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# California State Senate

SENATOR  
**DR. RICHARD PAN**  
SIXTH SENATE DISTRICT



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HUMAN SERVICES  
LABOR, PUBLIC EMPLOYMENT  
& RETIREMENT

## **SB 343: Standardizing Disclosures for Health Plans and Hospitals**

### **Purpose**

SB 343, sponsored by SEIU California, will create uniformity in the data health plans and healthcare facilities are required to report to state regulators by removing provisions of law that allow Kaiser Permanente to report more limited information compared to all other health plans and hospitals.

### **Background on health plan provisions**

Under existing law, health plans and health insurers are required to submit detailed data and actuarial justification for rate increases in the individual and small group markets, and to disclose aggregate rate increases in the large group markets, via reports to the Department of Managed Health Care or the Department of Insurance, which are available to the public. Though regulators do not have the authority to modify or reject rate changes, "rate review" has increased transparency on the factors contributing to the rising cost of health insurance.

As part of this rate review process, health plans are required to report the projected trend factor by benefit category, such as the projected cost increase for hospital inpatient, hospital outpatient, physician services, prescription drugs, and other ancillary services. However, Kaiser is specifically exempted from having to report projected assumptions, and instead is permitted to disclose its actual experience for the prior benefit year "using categories that are, to the maximum extent possible, the same or similar to those used by other plans." In practice, this has allowed Kaiser to propose rate increases without showing the underlying assumptions. Rate filings from other health plans, such as Blue Shield of California, show projected medical trend factor assumptions for various categories, such as hospital inpatient or outpatient, radiology, and laboratory services. Kaiser, on the other hand, lumps all of these into one "hospital inpatient" category, and just provides the actual trend factor from the prior 12 months rather than a projection for the year ahead. Kaiser has a very large market share in the large group market. Not having to report its assumptions for price increases across benefit categories, like every other health plan is required to do, prevents purchasers and regulators from being able to negotiate for more favorable terms or accurately judge whether the proposed rate increases are reasonable.

### **Background on hospital provisions**

Under existing law, licensed health facilities are required to make certain reports to the Office of Statewide Health Planning and Development (OSHPD), including financial and utilization data, such as revenues by payer and by revenue center for individual hospitals. However, Kaiser hospitals are authorized to report costs and revenues as a group, so that all of their hospital's revenues are reported as a group for either Kaiser Permanent Southern California or Kaiser Permanente

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Northern California. In practice, this has meant that the public has only a fraction of the information that other hospitals in the state provide. 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, unlike the data provided by each of Sutter Health's hospitals, for example.

**This bill:**

Creates more uniform reporting standards for health plans and hospitals by:

- Deleting Kaiser-specific language allowing a different method of reporting in individual, small group, and large group health plan and health insurance rate filings.
- Deleting Kaiser-specific language allowing more limited and aggregated hospital financial reporting to OSHPD.

**Staff Contact**

Vincent Marchand / [vince.marchand@sen.ca.gov](mailto:vince.marchand@sen.ca.gov) / (916) 651-4111

**Sponsor Contact**

Michelle Cabrera / SEIU California / [mcabrera@seiucal.org](mailto:mcabrera@seiucal.org) / (916) 288-1547



# California LABOR Federation

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Art Pulaski *Executive Secretary-Treasurer* Kathryn Lybarger *President*

[www.CaliforniaLabor.org](http://www.CaliforniaLabor.org)

March 6, 2019

Senator Richard Pan  
Chair, Senate Health Committee  
State Capitol, Room 2191  
Sacramento, CA 95814

RE: **SB 343 (Pan) – SUPPORT**

Dear Senator Pan:

The California Labor Federation supports your bill, SB 343, which will create uniformity in health plan and hospital reporting to state regulators by removing exemptions in existing law that allow Kaiser Permanente to report more limited information than other plans or facilities.

Rising health care costs have created an affordability crisis. Californians struggle to afford their premiums, deductibles, and co-pays and often ration their own care. Kaiser is one of the largest players in the health care industry in California, as a health plan, hospital, and medical group. Understanding Kaiser's financial status, cost drivers, and other information is critical to understanding and controlling health care costs.

Under existing law, health plans and health insurers are required to submit rate filings to the Department of Managed Health Care and Department of Insurance detailing cost drivers of premiums and other data. Regulators then review the filings for the individual and small group market and make determinations if rate increases are reasonable and justified or not.

