

Q&A: The What, When, Who and How of California's New APCD: The Health Care Payments Data System

Last month, we discussed California healthcare proposals that were postponed or cut due to budget constraints brought on by the pandemic-induced recession. California's proposed all-payers claims database (APCD) project, the Health Care Payments Data (HPD) Program, was one proposal that survived. The passage of the HPD Program demonstrates the Legislature's understanding that health care price transparency is important enough to withstand an extreme budget crunch. In this post, we take a look at the specifics of California's new APCD and answer some important questions about its implementation and what it covers.

What are APCDs and why are they important?

An all-payer claims database is a large state-based database that collects medical claims, dental claims, pharmaceutical claims, and more from both public and private insurers. APCDs are important because they offer price and quality transparency within the extremely convoluted American health care system. 21 other states have implemented or are currently implementing APCD systems.[\[1\]](#) (see [The Source APCD map](#) and [overview](#)).

How did we get here and what is the current status of California's APCD?

California's path to implementation of an APCD has not been an easy one (see [The Source Blog](#) for the long history leading to its APCD). The first attempt to implement an APCD was in 2007, with the introduction of AB 1 by Assembly Member Fabian Nuñez. None of the numerous APCD bills that followed AB 1 survived, until the passage of AB 1810 in 2018, which mandates the Office of Statewide Health Planning and Development (OSHPD) to create and establish the Health Care Cost

Transparency Database by July 2023.

AB 80, the health omnibus trailer bill for the 2020-2021 budget, enacted this June, takes the mandate forward to provide the specifications for its implementation. Specifically, AB 80 removed the provisions related to the Health Care Cost Transparency Database as termed in AB 1810 and ordered OSHPD to implement and administer the Health Care Payments Data (HPD) Program. The resulting system will be known as the Health Care Payments Data System (HPD System).[\[2\]](#)

What are the objectives of the HPD System?

California's Health Care Payments Data Program is a public reporting initiative with a focus on informing policy decisions in support of quality, equity and affordability. The intent of the legislature in AB 1810 was to establish a system to collect information regarding the cost of health care and a process for aggregating such information from many disparate systems, improve data transparency to achieve a sustainable health care system with more equitable access to affordable and high-quality health care for all, and to encourage the use of such data to deliver health care that is cost effective and responsive to the needs of the enrollees.[\[3\]](#)

In short, the three main goals of the HPD System are to:

- Provide visibility on how California spends \$300 billion on health care annually;
- Identify and act on opportunities to improve California's health care system; and
- Support health care research that directly benefits Californians.[4](#)

What data will the HPD System collect and from where?

The HPD System will collect the following types of data:

- Claims and encounters for medical care, prescription drugs, and dental care, including information on the services provided, utilization data and the

amount paid for the services;

- Enrollment data for all covered individuals, including the type of coverage and the member demographics, type of payer (e.g., Medicare, Medi-Cal, private payer), and type of plan (e.g., PPO, HMO);
- Provider data, including provider identifiers, specialty, and network affiliations; capitation, alternative payment models, and other non-claims payment data.[5](#)

The HPD System will likely primarily collect from three sources:

- Department of Health Care Services (DHCS) - including Medi-Cal managed care plans and fee-for-service claims (13 million covered lives);
- Centers for Medicare & Medicaid Services (CMS) - Medicare claims (6 million covered lives);
- Commercial plans and insurers - including both medical and dental claims (15 million covered lives).[6](#)

In all, the HPD System is expected to obtain data from about 34 million covered Californians out of approximately 39.5 million people living in California, which covers a large percentage of the total population. The 5.5 million people who aren't covered include people without health insurance and those who are covered by a voluntary submitter.[7](#)

Who is required to submit data and who is exempt?

The HPD System will collect from both mandatory and voluntary submitters of data. Mandatory submitters include fully insured commercial health plans and insurers, DHCS for Medi-Cal managed care plans and fee for service data, self-insured entities as permitted under federal law, third party administrators of plans, and dental plans and insurers.[8](#)

Voluntary submitters include federal health benefit programs such as TRICARE, and private, self-insured employers. Private self-insured employers cannot be compelled to submit data due to Employee Retirement Income Security Act (ERISA) prohibitions and the U.S. Supreme Court decision in *Gobeille v. Liberty Mutual* but

will be encouraged to participate in the program.⁹ CMS cannot be compelled to submit data, but Medicare fee-for-service data will be requested and data will be acquired from existing CMS systems.¹⁰

Finally, supplemental insurance plans, stop-loss plans, student health insurance, and chiropractic, discount and vision-only plans are excluded from mandatory submission. Plans that cover less than 50,000 individuals are also exempted from reporting data.

How will the HPD System be implemented?

The HPD System will use a tiered approach to providing data:

- Tier One will be implemented first and include “core” data that is readily available in health plans’ and insurers’ data warehouses, including data on claims and encounters, member enrollment, and provider information;
- Tier Two will be an “expansion” on core data and will include data on capitation arrangements, including alternative payments models, pharmacy rebates and pay for performance;
- Ultimately, the HPD System will reach Tier Three which is “maturity” and will include data on lab values and other clinical information through electronic medical records.¹¹

How much will the HPD System cost?

The Legislature appropriated \$60 million from the state’s General Fund as a one-time cost to plan, develop, and build the system through 2025. After 2025, the Legislature requires the development of a sustainability plan, so no additional General Fund financing will be provided. The HPD System will cost approximately \$15 million a year to operate, which amounts to about 0.45 cents per covered individual. Funds are expected to come primarily from special funds created for the program, CMS Medicaid matching funds, and data user fees.

While the complete implementation of the HPD System by 2023 may seem far away, AB 80 and OSHPD have provided a comprehensive guideline and structure for California's mandatory APCD to get the ball rolling. The HPD System will provide important insight on about 86% of Californian's health care costs. With \$300 billion spent annually on health care in California, undoubtedly an APCD is a necessary step in providing transparency of exorbitant health care costs.

Next month, we'll focus on more measures included in AB 80, the omnibus budget trailer bill, including Medi-Cal best price and the supplemental payment pool for non-hospital 340B clinics.

[1] This count only includes APCDs that are mandatory and currently active or in implementation. Some states currently have an existing voluntary APCD system, meaning no mandatory submission of data by any insurer is required. West Virginia and Tennessee have passed statutes to create a mandatory APCD, but there is a currently a hold on the implementation.

[2] Trailer bills are legislation that accompany the annual state budget. These bills implement specific changes to state law that are required to fulfill the budget's policies.

[3] A.B. 1810, Gen. Assemb., Reg. Sess., (Ca. 2018).

[4] Off. of Statewide Health Plan. and Dev., Health Care Payments Data Program Report to the Legislature, at i, (2020).

[5] *Id.* at 25.

[6] *Id.* at 49.

[7] While the ACA and Covered California have expanded health care coverage, about 7% of Californians, or 2.7 million, still remain uninsured.

[8] Off. of Statewide Health Plan. and Dev., *supra* note 4, at 50.

[9] ERISA was enacted in 1974 to regulate employee pension funds, but it also affects employee-sponsored health insurance plans. ERISA is a barrier to state regulation of these employee-sponsored health insurance plans because the act includes a preemption clause that preempts state law when the law interferes with nationally uniform plan administration.

[10] CMS operates its own database where information can be pulled to include in individual state databases. The CMS database can be found [here](#).

[11] Off. of Statewide Health Plan. and Dev., *supra* note 4, at 21.