HEALTH ACCESS CALIFORNIA

April 14, 2020

Governor Gavin Newsom
State of California
State Capitol
Sacramento, CA 95814

President pro Tempore Toni Atkins
California State Senate
State Capitol, Room 205
Sacramento, CA 95814

Speaker Anthony Rendon
California State Assembly
State Capitol, Room 219
Sacramento, CA 95814

Re: Health Care Budget Decisions to Protect California Consumers in Response to COVID-19

Health Access California, the statewide health care consumer advocacy coalition working for quality health care for all Californians, respectfully offers the following comments and recommendations to provide relief to Californians in response to COVID-19 in the upcoming budget process.

Health Access commends the Newsom Administration for taking early and swift action to prevent the spread of this coronavirus, while working to enhance our preparedness for the health and economic consequence that will result from the pandemic. We urge both the Governor and the Legislature to prioritize life-saving investments to ensure Californians have access to the health care and coverage they desperately need.

We certainly understand the COVID-19 crisis, and the resulting economic crisis, means that the Governor and the Legislature are starting from a "workload budget" extending from the current year budget rather than the January proposed budget with its many new investments and reforms. However, key investments must be considered as the state works to find solutions to protect families and vulnerable populations. We will also be an active partner with you on the fight for federal relief to maintain a strong safety that gets Californians through this pandemic and protects them from the next one.

We agree with both the Administration and legislative leaders that recognize that even in a workload budget, some investments in responding to our public health emergency will be required. In the middle of a pandemic, California's efforts to continue to

extend access and affordability to care and coverage are more important than ever. In this letter, we support:

- Continued focus on getting and keeping Californians covered and connected to care.
- Continued focus on key consumer protections as they get care, and
- Ongoing oversight over the health care system to ensure its capacity and sustainability.

This public health emergency will require health investments and oversight, which will ultimately help California get out of this crisis and through the economic and budget emergency we are in.

Expedite the Medi-Cal Expansion to Undocumented Seniors

The COVID-19 pandemic and the resulting public health crisis highlight how important it is for California to ensure that all state residents have access to healthcare. According to the Centers for Disease Control and Prevention, individuals who are above age 65 are susceptible to a higher risk of serious illness from COVID-19, including serious complications or even death. Undocumented immigrant seniors are the most at-risk population that is currently excluded from coverage, and so they are less likely to have a doctor or usual source of care to ask about symptoms or preventive care, and would be exposed to the significant costs of follow-up care after emergency coronavirus treatment.

As co-chair of the #Health4All campaign, Health Access California believes the proposal to expand Medi-Cal coverage to undocumented seniors is more urgent than ever. In light of the COVID-19 global pandemic, we urge that the Administration continue with and in fact expedite the implementation of seniors to cover individuals as soon as possible. For example, if the Administration moved the implementation timeline to July 1, 2020, a one-time $64.2 million additional investment would be needed beyond what was proposed in January. Health Access has worked with other advocacy organizations as a stakeholder to implement both Health4AllKids and Health4AllYoungAdults. We are confident that the work done previously on expansions to undocumented communities can be used as a blueprint and should be used to accelerate implementation to get this high-risk population access to full-scope Medi-Cal.

We appreciate that the Department of Health Care Services provided guidance on expanding services for emergency Medi-Cal in relation to testing and treatment for COVID-19. However, we urge people who have symptoms to first contact their doctor or usual source of care, which those on emergency Medi-Cal may not have. For undocumented seniors, if they have pneumonia, bronchitis, the flu, an intense cold, or lung cancer instead of COVID-19, treatment may not be covered. Many may stay away from care for fear of a medical bill they cannot afford. Even if they are covered for coronavirus, there is likely to exacerbated comorbidities and significant follow-up care into the future that is not covered by emergency Medi-Cal. Leaving this at-risk population uninsured not only threatens their life or creates irreparable complications for this higher risk, elderly population, it makes it harder to track and treat this pandemic overall. Providing comprehensive coverage including primary and preventive care is a cost-effective way to spend limited resources while ensuring undocumented seniors can age with dignity and thrive.

Additional State Subsidies for Individuals Buying Coverage in Covered California

During the course of the last three weeks in March and first week of April, California saw a massive spike in unemployment impacting over two million individuals and climbing. Projections suggest that a significant percentage of these Californians will lose employer-based coverage, and need to seek coverage through Medi-Cal or Covered California. While the ACA provides federally-funded affordability assistance, many Californians in this high-cost state and in this economic climate will find coverage in Covered California unaffordable without additional state subsidies. Many falling off employer-subsidized coverage will experience sticker shock in having to buy insurance as individuals without additional affordability assistance.