However, Kaiser is specifically exempted from having to report certain information that other health plans are required to report in their rate filings. In practice, this has allowed Kaiser to propose rate increases without showing the underlying assumptions driving or justifying those increases. This exemption allows Kaiser to continue to increase rates in a black box hidden from regulators and the public. For purchasers in the large group market – employers and trust funds – this lack of information limits our ability to understand rising health care costs and negotiate for better rates.

Existing law requires licensed health facilities to make certain reports to the Office of Statewide Health Planning and Development (OSHPD). Kaiser hospitals again have an exemption in the law that allows them to report a fraction of the information that other hospitals provide. This exemption prevents purchasers, regulators, and researchers from investigating regional and facility differences and obscures the full financial picture of Kaiser.

SB 343 simply levels the playing field between Kaiser and all other health plans, insurers, and hospitals in the state by removing the “Kaiser exemption” in existing state reporting law.

For these reasons, we urge you to vote “YES” on SB 343 (Pan) when it comes before you in the Senate Health Committee.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sara Flocks', written over a horizontal line.

Sara Flocks  
Public Policy Coordinator  
SF: sm  
OPEIU 29 AFL CIO

Cc: Committee Members



February 26, 2019

Honorable Dr. Richard Pan, Chair  
Senate Health Committee  
State Capitol, Room 2191  
Sacramento, CA 95814

## RE: SB 343 (Pan) Healthcare Data Disclosure – SPONSOR & SUPPORT

Dear Senator Pan,

On behalf of our 700,000 members, the California State Council of the Service Employees International Union (SEIU California) is proud to sponsor SB 343 (Pan), your bill to remove Kaiser-specific exceptions to health insurance and hospital transparency specified in existing law. SB 343 (Pan) will ensure that union members and employers bargaining for benefits have adequate information to understand the underlying cost drivers behind Kaiser's rates and the degree to which Kaiser hospitals contribute to health care costs. Given that Kaiser health plan represents 40% of the insurance market, and one out of every ten California hospitals is a Kaiser facility, these data from Kaiser are crucial to policymakers' understanding of how California's healthcare markets are functioning. More importantly, the unlevel playing field afforded to Kaiser puts purchasers at a competitive disadvantage when negotiating insurance rates and gives Kaiser an unfair advantage with its competitors.

While employers shoulder a significant share of healthcare costs, the impact on individual workers is even more severe. As the price of healthcare escalates, workers are left to shoulder the financial burden of higher premiums, co-pays and deductibles – an invisible form of compensation that does not go back into the family budget and the economy as a whole. A recent national study by the Economic Policy Institute shows that for family coverage, total employer sponsored insurance premiums rose from \$5,791 in 1999 to \$18,142 in 2016. For the bottom 90% of workers, this change meant the share of a worker's earnings going toward healthcare doubled, over the period. In real money, this is comparable to the loss of \$12,350 per year for a family, or a foregone pay raise of 26%. In California, premiums for job-based health insurance have risen 249% since 2002 - more than six times the rate of general inflation.

What is worse - workers are paying more for their coverage, even when they use the same or fewer healthcare services. The transparency we now have tells a story of prices driving cost increases without any justification on the utilization side. For example, last year alone, Kaiser increased insurance premiums on 4.9 million Californians by 5.2%, which amounts to an additional \$1.4 billion in premium costs. Despite limited detail on the justification for the proposed rate hike, the 2018 large group insurer rate filings demonstrated that all of Kaiser's 5.2% premium increases were due to price inflation, not utilization.

Transparency has been an effective tool for: 1) better understanding the underlying healthcare cost drivers, and 2) holding the industry accountable. California has enacted a series of successful laws to bring greater transparency to health insurance. In particular, SB 546 (Leno) Chapter 801, Statutes of 2015 requires insurers in the large group market (those with over 100 covered lives) to submit aggregate rate reports to California's two health insurance regulators, the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI), respectively. SB 546 also requires those regulators to hold an annual public meeting on large employer market rate filings.

Existing laws for large group market rate review effectively exempt Kaiser from requirements placed on all other insurers to provide their projected trend factor by benefit category. Rather, Kaiser alone is allowed to rely on actual experience from the prior benefit year, using categories that are, "the maximum extent possible, the same or similar to those used by other plans" in rate filings. In practice, this has allowed Kaiser to sidestep the requirement altogether and propose rate increases without demonstrating their underlying assumptions to regulators or purchasers. Rate filings from other health plans, such as Blue Shield of California, show projected medical trend factor assumptions for various categories, such as hospital inpatient or outpatient, radiology, and laboratory services. Kaiser's report collapses all these benefit categories into a single aggregate "hospital inpatient" number and uses the actual trend factor from the prior 12 months as justification, rather than a projection for the year ahead. Given that Kaiser health plan dominates the large group insurance market with 58% market share, this lack of transparency has a huge impact on California workers and their employers.

