



**CALIFORNIA
HOSPITAL
ASSOCIATION**

*Providing Leadership in
Health Policy and Advocacy*

May 17, 2019

To the California Congressional Delegation:

California's more than 400 hospitals share the goal of protecting patients from surprise medical bills. At a time when patients should be focused on getting well, they should not be burdened with worries about bills or whether their provider is "in-network" or "out-of-network."

We look forward to working with you to craft a balanced and effective solution to achieve our shared goal.

In California, several unique factors influence the extent to which we can effectively protect patients from out-of-network bills.

First, California has made significant headway in preventing unexpected bills – both for surprise billing (occurring when patients receive services from an out-of-network provider despite having received prior approval from their insurance company) and balance billing (occurring when a health insurance company partially pays a provider for services and the provider bills the patient for the remainder).

Per the California Supreme Court case *Prospect Medical Group v. Northridge Emergency Medical Group*, there is a ban on balance billing for *all services* if patients are in-network, and there is a ban on balance billing for *all emergency services, regardless of a patient's network status*. For surprise billing, a 2016 state law prohibited bills from an out-of-network provider for non-emergency services; instead, patients are only responsible for the in-network cost sharing amount.

However, there are gaps in these protections. The balance billing ban does not protect the 3.5 million Californians covered by ERISA plans and PPO plans. The surprise billing ban does not protect the 3 million Californians covered by ERISA plans.

Exacerbating this environment is California's law banning the "corporate practice of medicine," which prevents hospitals from directly employing physicians. In fact, this law goes so far as to prevent hospitals from even requiring that contracted physicians accept the same insurance as the hospital.

As you might expect, this creates massive confusion for patients, as their hospital and their doctor might accept entirely different types of insurance.

In addition to protecting patients from unexpected bills, hospitals also have a duty to safeguard the critical resources needed to meet the needs of their communities, from disaster preparedness to seismic standards compliance to round-the-clock emergency care.

This is why setting specific rates for the reimbursement of services is the wrong answer to a complex problem. The introduction of rate-setting could lead to an immediate, arbitrary reduction in hospital resources and, over the longer term, create an even bigger problem. By giving insurance companies an

unfair advantage in negotiating with hospitals, insurers will have no incentive to negotiate, creating a systemic underfunding problem — all with no action to address the core drivers of health care costs.

And this comes at a time when California's hospitals are already doing their part to keep costs down. The cost of hospital care in California is more than 5 percent less than the national average, and has averaged a scant 3 percent growth over the past three years.

As we work together to protect patients, it's critical that we do so in a way that does not jeopardize the intricate hospital-insurer rate negotiation process, which would have long- lasting negative effects on California's hospitals, the people they care for, and the communities we all share.

Sincerely,



Carmela Coyle
President & CEO