Many Californians received new state subsidies this year and we must work to make those subsidies permanent. However, significant gaps in affordability remain a barrier for Californians in terms of both premiums and cost sharing, including copays and deductibles. Deductibles for the standard silver plan will be $4,000 in 2021 and while the deductible only applies to hospitalization, in the age of COVID-19. $4,000 is an enormous amount of money for those making $24,000-$50,000 a year (roughly 200%-400% of federal poverty).

Those who buy coverage as individuals are among the worst impacted by this economic crisis: self-employed and small business owners, young adults just starting their careers, those in restaurant and retail and the "gig" economy. Given the high cost-of-living in our state, California should do more to help consumers afford to get care and coverage, whether that means leveraging funds to states from the CARES Act or future federal funding packages, as well as using unspent state funding for this fiscal year to make additional improvements to affordability. During a pandemic, a top priority should be to find every means possible to help Californians keep coverage, and to provide financial assistance.

Surprise Medical Bills

Stopping surprise medical bills is another issue that is more relevant than ever in this crisis. Stopping surprise medical bills has been discussed in the Legislature for the last several years, and by the Governor in his budget proposal in January.

This core consumer protection would not cost the state any additional money, but would prevent patients from facing unfair and inflated bills when seeking care for testing and treatment. In this public health emergency, it is more likely than ever that patients may find themselves in an out-of-network setting, through no fault of their own. While California took bold action to stop most physician balance billing with AB 72 of 2016, over six million Californians are at risk of emergency room surprise bills, and need emergency action. Federal attention has not yielded action yet, and a state solution is needed now.

In a pandemic, we can't have people scared about getting the care they need for fear of a surprise bill, nor should we have them face unfair bills or inflated premiums after the fact.

Healthcare Payments Database

The public health emergency is requiring significant new public investment in our health system to respond to the needed surge of treatment, while at the same time leading to a loss of revenue in other areas and to the projection of significant increases in costs next year. In order to guide policymakers to ensure a sustainable and affordable health system after this crisis, California needs a Healthcare Payments Database to have some oversight and monitoring of these health care prices and costs. After years of debate and development, California is very close to establishing and implementing a database—and it will be needed more than ever in the next few years as state policymakers sort through the repercussions of this crisis.

The Healthcare Payments Database has been under development by the Office of Statewide Health Planning and Development (OSHPD) which convened a review committee composed of the senior leadership of major organizations representing a variety of stakeholders including purchasers and consumers as well as health care industry voices, including Health Access California representing consumers. OSHPD issued in March, months ahead of schedule, a report including numerous consensus recommendations on the implementation of a healthcare payments database. This already completed work sets the stage for the implementation of a healthcare payments database in the budget year.

As we understand it, funding provided in a prior year budget is sufficient to fund the start-up of the database in the budget year. For the out years, funding can be derived from the following sources:

- Any remaining General Fund not yet expended.
- Federal financial participation: some other states receive substantial federal match, in some cases not limited to just the Medicaid share of the population
- User fees:
    - We would support an appropriate sliding scale, but recognize fees will likely need to be modest and will not by themselves sufficient to sustain a database but may provide an increment of funding.
    - User fees should not be so high as to deter research by less well-funded organizations, and there should be consideration for different types of users, such as consumer advocacy organizations and researchers not funded by the healthcare industry itself.
- Fees on health plans and insurers:
    - Similar to funding of the Office of Patient Advocate and SB 17 implementation by OSHPD, licensing fees on health plans and insurers can provide ongoing funding to sustain the database.
    - While this was not a consensus recommendation of the review committee, it was discussed in that setting.
    - If there is not sufficient General Fund, this approach would create a sustainable funding stream for the database.
    - We would also note that this complements the efforts to achieve universal coverage while improving affordability of that coverage for consumers and purchasers.

There is some disagreement between the Legislature and the Administration over which recommendations made by the review committee should be codified and the precise language to codify the recommendations. For example, AB 2830 includes a requirement that OSHPD develop a master provider index and a master patient index, both of which would be helpful in the current crisis in tracking providers across different health care entities and tracking patients as coverage sources change due to the loss of employer coverage followed by enrollment in Medi-Cal or Covered California. In contrast, the trailer bill is silent on this recommendation. This is only one example of many where the trailer bill is silent on a consensus recommendation while the legislation includes language to codify almost of the consensus recommendations.

This work is ready to progress; waiting another year would risk losing the existing momentum toward a Health Payments Database, something which many other states have and which is the foundation of oversight of health care costs for those states. If the database had been implemented as recommended, it would likely be useful in managing the health care system during this crisis. It is urgent that we have this tool to help California have the information to help recover from this emergency moment.

