

LEGISLATIVE UPDATE



Week of March 2, 2020

State Issues

New Details on the Proposed Office of Health Care Affordability

As bills continue to get amended and ready for upcoming policy committee hearings, a major health care policy bill came into focus. **AB 2817 (Wood), Office of Health Care Quality and Affordability**, was amended to include the directive to this new Office aimed at reducing the cost of health care. Specifically, the bill summary states that the Office would “analyze the health care market for cost trends and drivers of spending, develop data-informed policies for lowering health care costs and create a strategy to control health care costs.”

The key strategy for controlling health care costs is for this Office to determine the appropriate health care growth target percentage – positive or negative – for all health care providers in the state. This Office would then measure each provider (hospitals, clinics, physician groups, etc.) against this acceptable expenditure target and then the Office can pursue “enforcement” for those providers who have not met the target. This enforcement can range from technical assistance and correction action plans to civil fines and even rate setting.

Another section of the bill would authorize the Office to have a role in assessing health care facility mergers, acquisitions, or affiliations, which addresses Dr. Wood’s concern that health care consolidation leads to increased health care costs. Any entity anticipating entering into one of these agreements would need to notify the Office at least 90 days before the agreement. If they suspect the change will have a significant impact on market competition, the Office may conduct a cost and market impact review. The Office does not have the authority to stop the merger, but the agreement cannot be finalized until 30 days after the release of the Report. The bill is clear that nothing in it is designed to impede the Attorney General’s current authority in this area.

The Office would be an independent body, run by an Executive Director and governed by a board with 6 members appointed by the Governor, 2 appointed by the Senate, 2 appointed by the Assembly, 1 appointed by the Attorney General, and the Secretary of Health and Human Services will be an ex officio, nonvoting member. The members must have demonstrated knowledge in key health care financing or care delivery areas and should not be connected to a health care facility or trade association or be an active health care provider.

We anticipate that the Governor’s Office and the Administration will have a response to this proposal. They have been in communication with Dr. Wood’s office, but they have made it clear that they may not be in lock step with each other just yet. We expect Dr. Alice Chen, Deputy Secretary for Policy and Planning at the California Health and Human Services Agency, and the Governor’s point person on the Office of Affordability, will be testifying at both the Assembly (Monday, March 9) and Senate (Thursday, March 12) Budget Subcommittee hearings next week. Dr. Wood sits on the Assembly Budget Subcommittee, and we are anticipating a lively discussion.

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<p>COVID-19: Governor Newsom Declares State of Emergency</p>	<p>On Wednesday, Governor Newsom issued a State of Emergency declaration related to the coronavirus (COVID-19). It was an immediate result of the first death from the virus in California, and the intel that a cruise ship with potentially exposed passengers is being held just outside of San Francisco, waiting to be airlifted testing kits before being allowed to dock in the city. The emergency proclamation will do a number of things, including freeing up public property, such as fairgrounds, and unused health care facilities for use by health officials. It also includes provisions to protect against price gouging for items such as hand sanitizer and face masks, and provisions allowing for health care workers to travel from out of state to provide assistance in health care facilities.</p> <p>A link to the Governor’s announcement and emergency proclamation can be found at: https://www.gov.ca.gov/2020/03/04/governor-newsom-declares-state-of-emergency-to-help-state-prepare-for-broader-spread-of-covid-19/</p>
<p>California’s Primary Election</p>	<p>On Tuesday, California held its 2020 primary election. All 80 Assembly seats and half of the 40 Senate seats were up for (re)election. Most of the incumbents faced little to no challenge, but there were some open seats and some contested elections. There isn’t a major wave adjustment we will see in our Legislature because of this election, and the “Mega Majority” of Democrats will still stand. But, included below are some of the more interesting and watched races impacting the state leadership.</p> <ul style="list-style-type: none"> ▪ All eyes were on Chad Mayes, former Republican Assembly Leader, who left the Republican Party and is officially “No Party Preference,” also known as Independent in other states. While the race has not been called yet, he is currently leading the field and will likely make it into the November run-off with the Republican Party-supported candidate, Andrew Kotyuk. His win would show that a more moderate conservative person can win in California. ▪ Another contested race was that of moderate Democrat, Steve Glazer. He was “primaried” which means he was challenged by another Democrat – a much more progressive one, in Marisol Rubio. Glazer beat Rubio handily and is in a run-off with the Republican, Julie Mobley. ▪ In an open seat because of Assemblyman Ian Calderon’s decision not to seek re-election, Republican Jessica Martinez leads with 32.9 percent of the vote. The battle between Democrats Lisa Calderon (18.6 percent), Sylvia Rubio (16.5 percent) and Josue Alvarado (13.2 percent) received a great deal of attention, as Lisa Calderon is Assemblyman Calderon’s stepmom and Sylvia Rubio has two sisters in the Legislature. Sylvia Rubio looks like she is not going to make it into the runoff. ▪ In an open Senate seat, Assemblywoman Susan Eggman leads with 30.4 percent of the vote. Republican Jim Ridenour has 29.4 percent of the vote, while Democrat Mani Grewal has 17.8 percent and Republican Jesus Andrade has 16.3 percent. All eyes were on the battle between the two Democrats in a battle that became very contentious and had the current termed-out Senator from that District, Cathleen Galgiani, endorsing Grewal instead of her current legislative colleague. Eggman will face off against the Republican in November. ▪ Incumbent Republican Ling Ling Chang led her race with 50.1 percent of the vote, with recently recalled Democrat Josh Newman only garnering 32.6 percent of the vote.