



## Board of Administration

# Agenda Item 9d

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**June 19, 2019**

**Item Name:** Senate Bill 343 (Pan) Health Plan Data Disclosure and Rate Review

**Program:** Legislation

**Item Type:** Action

### **Recommendation**

Adopt a support position on Senate Bill (SB) 343 (Pan), as introduced February 19, 2019. Even if it ultimately does not expand CalPERS' access to healthcare market information, it may improve CalPERS' capacity to obtain and verify healthcare information and could generally improve healthcare transparency.

### **Executive Summary**

This bill removes provisions in the California Health and Safety and Insurance Codes which appear to have permitted Kaiser Permanente to disclose less information than other health plans, thereby placing the same disclosure requirements on Kaiser as required of other plans.

### **Strategic Plan**

This item supports CalPERS 2017-22 Strategic Goal "Transforming Healthcare Purchasing and Delivery to Achieve Affordability."

### **Background**

Current provisions within the California Health and Safety and Insurance Codes limit disclosure requirements relating to rate increases for health plans that exclusively contract with no more than two medical groups, and exclude hospitals that report as a group from certain facility data-reporting requirements. These provisions appear to only apply to Kaiser Permanente.

### **Analysis**

#### Proposed Changes

SB 343 removes provisions relating to health plan data disclosure currently provided under existing law. A few examples of the ramifications are:

- A health plan that exclusively contracts with no more than two medical groups in California is no longer permitted to provide actual trend experience from the prior contract year by aggregate benefit categories that differ from those categories used by other plans.

- Hospitals that report as a group must now generally report revenue by each revenue center.
- The following reports generally must be on an individual hospital basis rather than a group hospital basis:
  - Total operating expenses;
  - Total inpatient gross revenues by payer, including Medicare, Medi-Cal, county indigent programs, other third parties, and other payers;
  - Total outpatient gross revenues by payer, including Medicare, Medi-Cal, county indigent programs, other third parties, and other payers;
  - Deductions from revenue in total and by component, including the following: Medicare contractual adjustments, Medi-Cal contractual adjustments, and county indigent program contractual adjustments, other contractual adjustments, bad debts, charity care, restricted donations and subsidies for indigents, support for clinical teaching, teaching allowances, and other deductions;
  - Total net patient revenues by payer, including Medicare, Medi-Cal, county indigent programs, other third parties, and other payers;
  - Other operating revenue; and
  - Nonoperating revenue net of nonoperating expenses

#### Transparency in the Healthcare Industry

Over the past several years, both the Legislature and the healthcare industry have attempted to respond to demands for increased transparency into healthcare costs, utilization, and outcomes. With additional and improved data on costs and outcomes, it is believed that purchasers will be able to make better decisions and the industry will be able to better identify and resolve problems.

CalPERS is a leader in healthcare transparency and already receives much of SB 343's proposed reporting information by contract. While SB 343 does not necessarily expand the information CalPERS has access to contractually or under the Public Employees' Medical and Hospital Care Act, it does not appear to restrict or limit CalPERS in any manner, and it may provide an additional tool for CalPERS to use to verify that the information it does receive is accurate. In addition, it may increase other purchaser's ability to access healthcare pricing and utilization data, which could help them develop cost containment measures that are similar to those employed by CalPERS.

#### Arguments in Support

According to the author, this bill "will create uniformity in the data health plans and healthcare facilities are required to report to state regulators..." and that "...allowing Kaiser to avoid reporting on a per facility basis has prevented purchasers and policy makers from comparing regional price variation and profitability (i.e. Bay Area vs. Sacramento) among Kaiser hospitals..."

According to the California State Council of Service Employees International Union (SEIU California), SB 343 will make certain that there is "adequate information to understand the underlying cost drivers behind Kaiser's rates and the degree to which Kaiser hospitals contribute to health care costs" and that the "data from Kaiser is crucial to policymakers' understanding of how California's healthcare markets are functioning."

#### Arguments in Opposition

According to Kaiser Permanente, "it does not build rates and calculate cost trend in the same way as other claims-based systems or capitated systems" and that this bill would require Kaiser

Permanente to “deconstruct our model and establish an entirely new internal structure to look at unit costs for the provision of care...”

## **Budget and Fiscal Impacts**

### Potential Costs:

Cost related to the data reporting requirements of SB 343 are uncertain. While the dollar amount may be sizable for an impacted health plan, it is likely the plan would be able to spread it across many consumers, such that the effect on premium would be minimal.

## **Benefits and Risks**

### Benefits:

- A potential increase in transparency for consumers of large commercial healthcare plans, which could lead to more informed, and ultimately better purchasing policies. For CalPERS specifically, potentially an additional source from which to obtain and verify healthcare information.

### Risks:

- CalPERS may not be able to experience any direct, quantifiable benefit from the bill, but could see very slight increases in its premiums. While far from certain, CalPERS would expect any increase to be negligible.

## **Attachments**

Attachment 1 – Legislative History

Attachment 2 – Support and Opposition

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