



April 14, 2021

The Honorable Dr. Jim Wood, Chair
Assembly Health Committee
State Capitol
Sacramento, CA 95814

Re: AB 1130 (Wood) – Support

Dear Dr. Wood,

Writers Guild of America West (WGAW), a labor union representing 10,000 professional writers of motion pictures, television, radio and Internet programming, is pleased to support AB 1130 (Wood), which would create the Office of Health Care Affordability within the Office of Statewide Health Planning and Development to set enforceable cost targets across all sectors of the health care industry.

WGAW members have fought for decades to maintain our multiemployer health plan, which offers portable health insurance to union members and their families. This self-insured plan covers over 20,000 individuals, the majority of whom reside in California. Although the entertainment industry is often identified by its most successful members, the vast majority of WGAW members are middle-class Californians who rely on the continuous coverage that our health care plan provides. Over the years, in the face of rising health care costs, our members have foregone full wage increases to ensure that their health benefits are maintained, and our health plan has imposed reasonable cost containment strategies. However, costs for our plan continue to rise, reflecting health care inflation that is driven primarily by the suppliers of health care. We are not alone in experiencing this strain; in California, premiums for employer sponsored health insurance increased 234% from 2002-2016,¹ and 83% of premium increases in the fully-insured large group market in 2017 was due to price inflation.²

Health care spending in the United States far outpaces other industrialized countries - we spend twice as much when compared with peer nations. The U.S. has the highest prices for common drugs, office visits and medical procedures. Despite this higher spending, Americans have a below-average supply and utilization of doctors and hospitals compared to our industrialized peers, and experience

¹ Heidi Whitmore, Jon Gabel, "California Employer Health Benefits: Prices Up, Coverage Down – California Health Care Almanac," California Health Care Foundation, March 2017.

² "It's Still the Prices: Second Year Data from California's Rate Filing Law Reveals Prices, not Utilization, Continue to Drive Premium Costs in the Fully-Insured Large Group Market," original report by UNITE HERE, CA Labor Federation, SEIU CA et al., March 2018.

worse health outcomes, including shorter life expectancy and greater prevalence of chronic conditions. Within California alone, there is tremendous and sometimes irrational price variation, both between payers (Medicare, private insurance, the uninsured) and between hospitals and regions. For example, a study showed that the smallest price range for an appendectomy within a single county in California was over \$46,000.³ These high and varied commercial market prices are the result of the unchecked market power of health care suppliers.

The case for an Office of Health Care Affordability is especially compelling during the COVID-19 pandemic, as we anticipate skyrocketing health care costs, continuing the decades-long upward trend. California will need oversight of the health system as a whole to improve sustainability and assess capacity, while preventing price-gouging and abuses. The proposed Office of Health Care Affordability would not only better understand and track health care spending, but would set enforceable cost targets for the entire health care industry. Goals would be set by sector and region, recognizing the differences and complexity throughout California's health care system and allowing for investigation where market failures and consolidation have driven up costs. It is important that the cost goals be complemented with standards on quality, access, and equity in the health care system. The Office of Health Care Affordability will take a comprehensive look at the health system, and be best positioned to ensure that meaningful reforms actually reach consumers, employers, workers, and taxpayers.

For these reasons Writer Guild of America West supports this measure, and we respectfully request your AYE vote on AB 1130 (Wood). We look forward to working with you further to explore measures to address the health care affordability crisis and protect the viability of health care plans for Californians.

Sincerely,

Corrina Freedman

Political and Legislative Director

Laura Blum-Smith

Director of Research and Public Policy

cc: Members and Staff of the Assembly Health Committee

³ Renee Y. Hsia et al., "Health Care as a 'Market Good'? Appendicitis as a Case Study," *Archives of Internal Medicine*, Vol. 172 (no. 10), 2012.