In addition to removing Kaiser's insurance reporting exemption, SB 343 would strike Kaiser's unique exemption to facility-based hospital reporting under the Office of Statewide Health Planning and Development (OSHPD), which permits Kaiser to report costs and revenues regionally, rather than by hospital. Due to the regional variation in hospital prices across California, particularly between Northern and Southern California, it is important to understand Kaiser's hospitals as they contribute to overall hospital pricing, as well as Kaiser's insurance rates.

There was a time when Kaiser's integrated delivery model was truly novel. In the years since Kaiser's phenomenal economic success – Kaiser currently has \$31 billion in reserves and \$2.5 billion in net profits – many other health systems have adopted the integrated delivery system model. In 2019, it is no longer fair or reasonable to exempt Kaiser from the transparency requirements which apply to all other integrated delivery models, and to all other health plans and hospital systems. It is for those reasons that we are proud to support your SB 343.

Sincerely,



Michelle Doty Cabrera  
Healthcare Director



## CALIFORNIA TEAMSTERS PUBLIC AFFAIRS COUNCIL

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LEGISLATIVE DIRECTOR

To: All Members of the Senate Health Committee

From: Shane Gusman  
Matt Broad

Re: SB 343 (Pan) - SUPPORT

Date: March 4, 2019

The California Teamsters support SB 343 by Senator Richard Pan.

SB 343 would ensure that union members and employers bargaining for benefits have adequate information to understand the underlying cost drivers behind Kaiser's rates and the degree to which Kaiser hospitals contribute to health care costs. Given that Kaiser health plan represents 40% of the insurance market, and one out of every ten California hospitals is a Kaiser facility, these data from Kaiser are crucial to policymakers' understanding of how California's healthcare markets are functioning. More importantly, the unlevel playing field afforded to Kaiser puts purchasers at a competitive disadvantage when negotiating insurance rates and gives Kaiser an unfair advantage with its competitors.

The Teamsters have historically supported measures that promote transparency across the healthcare industry. The cost of healthcare has grown more unaffordable by the year, making it increasingly difficult to bargain with our employers on raises for Teamster members. Transparency continues to be an effective tool for: 1) better understanding the underlying healthcare cost drivers, and 2) holding the industry accountable. California has enacted a series of successful laws to bring greater transparency to health insurance. SB 546 (Leno) Chapter 801, Statutes of 2015 requires insurers in the large group market (those with over 100 covered lives) to submit aggregate rate reports to California's two health insurance regulators, the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI), respectively. SB 546 also requires those regulators to hold an annual public meeting on large employer market rate filings.

In addition to removing Kaiser's insurance reporting exemption, SB 343 would strike Kaiser's unique exemption to facility-based hospital reporting under the Office of Statewide Health Planning and Development (OSHPD), which permits Kaiser to report costs and revenues regionally, rather than by hospital. Due to the regional variation in hospital prices across California, particularly between Northern and Southern California,

it is important to understand Kaiser's hospitals as they contribute to overall hospital pricing, as well as Kaiser's insurance rates.

In 2019, it is no longer fair or reasonable to exempt Kaiser from the transparency requirements which apply to all other integrated delivery models, and to all other health plans and hospital systems. It is for those reasons that we are proud to support SB 343.

On behalf of the California Teamsters, we urge your "AYE" vote on SB 343.

cc: Senator Richard Pan



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Sonya Young  
California Black Women's Health Project

February 26, 2019

The Honorable Dr. Richard Pan, Chair  
Senate Health Committee  
State Capitol  
Sacramento, CA 95814

**Re: SB 343 (Pan) – Support**

Dear Senator Pan,

Health Access California, the statewide health care consumer advocacy coalition committed to quality, affordable health care for all Californians is pleased to support SB 343 (Pan) which as introduced would create uniformity in the data health plans and health care facilities are required to report to state regulators by removing provisions of law that allow Kaiser Permanente to report more limited information compared to all other health plans and hospitals.

