Purchaser Business Group on Health

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Liz Snow | Chief of Staff
Assemblymember Jim Wood | District 2
State Capitol, Room 6005
Sacramento, CA

Ms. Snow:
Thank you for the opportunity to offer comments on AB 1130, which was introduced by Assemblymember Wood on February 18, 2021. The Purchaser Business Group on Health (previously known as the Pacific Business Group on Health) is a nonprofit coalition based in California, representing nearly 40 private employers and public entities across the U.S. that collectively spend $100 billion annually purchasing health care services for more than 15 million Americans and their families. PBGH has a 30-year track record of incubating new, disruptive operational programs in partnership with large employers and other health care purchasers. Our three areas of strategic focus are advancing quality, driving affordability, and fostering equity. Our initiatives are designed to test innovative methods and scale successful approaches that lower health care costs and increase quality in California and across the U.S.

We strongly support the creation and implementation of the Office of Health Care Affordability, as described in AB 1130. From the employer/purchaser perspective, we believe the design of the OHCA should meet the following criteria. It appears that the current version of the bill meets all of these standards, with one significant exception as described below.

**Scope**: The OHCA should focus on costs to consumers and purchasers, but it should also take into account quality, access and equity. It is important to establish standards for these non-cost goals and to monitor the health system's performance. Furthermore, the state should not sacrifice quality, access or equity in order to achieve cost targets. AB 1130, as currently written, is consistent with this criterion.

**Data:** The OHCA must have access to all claims and other provider payments, quality data, provider financial reports and any other data needed to assess the state's and specific provider's progress on meeting the goals for cost, quality, access and equity. AB 1130, as currently written, is consistent with this criterion.

**Targets:** The targets should be set for cost levels, not "cost *growth".* Using cost *growth* would implicitly assume that the current level of costs is acceptable. In fact it is not; health care costs are too high for consumers, employers and taxpayers, resulting in reduced wages and crowd-out of needed private and public investment. It is widely known that there is enormous waste in the health care system – approximately 30% by according to reliable estimates -- which means that there is an opportunity to *reduce* costs. Furthermore, we know that there is enormous variation in costs between providers in California, with no discernable difference in quality, which means that high-cost providers can reduce their costs without damaging quality or their financial health. Finally, OHCA should set regional and provider-specific cost targets in addition to a statewide target, to take into account the different current cost levels among providers. AB 1130, as currently written, is consistent with this criterion.

**Incentives:** There must be meaningful financial incentives for providers to meet the cost targets. Without sufficient incentives the state is very unlikely to meet the targets. Although the details of the financial incentives will need to be worked out during the implementation phase, AB 1130, as currently written, is consistent with this criterion.

**Improvement Support:** OHCA should provide technical assistance to providers to achieve cost targets. In other words, the state should not rely only on the "stick" of financial penalties to help providers meet the targets. AB 1130, as currently written, is consistent with this criterion.

**Advisory Board composition:** The role of the Advisory Board is very important to the success of OHCA. In order for it to be effective, it should be composed of key stakeholders as well as experts, and the legislation should specify which stakeholders will be represented on the Advisory Board. The current language of AB 1130, says that Board members shall have "expertise" in health care economics, health care delivery, health care management, etc. While expertise is important, it does not ensure ***representation*** from key stakeholder groups; there is a danger that certain groups – especially consumers and employer/purchaser -- will be left out. Furthermore, we believe that the Board should act in the interests of the general public, not just for the benefit of the health care industry. In order to achieve this goal, a majority of the Advisory Board should consist of consumers and purchasers – those that receive and pay for health care. AB 1130 should be amended to meet these criteria.

**Other:** Ideally, OHCA should encourage the use of alternative (value-based) provider payment models, increased investment in primary care, and expansion and integration of behavioral health services in primary care. AB 1130, as currently written, is consistent with these criteria.

Thank you for your consideration of these comments, and we would be happy to provide additional information or commentary if it would be helpful.

Sincerely,

William E. Kramer
Executive Director for Health Policy