Briefing: Launch of California’s Office of Health Care Affordability

November 30, 2022
Health Care Affordability in California
Crisis and Response

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CHCF Briefing — Launch of California’s Office of Health Care Affordability
November 30, 2022
For Today

• Overview of HCAI and Context for OHCA
• Overview of the Office of Health Care Affordability
  • Key provisions of the California Health Care Quality and Affordability Act
  • Priorities for initial implementation (first two years)
HCAI Overview

- Established in 1978 as **OSHPD** — the Office of Statewide Health Planning and Development — to ensure health care accessibility in California

- Transitioned to the Department of Health Care Access and Information (**HCAI**) in 2021 to reflect a growing portfolio and a more descriptive name
Our Mission

HCAI expands equitable access to quality, affordable health care for all Californians through resilient facilities, actionable information, and the health workforce each community needs.
HCAI Program Areas

- **Facilities**: monitor the construction, renovation, and seismic safety of California’s hospitals and skilled nursing facilities
- **Financing**: provide loan insurance for nonprofit health care facilities to develop or expand services
- **Workforce**: promote a culturally competent and diverse health care workforce
- **Data**: collect, manage, analyze, and report information about California’s health care infrastructure and patient outcomes
- **Affordability**: analyze health care cost trends and drivers of spending, enforce health care cost targets, and conduct cost and market impact reviews of proposed health care consolidations
Context: Health Care Costs Are a Strain on Californians
Per Capita Health Spending Surpassed $10,000 in 2020

- California health care spending reached $10,299 per capita in 2020.
- Average annual growth between 1991 and 2020 was 4.8%.

California Families Pay for Increased Health Spending Directly and Indirectly

Growth in PPO premiums and deductibles for California employer-sponsored coverage far outstrips growth in wages and inflation.

Between 2010 and 2018:
- Wages and inflation grew about 20%.
- Family PPO premiums grew more than twice that rate, over 40%.
- PPO deductibles grew 3.5x that rate, about 70%.

Worker Premiums, Deductibles Have Grown Rapidly

Average Individual Employer-Sponsored Deductible, California, 2000–17, Selected Years

Employers’ Share of Premium, by Firm Size, California, 2000–17, Selected Years

Source: Christine Eibner et al. "Getting to Affordability: Spending Trends and Waste in California’s Health Care System” (PDF), California Health Care Foundation, January 2020. Author analysis of MEPS-IC.
Prices for the Same Service Vary Widely, Nationally and Within California . . .

. . . and Research Shows Higher Cost Doesn’t Mean Higher Quality.

Costs Are Leading to Widespread Access and Health Problems for Millions of Californians

There Is Measurable Waste (and potential savings) in California’s $400 Billion Health Care System

<table>
<thead>
<tr>
<th>Waste Category</th>
<th>Potential Savings (billions)</th>
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<tbody>
<tr>
<td>Administrative complexity</td>
<td>$20.3—$20.7</td>
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<tr>
<td>Pricing and market inefficiencies</td>
<td>$17.6—$18.8</td>
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<tr>
<td>Failures of care delivery and inadequate prevention</td>
<td>$7.8—$12.9</td>
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<tr>
<td>Overtreatment</td>
<td>$5.8—$7.9</td>
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<td>Fraud and abuse</td>
<td>$4.5—$6.5</td>
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<tr>
<td>Failures of care coordination</td>
<td>$2.1—$6.1</td>
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<tr>
<td><strong>Total potential savings</strong></td>
<td><strong>$58—$73 BILLION</strong></td>
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Office of Health Care Affordability
In July, California joined nine other states that have developed statewide initiatives designed to address health care costs and affordability.

California’s approach is distinctive for its comprehensiveness and enforceability.

Key Components

- Manage Cost Growth
- Monitor System Performance
- Assess Market Consolidation
### Manage Cost Growth

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<th>Collect, analyze, and report data on total health care expenditures</th>
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<td>Develop cost target methodology and cost targets, initially statewide and eventually sector-specific (e.g., geography, types of entities)</td>
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<td>Progressive enforcement of targets: technical assistance, public testimony, performance improvement plans, and finally, escalating financial penalties</td>
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# Health Care Entities Subject to the Cost Target

## Payers
- Health plans, health insurers, Medi-Cal managed care plans
- Publicly funded health care programs
- Third party administrators
- Other entities that pay or arrange for the purchase of health care services

## Providers
- Physician organizations
- Health facility, including acute care hospital
- Outpatient hospital department
- Clinic, general or specialty
- Ambulatory surgery center
- Clinical laboratory
- Imaging facility

## Fully Integrated Delivery System
- A system that includes a physician organization, health facility or health system, and a nonprofit health care service plan and meets specific additional criteria
Monitor System Performance

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<th>Track quality, equity, and access</th>
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<td>Set benchmarks and report on primary care and behavioral health investment</td>
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<td>Set goals for the adoption of alternative payment models and report on progress</td>
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<td>Promote workforce stability</td>
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Assess Market Consolidation

- Assess prospective changes in ownership, operations, or governance for health care entities
- Conduct cost and market impact reviews on transactions likely to significantly impact competition, the state’s ability to meet cost targets, or affordability for consumers and purchasers
- Work with other regulators to address market consolidation as appropriate
## Responsibilities of the Board, Advisory Committee

### HC Affordability Board
- Sets cost targets, both statewide and sector-specific
- Approves key benchmarks, such as statewide goals for alternative payment model adoption
- Appoints a Health Care Affordability Advisory Committee to provide input on a range of topics
- Members may not receive compensation from health care entities
- Eight members:
  - California Health and Human Services Secretary
  - CalPERS Chief Health Director (nonvoting)
  - Four appointees from Governor’s Office
  - One appointee each from Assembly and Senate

### Advisory Committee
- May make recommendations, but no approval authority or access to nonpublic information
- Members appointed by the Health Care Affordability Board; representation to include:
  - Consumer and patient groups
  - Payers
  - Fully integrated delivery systems
  - Hospitals
  - Organized labor
  - Health care workers
  - Medical groups
  - Physicians
  - Purchasers

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**Board and Advisory Committee are both subject to Bagley-Keene Open Meeting Act**

Source: HSC § 127501.11(a)(b)(d)
Timeline: Two-Year Milestones

2022
- Hire leadership, build the team
- Establish the Health Care Affordability Board (HCAB)
- Plan implementation
- Bring on contract resources while staffing up

2023
- Convene HCAB
- Develop cost target methodology
- Convene Advisory Committee
- Develop regulations
- Begin work on primary care components

2024
- Set 2025 cost target
- Adopt APM, workforce stability standards
- Collect 2022 and 2023 total cost data
- Collect notices of market transactions
Timeline: Enforcement

2025
Set target for 2026

2026
First year of enforcement

2027
Data collection for 2026

2028
Reporting on 2026 data: progressive enforcement begins

Progressive Enforcement
- Technical assistance
- Public testimony
- Performance improvement plans
- Financial penalties
How Can Stakeholders Engage with OHCA?

- Contact us at ohca@hcai.ca.gov and send your comments and questions
- Subscribe to the OHCA listserv at the HCAI website
- Visit OHCA landing page at HCAI website
  - FAQ and link to statute
  - HCAI will post information about regulations “workshopping” meetings, and opportunities to provide input to OHCA on key aspects of implementation policy
- Once Board and Advisory Committee meetings begin (anticipated to start in 2023), links to agendas and materials