Health Access California has long supported and sponsored legislation to improve transparency and reporting requirements in the health care industry. In order to tackle the issue of rising health care costs, there must be transparent, comprehensive, and comparable data throughout the system in order to come up with evidence-based solutions. Kaiser Permanente dominates the large group market (over 10 million lives in total) with a 58% share. For years, Kaiser Permanente has been given a different standard, or has been all together exempt from reporting data related to rate review filings and hospital financial reporting, which leaves regulators and policymakers in the dark. A second year of financial disclosures (made pursuant by SB 546, Leno) show that health care provider costs continue to comprise the largest proportion of overall health care spending, and that prices, not utilization, contribute more to the rising premiums<sup>1</sup>. This underscores the need for more uniform data across sectors, in order to make better comparisons of health care costs.

SB 343 will create more uniform reporting standards for health plans and hospitals by removing Kaiser-specific language allowing a different method of reporting of health plan and health insurance rate filings to DMHC, and removing Kaiser-specific language allowing more limited and aggregated hospital financial reporting to OSHPD. For these reasons we are pleased to support this measure.

Sincerely,

Anthony Wright  
Executive Director

Anthony Wright  
Executive Director

Organizations listed for  
identification purposes



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CC: Members and Staff of the Senate Health Committee  
Senator Richard Pan, Author

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<sup>1</sup> UNITE HERE, [It's Still the Prices: Second Year Data from California's Rate Filing Law](#),  
September 2018

BROAD & GUSMAN  
GOVERNMENTAL ADVOCACY

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To: All Members of the Senate Committee on Health

From: Shane Gusman  
Matt Broad

Date: March 4, 2019

Re: SB 343 (Pan) - SUPPORT

Clients: UNITE-HERE, AFL-CIO  
CA Conference of Machinists  
Utility Workers of America  
Inlandboatmen's Union of the Pacific  
Engineers and Scientists of CA, IFPTE Local 20, AFL-CIO  
Professional and Technical Engineers, IFPTE Local 21, AFL-CIO  
CA Conference Board of the Amalgamated Transit Union  
SAG-AFTRA

The above unions support SB 343 by Senator Richard Pan.

SB 343 would ensure that union members and employers bargaining for benefits have adequate information to understand the underlying cost drivers behind Kaiser's rates and the degree to which Kaiser hospitals contribute to health care costs. Given that Kaiser health plan represents 40% of the insurance market, and one out of every ten California hospitals is a Kaiser facility, these data from Kaiser are crucial to policymakers' understanding of how California's healthcare markets are functioning. More importantly, the unlevel playing field afforded to Kaiser puts purchasers at a competitive disadvantage when negotiating insurance rates and gives Kaiser an unfair advantage with its competitors.

We have historically supported measures that promote transparency across the healthcare industry. The cost of healthcare has grown more unaffordable by the year, making it increasingly difficult to bargain with our employers on raises for our members. Transparency continues to be an effective tool for: 1) better understanding the underlying healthcare cost drivers, and 2) holding the industry accountable. California has enacted a series of successful laws to bring greater transparency to health insurance. In particular, SB 546 (Leno) Chapter 801, Statutes of 2015 requires insurers in the large group market (those with over 100 covered lives) to submit aggregate rate reports to California's two health insurance regulators, the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI), respectively. SB 546 also requires those regulators to hold an annual public meeting on large employer market rate filings.

In addition to removing Kaiser's insurance reporting exemption, SB 343 would strike Kaiser's unique exemption to facility-based hospital reporting under the Office of Statewide Health Planning and Development (OSHPD), which permits Kaiser to report costs and revenues regionally, rather than by hospital. Due to the regional variation in hospital prices across California, particularly between Northern and Southern California, it is important to understand

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Kaiser's hospitals as they contribute to overall hospital pricing, as well as Kaiser's insurance rates.

In 2019, it is no longer fair or reasonable to exempt Kaiser from the transparency requirements which apply to all other integrated delivery models, and to all other health plans and hospital systems. It is for those reasons that we are proud to support SB 343.

On behalf of the above unions, we urge your "AYE" vote on SB 343.

cc: Senator Richard Pan



## SMALL BUSINESS MAJORITY

March 20, 2019

The Honorable Dr. Richard Pan, Chair  
Senate Health Committee  
State Capitol, Room 2191  
Sacramento, CA 95814

RE: Legislation pending on Healthcare Data Disclosure (SB 343)

Dear Senator Pan,

As a representative of the 30 million small businesses in America and the more than 3.9 million in California, Small Business Majority writes today in support of SB 343, which would create healthcare data transparency parity across California's healthcare industry. Requiring uniform disclosure information about healthcare usage, costs and outcomes would further efforts to improve affordability and quality of existing healthcare options.

