



DISTRICT HOSPITAL LEADERSHIP FORUM



LOMA LINDA UNIVERSITY HEALTH



April 8, 2022

The Honorable Jim Wood, DDS
Chair, Assembly Health Committee
1020 N St., Room 390
Sacramento, CA 95814

Subject: AB 2080 (Wood) — OPPOSE

Dear Assembly Member Wood:

When health care providers partner, access to vital health care services is preserved and improved for patients and communities. That is why our organizations strongly oppose your Assembly Bill (AB) 2080, which would prohibit health care providers and payers from entering into preferred provider contracts. It would also impose expensive, unpredictable, and unfair administrative burdens on health care providers and payers, increasing the cost of health care for all Californians and undoing a decade of progress under the Affordable Care Act.

Managed Care Contracting

The vast majority of Californians are now covered by managed care arrangements, in which health plans contract with health care providers for high-quality care at a reduced cost. AB 2080, however, imposes broad contract prohibitions that would disrupt countless relationships between payers and hospitals, physicians, and other partners, permanently altering long-standing arrangements that are fundamental to organizing coordinated care. For example, the bill outlaws any contract term that prevents a plan from offering “incentives to encourage enrollees to utilize or avoid specific health care providers” — the very essence of a preferred provider arrangement. These same prohibitions also apply to medical groups and other physician organizations, and all would limit the ability of integrated health systems to offer seamless systems of care to patients. Ultimately, this would result in fragmented patient care and end the ability of health care entities to enter into value-based contracts.

The impact of this bill, if enacted, would be to unwind managed care in California and place the state on a path backwards to illness-oriented and siloed health care, which is entirely opposite of the direction California should take. It would also needlessly increase the cost of health care throughout the state.

Partnerships and Integration

AB 2080 would also prohibit physician groups, hospitals, payers, and others from making certain business decisions without the prior permission of the attorney general, making the attorney general the sole arbiter of accessibility and availability of health care in California. The bill unnecessarily makes these business decisions more expensive and time-consuming and undermines fair due process by placing the burden of proof of the need or value of an affiliation on doctors, health facilities, and payers. This creates a “guilty until proven innocent” system on top of an already rigorous oversight process that has served the state well for decades.

Affiliations, sales, mergers, and other agreements are complex and expensive investments that require thousands of hours of work from legal, financial, operational, and clinical experts. Because of this substantive investment of time and resources, parties need some degree of certainty surrounding the process before undertaking such a risk. AB 2080 gives so much arbitrary and absolute discretion to the attorney general that health care entities are likely to refrain from these critical types of transactions in the future, freezing the status quo in California while other states continue to drive toward efficiency and innovation. And this is entirely unnecessary: the attorney general has long had the ability to investigate and prosecute anticompetitive behavior, as do federal government authorities.

As underscored by the COVID-19 pandemic, health care integration and coordination undeniably benefits patients and supports communities in need. California’s integrated health systems — along with other hospitals and physician groups — have saved countless lives during the ongoing crisis. Systems were invaluable thanks to their ability to seamlessly shift resources like personal protective equipment, transfer patients, and deploy staff quickly and efficiently in response to an emergency. Health care systems also ensure that struggling hospitals and physicians — particularly in rural or underserved areas — have access to the resources necessary to comply with costly regulations, pay for new technology that improves patient safety and the quality of care, and to support outreach programs that keep people healthy and active.

AB 2080 would only restrict the flexibility and resources health care providers desperately need simply to keep their doors open and provide vital care to patients. The outcomes in our state will be painful for communities and patients: longer distances to travel for care, a worsening of the conditions that lead to health inequities, higher costs for patients, limited ability to invest in medical innovation, and in the worst cases, outright shuttering of services in certain areas or closures of struggling facilities.

For these reasons, our organizations oppose AB 2080, which would prohibit important contracting practices, fragment care for millions of people, and increase the cost of health care for all Californians.

Sincerely,

California Hospital Association
Adventist Health
Alliance of Catholic Health Care
America’s Physician Groups
Association of California Healthcare Districts
California Association of Health Facilities
California Children’s Hospital Association
California Special Districts Association
CalChamber
Cedars Sinai
CVS Health
Dignity Health
District Hospital Leadership Forum
El Camino Health
Huntington Hospital
Kaiser Permanente
Kindred Hospitals
Loma Linda University Health
Private Essential Access Community Hospitals
Providence
Rady Children’s
Scripps Health
Sharp
Stanford Health Care

Tenet Health
University of California
United Hospital Association

cc: The Honorable Members of the Assembly Health Committee
Rosielyn Pulmano, Chief Consultant, Assembly Health Committee
Gino Folchi, Consultant, Assembly Republican Caucus