2023 California Healthcare Bills Part 2: System Reform, Transparency, and Prescription Drug Costs

In the previous issue of the California Legislative Beat, we examined healthcare bills introduced in the 2023-2024 legislative term that target healthcare consolidation and competition in California (see 2023 California Healthcare Bills – Part 1). In this second part of the two-part series, we explore some newly proposed bills that seek to increase access to care, control costs, and improve transparency in data and prices.

System Reform and Access

California is a leader in innovative healthcare policy and initiatives, particularly to increase patients access to care while lowering overall cost. However, the most direct proposal to achieve these goals is the hardest to pass. For another year in the decade long endeavor, AB 1690 has been introduced to guarantee accessible, affordable, equitable, and high quality health care for all Californians through a single-payer health care program. Advocates argue that universal health care coverage will ensure that everyone is able to access the affordable care a person needs. On the other hand, critics are concerned that it will increase wait times and stifle innovation.

In line with many other states and federal legislation, California legislators are also looking at regulating health insurers' practice of prior authorization. California already has fairly stringent rules around prior authorization, including requiring that written policies are consistent with clinical guidelines, disclosure of these policies, specified timelines for requests, and a standardized form. Building upon these restrictions, SB 598 creates a "gold carding" system that builds in an exemption to prior authorization requirements. It would prevent health plan and insurers from requiring health care providers with at least 36 months of contracting history to complete or obtain prior authorization for certain services. Designed to prevent insurers from delaying patients' access to care, it would entrust doctors with proven track records to prescribe only medically necessary treatment to speed up access to care. This bill is far reaching and covers all plans regulated by the DHMC, insurers regulated by the California Department of Insurance, and Medi-Cal managed care plans to the extent permitted by federal law. It also exempts full integrated health care delivery systems. By covering the majority of the market, the bill can have a substantial impact on the speed and type of care available to patients.

Data and Price Transparency

With all of these changes to enforcement and regulation, the need for accurate data becomes increasingly apparent. Determining which changes have had a meaningful impact requires being able to access information that many providers are reluctant to publicly share. Like other states, California is focusing on closing any gaps in data to ensure that a comprehensive picture can be created from the data.

AB 616 ("Medical Group Financial Transparency Act") specifically targets medical groups that are required to submit financial reports and statements to the newly created Office of Health Care Affordability (OHCA). The act would require any of these submitted documents to become publicly accessible. It also goes further and requires other risk-bearing organizations beyond OHCA's purview to create and share similar financial reports. Greater transparency in health care spending decreases existing gaps in publicly reported data and allows for policymakers and researchers to have a better understanding of the current market. The authors estimate that eliminating waste and increasing efficiency could save Californians $58 to $73 billion per year.

A similar bill that focused on primary care clinics was also introduced this session. [SB 779] ("Primary Care Clinic Data Modernization Act") is a wide-sweeping bill aimed to update primary care providers that were excluded from previous legislation. The act focuses on clinics that are exempted from licensure and requires them to file annual reports with the Department of Health Care Access and Information (HCAI). The annual reports include details on all merger and acquisition information, workforce design, and quality and equity measurers. Failure to comply with this act could result in a civil penalty of $100 per day of noncompliance.

The legislature also continues to introduce price transparency measures that would protect consumers. [AB 716] proposes to fill the gap left by the federal No Surprises Act. It would prevent out-of-network surprise billing for ground ambulatory services and prohibit providers from balance billing its enrollees and insured. Under the bill, out-of-network providers can only charge a maximum of the cost they charge to in-network enrollees and cannot charge uninsured or self-insured people more than the Medi-Cal or Medicare fee-for-service amount.

With increased transparency, legislators and researchers can understand the whole system and identify the areas that need to be changed. Patients can also benefit with more access to information on their care. Given the stark imbalance of knowledge between the health care industry and the public, increasing access to data and information is just the first step in achieving an efficient and affordable health care system.

Prescription Drug Costs

Prescription drug costs have been the focus of federal and state legislation across the country. In recent terms, the particular focus has been on insulin costs. Although existing law requires most health service plans to include coverage for insulin if determined to be medically necessary, the price of insulin is becoming unaffordable for many people. Federally, as part of President Biden’s Inflation Reduction Act, the cost for a month’s supply insulin was capped at $35, but only for Medicare recipients. California lawmakers want to take it a step further to impose a price cap for all insured people. The proposed SB 90 would prohibit health service plans or disability insurance policies from imposing a copayment of more than $35 for a 30-day supply of insulin. The current copay limit is $250. Furthermore, the law would prohibit any deductible or coinsurance of an insulin prescription drug. Notably, similar previous efforts have failed in the California legislature. Last session’s SB 473 had bipartisan support yet was held in the Assembly Committee on Appropriations.

Separately, Governor Newsom has been clear that controlling prescription drug prices is a top priority for the state. On his first day in office, he signed an executive order to decrease these costs. Under the CalRx initiative, the state has secured a contract with Civica, an insulin manufacturer, to produce and sell its own insulin at $30 per vial. It is estimated that this 90% savings will save cash-paying patients between $2,000 and $4,000 annually.

Conclusion

The current California legislative session is an interesting mix of reintroduced and brand-new bills that are ultimately focused on creating a better health care system. System reform is always at the forefront of legislators' minds with the continued decade-long effort to create a single payer health care system. At the same time, policymakers hope to make incremental progress in targeted legislation that would improve healthcare delivery and affordability. Legislation introduced this year will carry over to the 2024 session as part of the 2023-2024 two-year term at the end of the current session in September. Stay tuned to the California Legislative Beat to find out the latest developments in these legislation.