Small Business Majority is a national small business advocacy organization with multiple offices throughout California, founded and run by small business owners to ensure America's entrepreneurs are a key part of a thriving and inclusive economy. We actively engage small business owners and policymakers in support of public policy solutions, and deliver information and resources to entrepreneurs that promote small business growth and drive a strong, sustainable job-creating economy. A key component of our work involves outreach and education to small business owners on a range of small business issues, including healthcare, retirement security, access to capital and more.

While millions of Californians have gained healthcare coverage in recent years, many still struggle to afford medical costs for copays and deductibles, making it difficult to actually use the coverage they have. And while the rate of annual increases in premiums and healthcare costs has slowed post-Affordable Care Act, there is a continued lack of transparency in healthcare costs that makes it difficult for consumers to understand how much they will spend on medical care or compare costs across providers. This problem is complicated by existing exemptions in reporting requirements for Kaiser Permanente, the state's largest healthcare provider. Without access to all healthcare providers' rates and financial information, California consumers and lawmakers cannot fully understand the drivers of healthcare costs in California.

Small business owners are concerned about rising healthcare costs, and support commonsense solutions to lower costs. Our scientific opinion polling shows that 91% of California's small business owners agree there should be more transparency on pricing and quality to allow patients to make informed decisions about where they receive care.

SB 343 would address the issues around lack of transparency by creating more uniform reporting standards for health plans and hospitals. This could significantly improve affordability for all Californians, including many entrepreneurs and small business employees. Requiring greater transparency from Kaiser would bring them in line with the rest of the healthcare industry, which will in turn help lower healthcare costs for California's business owners by ensuring employers have access to adequate information about rates and cost drivers behind California's healthcare.

We urge you to support SB 343 to further promote transparency and affordability in California's healthcare marketplaces.

Sincerely,

Mark Herbert, California Director  
Small Business Majority

Silicon Valley Employers Forum  
400 Concar Drive  
San Mateo, CA 94402



May 30, 2019

Senator Pan  
California State Capitol  
Sacramento, CA 95814

**RE: Senate Bill 343 (Pan) Healthcare data disclosure - SUPPORT**

Dear Senator Pan:

On behalf of the Silicon Valley Employers Forum, a 501(C6) association representing over 50 high tech employers who sponsor healthcare benefits for its employees and families, I am writing in support of SB 343 (Pan) which will create reporting parity in California's healthcare industry. California law currently requires aggregate rate reporting broken out by benefit category and requires each hospital to report facility-level data. This bill would repeal Kaiser's exceptions bringing them in line with the rest of the healthcare industry, ensuring that consumers, policymakers, and employers have adequate information understand the rates and costs drivers behind healthcare in California.

As the cost of healthcare increase, California's are left to pick up a larger share of the costs. According to the Kaiser Family Foundation Employer Health Benefits Survey, "since 2008 premiums have increased 55%, twice as fast as workers earnings and three times as fast as inflations."<sup>1</sup> Rising healthcare costs eat into workers paychecks. However, in California, it is difficult to find the true costs of healthcare because Kaiser, the largest healthcare provider in California has exceptions to reporting data unlike the rest of the healthcare industry. Given that Kaiser's health plan is 40% of the California's insurance market, not having Kaiser's rate and financial data means that we do not have a clear picture of healthcare costs in California.

SB 343 (Pan) will simply remove Kaiser's exception, bringing them in line with the rest of the industry. Having uniformed data disclosure will allow consumers and policymakers to make an "apples to apples" comparison of the true costs of healthcare. This bill will ensure that purchasers of healthcare, like large employers or union trust funds, have adequate information when choosing to purchase healthcare plans. Additionally, without adequate healthcare cost data, policymakers are limited in their actions to lower the cost of care for all California's.

SB 343 (Pan), is a measured step to ensure consumers, policymakers, and employers have adequate information to understand the rates and costs drivers behind healthcare in California. For all these reasons, we respectfully request an "aye" vote when SB 343 (Pan) comes before you in committee.

Sincerely,

A handwritten signature in dark ink, appearing to read "Lisa Yee", written in a cursive style.

Lisa Yee  
Executive Director  
(650) 880-2585

CC: Vince Marchand, [Vince.Marchand@sen.ca.gov](mailto:Vince.Marchand@sen.ca.gov)

Matt Lege, Government Relations Advocate SEIU-UHW, [mlege@seiu-uhw.org](mailto:mlege@seiu-uhw.org)

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<sup>1</sup> <https://www.kff.org/health-costs/press-release/employer-sponsored-family-coverage-premiums-rise-5-percent-in-2018/>