



May 23, 2018

Assemblyman Ash Kalra  
State Capitol, Room 5160  
Sacramento, CA 95814

RE: **AB 3087 (KALRA)—SPONSOR**

Dear Assemblyman Kalra:

Thank you for introducing the California Health Care Price Relief Act, AB 3087. 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 your bill and its goal to provide Californians with relief from the skyrocketing cost of health care. The bill would create the Health Care Cost, Quality and Equity Commission to set the amounts accepted as payment by health plans, hospitals, doctors and other health care providers.

WGAW members have fought for decades to maintain our multi-employer 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,<sup>i</sup> and 83% of premium increases in the fully-insured large group market in 2017 was due to price inflation.<sup>ii</sup>

Health care spending in the United States far outpaces other industrialized countries - we spend twice as much when compared with our peer nations. The U.S. has the highest prices for common drugs, office visits and medical procedures.<sup>iii</sup> For instance, an MRI in the United States has an average price of \$1,119 compared with \$130 in Spain, and a hospital stay costs an average of \$5,220 in the U.S. compared with \$765 in Australia.<sup>iv</sup> Despite this higher spending, Americans have a below-average supply and utilization of doctors and hospitals compared to our industrialized peers, and experience worse health outcomes, including shorter life expectancy and greater prevalence of chronic conditions.

Within the U.S., there is tremendous and sometimes irrational price variation, both between payers (Medicare, private insurance, the uninsured) and between hospitals and regions.<sup>v</sup> For

example, the prices paid for a colonoscopy by a single large insurer in New Jersey fluctuated by close to 400%.<sup>vi</sup> Another study showed that the smallest price range for an appendectomy within a single county in California was over \$46,000.<sup>vii</sup> These high and varied commercial market prices are the result of the unchecked market power of health care suppliers. Studies show that hospitals and providers in a consolidated health care market charge significantly higher prices than providers in competitive markets. A 2018 UC Berkeley study found that in California, average in-patient procedure prices were 79% higher in concentrated markets than in areas with more competition. Average physician prices in concentrated markets were 35% to 65% higher.<sup>viii</sup>

A common feature across countries with universal health care is that the government sets and regulates health care prices and controls overall costs throughout the system, including the commercial market. This bill will establish the Health Care Cost, Quality, and Equity Commission as an independent state agency with the goal of containing health care costs, improving quality and reducing disparities for all Californians. It will regulate prices charged to private purchasers in the individual, small and large group commercial market using the established Medicare payment system. Benchmarking prices to rates based on Medicare creates a simple yet competitive, transparent and public system of pricing. All payers – employers, workers and other consumers of health care – will realize the immediate benefit of paying less for health care.

This bill would provide California with the ability to introduce some much-needed rationality into health care pricing and growth, and would allow health plans like ours to take advantage of these prices. WGAW is pleased to support this bill.

Sincerely,

David Goodman, President

Marjorie David, Vice President

Aaron Mendelsohn, Secretary-Treasurer

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<sup>i</sup> Heidi Whitmore, Jon Gabel, “California Employer Health Benefits: Prices Up, Coverage Down – California Health Care Almanac,” California Health Care Foundation, March 2017.

<sup>ii</sup> “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.

<sup>iii</sup> David A. Squires, “Explaining High Health Care Spending in the United States,” Commonwealth Fund, pub. 1595 Vol 10, May 2012.

<sup>iv</sup> “2015 Comparative Price Report: Variation in Medical and Hospital Prices by Country,” International Federation of Health Plans, July 2016.

<sup>v</sup> Elizabeth Rosenthal, “Paying Till It Hurts,” NYTimes Series; Steven Brill, “Bitter Pill: Why Medical Bills Are Killing Us,” Time, February 20, 2013.

<sup>vi</sup> Uwe E. Reinhardt, “The Many Different Prices Paid to Providers and the Flawed Theory of Cost Shifting” Health Affairs Vol. 30 (no. 11), 2011.

<sup>vii</sup> 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.

<sup>viii</sup> “Consolidation in California’s Health Care Market 2010-2016: Impact on Prices and ACA Premiums,” Nicholas C. Petris Center on Health Care Markets and Consumer Welfare, UC Berkeley, March 26, 2018.