Health Access also supports the following proposals that were in the January Budget:

We are well aware that both the Governor and the Legislature have acknowledged that California finds itself in a dramatically different budget situation than anticipated in January. We offer comments on January budget proposals because these were important proposals made by the Administration that may proceed in whole or in part either this year or next year. At the time of this writing, it is uncertain as to which will proceed when. We provide these comments in case some, all or some portion of these proposals proceeds.

Office of Health Care Affordability: Similar to the database, having an Office of Health Care Affordability would have been beneficial in this crisis to have a better handle of California's health care system as a whole. The many market failures in the health market that have led to high prices in some regions have also led to the mismatch of capacity that we are scrambling to fix now. When California policymakers can focus on it, hopefully soon, Health Access strongly supports the proposed new Office to provide oversight of inflated health prices and set enforceable targets. The Office will collect and analyze data and increase transparency in the health system and set cost targets for the industry by sector. The Office will develop strategies and provide tools to attain those goals, and impose real financial consequences if they are not met. With support from consumer, labor, employer, and even some health plans and provider organizations, this bold proposal will help fix not just specific health care market failures and abuses, but provides a comprehensive approach to contain health care costs. The ultimate goal is to yield savings that are tangible to consumers, employers and other purchasers of private health insurance.

Prescription Drugs: The January budget includes a multi-prong attack to address prescription drug prices and use California's purchasing power to get the best price not just in the nation, but internationally. Health Access has been generally supportive of these various efforts and would support them either this year or next:

- Giving the State of California authority to directly contract to manufacture or label specific generic drugs. This proposal recognizes that generic drug prices have gone up substantially while also addressing instances of acute market failures such as insulin, EpiPen, or Martin Shkreli and Daraprim. A California-labeled generic drug could provide competition to bring prices down in select situations.
- Expanding 'Medi-Cal Best Price' negotiations to get the best price internationally
- Expanding DHCS' authority to negotiate drug rebates for populations outside of the Medi-Cal program, and
- Creating single statewide drug-pricing schedule for public and private purchasers

CalAIM: Health Access California was excited by the various efforts to improve the Medi-Cal program, including holding the Medi-Cal managed care plans accountable to higher standards for improving quality, equity, outcomes, and experience for patients—especially through proposed re-procurement and re-contracting processes. In particular, Health Access supports the overall goals of the Administration's CalAIM, to improve quality outcomes and drive delivery system transformation for the 13 million Californians who depend on Medi-Cal coverage, to better standardize and streamline Medi-Cal to reduce complexity and increase flexibility, and to provide better coordinated and integrated "whole person" care addressing the social determinants of health.

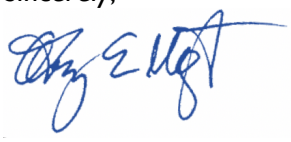
- While we recognize that the January budget proposal is no longer operative, we want to be on the record supporting the proposed $695 million investment in the Medi-Cal program, largely for enhanced services, population health management, and better integration and coordination. Our Executive Director served on two CalAIM workgroups, seeking to adjust and improve proposals, mostly by ensuring that if Medi-Cal managed care plans were given more responsibility, it came with the needed oversight and accountability to achieve the ultimate goals on behalf of patients.
- We hope that parts of that proposal that are particularly relevant to this crisis, including the various efforts to help the homeless population, can still move forward in some fashion in the near future.
- An important part of CalAIM was the renewal of 1115 waivers which provided key funding and flexibility, especially for our safety-net hospitals. We seek to strongly support efforts to secure federal funding for the Medi-Cal programs, including the needed federal approvals and waivers, or extensions. This includes supporting the state's renewal of an 1115 waiver, including the Global Payment Program to allow public hospital counties to provide primary and preventive care, outside the actual hospital.

While we recognize the current COVID-19 crisis changes the state budget conversation dramatically, a public health emergency requires specific health investments and consumer protections, now more than ever. We especially need to prioritize communities like low-income undocumented seniors who deserve the necessary primary and preventative care needed to manage preexisting conditions in the midst of a global pandemic. Expediting the implementation of full-scope Medi-Cal has the potential to save many lives. We also support additional efforts to secure and expand coverage, to ensure key consumer protections against surprise bills, and to provide

needed oversight over the health system to ensure its sustainability. Health Access looks forward to working with your administration and the legislature to accomplish these goals.

If you have any questions, please reach out to Ronald Coleman, Health Access' Director of Policy and Legislative Advocacy at rcoleman@health-access.org or by mobile phone at 916-475-7156. Thank you for your consideration.

Sincerely,



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