



DISTRICT HOSPITAL LEADERSHIP FORUM



LOMA LINDA UNIVERSITY HEALTH



Representing California's Catholic Health Systems and Hospitals



May 04, 2022

The Honorable Chris R. Holden
Chair, Assembly Appropriations Committee
1021 O St., Room 8220
Sacramento, CA 95814

SUBJECT: AB 2080 (Wood) — OPPOSE

Dear Assembly Member Holden:

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 AB 2080, which would (1) prohibit health care providers and payers from entering into many preferred provider arrangements and (2) impose expensive, unpredictable, and unfair bureaucratic hurdles on health care providers and payers who seek to partner. Both parts of this bill would increase health care costs for Medi-Cal, CalPERS, and public hospitals — in fact, for all Californians. In addition, implementing the bill’s new right to an administrative hearing would greatly increase state costs.

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, coordinated care at a reduced cost. This includes more than 1.5 million public employees, retirees, and their families who receive health care coverage through CalPERS from preferred provider organizations and exclusive provider organizations, and 10 million Medi-Cal recipients who receive health care coverage through managed care plans.

AB 2080 would impose broad contract prohibitions that would disrupt countless relationships between payers and hospitals, physicians, and other partners by banning long-standing arrangements that are fundamental to organizing coordinated care and reducing costs. For example, the bill would outlaw any contract term that prevents a plan from offering “incentives [such as lower copays] to encourage enrollees to utilize or avoid specific health care providers” — the very essence of a preferred provider arrangement. These prohibitions would limit the ability of integrated health systems to offer a seamless network of coordinated care to patients. Ultimately, this would result in fragmented patient care, duplicative services, and miscommunication — and end the ability of health care entities to enter into cost-saving, value-based contracts such as Centers of Excellence and Accountable Care Organizations.

If enacted, this bill would unwind managed care in California and place the state on a path backward to illness-oriented and siloed health care, needlessly increasing the cost of health care for state employees and retirees, Medi-Cal patients, and other Californians.

Partnerships and Integration

AB 2080 would also prohibit physician groups, hospitals, health plans, insurers, and others from making certain business decisions without the approval of the attorney general, making the attorney general the sole arbiter of accessibility and availability of health care in California. Specifically, the bill would require that any lease, sale, transfer, or other disposition of assets over \$5 million by a health care provider or payer be approved in advance by the attorney general. The scale of this undertaking will not be absorbable with existing resources.

The bill’s creation of vast new attorney general jurisdiction and responsibilities will require a tremendous increase in direct costs to the state for implementation and hiring of staff to review the thousands of transactions involving California’s very large and complex health care system. Some of the review costs may be charged to the parties in a transaction (including taxpayer-funded public entities such as counties, health care districts, and University of California hospitals). The costs that the parties incur to hire consultants to review transactions will have to be passed on to patients and health care purchasers, including Medi-Cal, CalPERS, and others.

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Affiliations, sales, mergers, and other transactions are often complex and expensive investments that require thousands of hours of work from legal, financial, operational, and clinical experts. AB 2080 would unnecessarily make these business decisions more expensive and time-consuming. This alone will dissuade many from pursuing health care partnerships that would have benefited Californians. In addition, because of the substantial investment of time and resources necessitated by these transactions, parties need some degree of certainty before undertaking such a risk. This bill would give so much arbitrary and absolute discretion to the attorney general that health care entities are likely to refrain from these critical transactions in the future, freezing the status quo in California while other states continue to drive toward efficiency and innovation. Investment dollars will flow to health care entities in other states instead. And this is entirely unnecessary, because the attorney general has long had the ability to investigate and prosecute anticompetitive behavior, as does the federal government.

Finally, the bill would grant physician groups, hospitals, health plans, insurers, and pharmacy benefit managers the right to an administrative hearing if the attorney general denies a proposed transaction. There could potentially be thousands of these hearings annually, significantly increasing state costs.

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
John Muir Health
Kaiser Permanente
Keck Medicine of USC
Kindred Hospitals
Loma Linda University Health
Private Essential Access Community Hospitals
Providence
Rady Children's

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Scripps Health
Sharp HealthCare
Stanford Health Care
Sutter Health
Tenet Health
University of California
United Hospital Association

cc: The Honorable Jim Wood, DDS
The Honorable Members of the Assembly Appropriations Committee
Allegra Kim, Principal Consultant, Assembly Appropriations Committee
Gino Folchi, Consultant, Assembly Republican Caucus