



June 29, 2017

The Honorable William Monning
Member, California State Senate
State Capitol, Room 313
Sacramento, CA 95814

Michael D. Belote

Dennis K. Albiani

Julianne A. Broyles

Lexi Purich Howard

Faith Lane

John F. O'Malley

Ralph F. Simoni

**SUBJECT: SB 538 (MONNING) FAIRNESS IN HOSPITAL
CONTRACTS AND MERGERS – SUPPORT
ASSEMBLY HEALTH COMMITTEE
SET FOR HEARING: JULY 11, 2017**

Dear Senator Monning:

The California Association of Health Underwriters (CAHU) is pleased to **SUPPORT SB 538**, as amended May 26, 2017, which ensures that hospital negotiations and mergers are done in a manner that mitigates adverse consumer impacts, especially for California's rural regions.

SB 538 provides an equitable balance for hospitals contracting with health plans and employer groups, by allowing for competition, fair negotiations, protection of reasonable proprietary terms, and improving an otherwise opaque process. CAHU believes **SB 538** provides consumers benefits by allowing hospitals to consolidate to provide better care coordination. This bill also mitigates consumer harm, if hospitals attempt to use their market power to increase prices.

A recent University of Southern California (USC) study entitled "Hospital Prices Increase in California, Especially Among Hospitals in the Largest Multi-hospital Systems," found that the consolidation and merging of large hospital systems has not provided the expected savings and benefits to consumers. In fact, prices at hospitals that are members of multi-hospital systems increased by 40 percent more than California hospitals not associated with these systems. The findings from USC are compelling and align with the market feedback collected by thousands of California health insurance agents and their clients who are experiencing increasing hospital rates and continue to struggle to afford their rising health care costs.

CAHU believes it would also be beneficial to ensure there is clear direction in the bill on the implementation and enforcement for leased network arrangements which are common with California's many self-funded and other non-traditional contracts. As the majority of these third-party arrangements are made with the assistance of licensed insurance agents and benefits consultants, CAHU offers our expertise on these plans as a resource to the author and the committee to help refine the details and process. Additionally, we would like to offer our support and consumer feedback to help improve healthcare quality, affordability and access for all Californians.

The California Association of Health Underwriters is the state's largest association of health insurance agents, brokers and other health insurance industry professionals. Our members help millions of individual Californians and businesses evaluate, select, purchase and use their health care coverage plans, resulting in greater health and financial security. CAHU agents and brokers also act as advocates for policyholders and their families when coverage disputes arise. CAHU agents and brokers also perform many human resource functions for small employers with respect to managing their employee benefits program--all at no additional cost to the small employer.

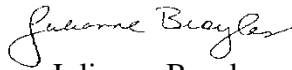
CAHU looks forward to working with you and your staff in **SUPPORT** of **SB 538**. To reach Faith Lane, call 916-441-5050 and to reach Juli Broyles, call 916-601-2910.

Sincerely,



Faith Lane

On behalf of the California Association of Health Underwriters



Julianne Broyles

cc: Chair and Members, Assembly Health Committee
Kristene Mapile, Principal Consultant, Assembly Health Committee
Peter Anderson, Consultant, Assembly Republican Caucus