



**TO:** CALIFORNIA HEALTH CARE PURCHASERS AND NEGOTIATORS  
**FROM:** SALLY COVINGTON  
**SUBJECT:** CALIFORNIA HEALTH CARE COALITION  
**DATE:** 10/6/2005

The Problem. Exploding health care costs continue to create serious problems for all of us.

These costs are squeezing profits, undermining wages and pensions and hurting the overall economy. No longer can we afford to write blank checks to health care providers or intermediaries without knowing the quality or efficiency of what we are buying.

We know that *huge* price and quality variation exists among hospitals and other health care providers. For example, heart or gall bladder surgery costs three times as much in Sacramento as it does in San Diego, *with no measurable difference in the quality of care or patient outcomes*. Variation in charges also exists within a single hospital market. The average charge for a hysterectomy in Sacramento ranges from \$13,921 to \$43,931.

The way the current system works, we pay providers regardless of their efficiency level or the quality of care they provide to plan beneficiaries.

Our Strategy. The California Health Care Coalition has devised a strategy to get at the basic problem of unwarranted cost and quality variation. Working in close alignment with CalPERS, we are organizing purchasers across the state to set and apply performance standards for the health industry. This means:

- Adopting a common set of performance standards, beginning with hospitals
- As a group, negotiating directly with providers and intermediaries to meet these standards or risk elimination from our networks
- Educating members, elected officials and the general public so they understand and support our efforts to preserve workers' access to affordable, high quality care

Our basic position -- the burden of proof must shift to high-cost providers to explain and justify their higher costs or reduce them to the average for comparable patients. Hospitals and health plans must also provide detailed cost and performance (e.g. patient outcome) data so that provider quality and efficiency can be evaluated.

Membership Criteria. Those who purchaser or negotiate with employers for health benefits can formally join CHCC if they meet one of three criteria:

1. A collective bargaining agreement between management and employees is in place
2. A joint labor-management committee (or its equivalent) exists that provides equal participation in decisions about health benefit design and sharing of costs
3. No outstanding labor disputes at the place of employment exist, if neither # 1 nor 2 apply.

Here is what we ask of members:

- An initial contribution of \$10,000
- Participation on the Coalition's steering committee, which will
  - Guide overall strategy
  - Determine how member contributions will be spent
  - Approve a final proposal for CHCC governance and membership fees
- Adoption of the Coalition's price, quality and accountability standards
- Participation in Coalition meetings
- Commitment to member education and mobilization
- Participation in Coalition activities including:
  - Joint negotiations with providers and health plans
  - Press events, community meetings, and public actions
  - Outreach to labor organizations, employers and elected officials
  - Legislative campaigns to promote competitive health care markets, provider performance accountability and industry transparency.

We are willing to make exceptions for smaller employers and union locals for whom this represents too large a financial commitment. We do believe that the CHCC can and will achieve cost savings (and quality improvements) that far exceed this initial contribution.

We also encourage potential members to participate in Coalition meetings for a 3 month trial period so that they can see who is with us, understand more fully how we intend to implement our strategy, and the potential gains from it.

There is strength in numbers. We hope you'll join us.