanced approach to HIE governance that would enable participants to work collaboratively toward full implementation. However, CHA — on behalf of more than 400 hospitals and health systems — is concerned that the framework outlined in SB 660 falls short for three key reasons: it would exclude experts whose knowledge is vital to successful governance, it would impose requirements that are inconsistent with federal data-sharing laws, and it would require data exchange compliance before the prerequisite policies and procedures are developed. **In addition to these challenges, SB 660 would require significant investment to ensure the California Health and Human Services Agency's Center for Data Insights and Innovation (CDII) is adequately resourced to support this bill's requirements.**

As the state considers competing financial priorities related to health and human services, it must account for the costs generated by SB 660's requirements, which fall into three categories:

- **Costs associated with ensuring Data Exchange Framework (DxF) compliance**
  California is home to more than 400 hospitals, 1,200 skilled-nursing facilities, 125,000 doctors, and 150 federally qualified health centers —and all are required to participate in the DxF. Carrying out the enforcement mechanisms that would be imposed under SB 660 would necessitate significant staffing increases at CDII, as the department is not currently resourced to oversee compliance and resolve conflicts between the participating entities.

- **Costs associated with regulatory development**
  In order to implement SB 660's requirements, CDII would need to develop a regulatory framework to enforce the DxF — requiring even more staffing and resources.

- **Costs associated with public meeting management**
  As part of its regulatory requirements, CDII would need to follow a formal public process, which includes adherence to Bagley-Keene meeting requirements, communication with board members and stakeholders, and other staff functions of a public board. It would likely need to increase its staff capacity to support these critical functions.

In addition to concerns about this bill's fiscal impact, hospitals have concerns with the framework it would establish. SB 660 neglects three important components:

- **The DxF governing board should include data exchange experts and data sharing agreement (DSA) signatories.**
  California is home to many of the nation's leading data exchange experts — including two members of the federal Health Information Technology Advisory Committee, who have been building data exchanges for more than two decades. However, SB 660's provisions would disqualify these experts, and many others, from participating in the DxF governing board. Their expertise is essential to ensuring this board's effectiveness — as is balancing their expertise with that of practitioners responsible for implementing the DxF, particularly those who represent under-resourced safety-net organizations. Practitioners bring on-the-ground perspective about how changes in state policy would affect health care delivery for the most vulnerable patients.

- **Parameters should be set around how much and how often the proposed governing board can alter DSA policies and procedures.**
  As of January 31, 2024, hospitals, health plans, and other providers are required to actively exchange data. The current version of the DSA includes a series of policies and procedure documents that lay out requirements, including what data elements must be exchanged, the privacy standards entities must adhere to, and how quickly entities must respond to a data request. For those required to sign the DSA, current and future policies and procedure documents are legally binding.

  California's efforts to promote data exchange are occurring within a larger national framework, which includes federal law (e.g., the Health Insurance Portability and Accountability Act and the 21st Century Cures Act) and requirements for national exchange networks. As such, it is vitally important that any changes to the DSA be consistent with national data exchange standards, as required by California Health and Safety Code Section 130290(a)(1). Otherwise, the state risks creating unnecessary duplication and confusion for providers implementing the DSA, which would drastically slow progress.

  Changes to DSA policies and procedures should be subject to a comment period and delayed implementation, giving providers adequate time to raise concerns and implement changes efficiently.

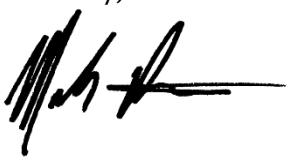
- **DxF enforcement mechanisms should be deferred until additional policies, procedures, and technical specifications are developed — and compliance should not be a condition for contracting with the state before those policies are implemented.**
  Hospitals and other providers have been working to inform DxF policy and procedure development for nearly four years — but these legally binding documents are far from complete. For example, neither a policy nor procedure exist for resolving conflict among DxF participants.

Similarly, technical specifications for exchange have yet to be developed. In the absence of these crucial policies and procedures, hospitals and other entities lack a clear understanding of what is required to comply with DxF. Before implementing any enforcement mechanisms or new activities — which would require additional staff resources — the CDII should focus on completing the work required under Assembly Bill 133 (2021).

Until that work is completed, it would be wholly premature to require that hospitals, skilled-nursing facilities, and other providers comply with the DxF in order to contract with the Department of Health Care Services, the California Public Employees' Retirement System, or Covered California.

CHA looks forward to continuing to work with the author's office to discuss these and other crucial aspects of the bill.

Sincerely,



Mark Farouk
Vice President, State Advocacy

cc: The Honorable Caroline Menjivar
Honorable Members of the Senate Appropriations Committee
Agnes Lee, Consultant, Senate Appropriations Committee
Morgan Branch, Consultant, Senate Republican Caucus