



Fact Sheet

Overview of the Office of Health Care Affordability

California's [Office of Health Care Affordability \(OHCA\)](#) was established in 2022 in response to [widespread cost-related access challenges among California residents](#).¹ [OHCA's enabling statute](#) emphasizes that it is in the public interest that all Californians receive health care that is accessible, affordable, equitable, high quality, and universal.²

OHCA has three primary responsibilities:

- 1. Slow underlying spending growth.** Health care has become unaffordable for far too many California families. Experts agree that a significant driver of the affordability crisis is excess spending within the health care system, which can be reduced without harming access or quality. OHCA will collect, analyze, and publicly report data on sources and drivers of spending across the health care system. To reduce excess spending, OHCA will establish a cost growth target for the system as a whole, and accountable entities within that system.
- 2. Promote high-value system performance.** OHCA will promote adoption of alternative payment models (APMs), which compensate health care providers based on the quality (not quantity) of care they provide. OHCA will measure quality, equity, investment in primary care and behavioral health, and workforce stability to ensure the state's health care system is delivering value commensurate to the resources it receives.
- 3. Assess market consolidation.** California's health care marketplace is heavily consolidated, and research shows that consolidation

among hospitals, health plans, and provider groups contributes to higher costs with little to no increases in quality. Through cost and market impact reviews (CMIRs), OHCA will analyze transactions that are likely to significantly impact health care market competition, the state's ability to meet targets, or affordability for consumers and purchasers. Based on the review, OHCA will coordinate with other state agencies to address consolidation as appropriate.

Structure

OHCA is part of the California Department of Health Care Access and Information. OHCA's work is conducted primarily through the following entities:

The [Health Care Affordability Board](#) has eight members and is the decisionmaking body charged with setting health care spending targets and approving key benchmarks, such as alternative payment model adoption.³ The board includes representatives from the California Health and Human Services Agency and CalPERS (non-voting), as well as appointees of the governor, California State Assembly, and State Senate.

The [Health Care Affordability Advisory Committee](#) provides input to the Health Care Affordability Board on a range of topics but has no approval authority.⁴ Members are appointed by the Health Care Affordability Board and represent consumer and patient groups, organized labor, health care workers, fully integrated delivery systems, hospitals, physicians, and health care purchasers.

The [OCHA Investment and Payment Workgroup](#) supports the development of alternative payment model, primary care, and behavioral health standards and benchmarks.⁵

[Total Health Care Expenditures Data Submitter Workgroup](#) is a forum for data submitters to receive information on submission requirements, troubleshoot data submissions, and address technical questions.⁶

Progress to Date

As of June 2024, some major milestones in OHCA’s work include the following:

- ▶ **Establishing a statewide health care spending target.** In April 2024 [OHCA adopted a statewide spending growth target](#) of 3% annually, to be phased in over the next five years.⁷ This 3% annual growth target aligns with the average growth in Californians’ median income over the last two decades. The spending growth target will apply to entities within the health system, including health plans, providers groups (with more than 25 physicians), and hospitals.

- ▶ **Proposing APM standards, workforce stability standards, and primary care investment benchmarks.** The OHCA board is considering standards and adoption goals for APMs.⁸ The office has further proposed a core set of metrics and standards to promote workforce stability with organizations and across the broader health care marketplace. Finally, the board is considering a statewide absolute benchmark of 15% of medical spending going to primary care by 2034. For updates on these proposals, check the [“Promote High Value System Performance”](#) section of the [OHCA website](#).

- ▶ **New disclosure around mergers and acquisitions.** [OHCA has established new disclosure requirements](#) following certain transactions in the health care marketplace, including mergers and acquisitions.⁹ Those transactions that OHCA determines may lead to anticompetitive impacts in the health care system may be subjected to formal CMIRs and referred to the California attorney general if necessary.

Key Future Milestones

Below is a high-level timeline of key milestones in OHCA’s work over the next few years. Check the [OHCA website](#) or sign up [for the OHCA listserv](#) for the most up-to-date information.

2024	2025	2026	2027	2028
<p>July – December</p> <ul style="list-style-type: none"> ▶ Adopt standards for alternative payment models ▶ Adopt standards for workforce stability ▶ Collect 2022 and 2023 health care spending data from payers 	<p>January – June</p> <ul style="list-style-type: none"> ▶ Complete baseline report (2022 and 2023 data) on statewide health care spending levels ▶ Set 2026 cost target (first enforcement year) <p>July – December</p> <ul style="list-style-type: none"> ▶ Present baseline report at public meeting of board ▶ Collect 2024 spending data from payers 	<p>January – June</p> <ul style="list-style-type: none"> ▶ Set 2027 cost target <p>July – December</p> <ul style="list-style-type: none"> ▶ Collect 2025 spending data from payers 	<p>January – June</p> <ul style="list-style-type: none"> ▶ Complete first annual spending report (2024 and 2025 data) <p>July – December</p> <ul style="list-style-type: none"> ▶ Present first annual spending report (2024 and 2025 spending data) at public meeting of board ▶ Define initial health care sectors for sector-specific targets (before October 1, 2027) 	<p>January – June</p> <ul style="list-style-type: none"> ▶ Complete annual spending report (2026) ▶ Establish sector-specific health care cost growth targets

About the Foundation

The **California Health Care Foundation** (CHCF) is an independent, nonprofit philanthropy that works to improve the health care system so that all Californians have the care they need. We focus especially on making sure the system works for Californians with low incomes and for communities who have traditionally faced the greatest barriers to care. We partner with leaders across the health care safety net to ensure they have the data and resources to make care more just and to drive improvement in a complex system.

CHCF informs policymakers and industry leaders, invests in ideas and innovations, and connects with changemakers to create a more responsive, patient-centered health care system.

Endnotes

1. "Office of Health Care Affordability (OHCA)," California Department of Health Care Access and Information, Accessed May 14, 2024; Kristof Stremikis, "Understanding California's Health Care Affordability Crisis," California Health Care Foundation, Accessed May 14, 2024.
2. CA Health Care Quality and Affordability Act (Health and Safety Code Sections 127500 - 127507.6)
3. "Health Care Affordability Board," Office of Health Care Affordability, California Department of Health Care Access and Information, Accessed May 15, 2024.
4. "Health Care Affordability Advisory Committee," Office of Health Care Affordability, California Department of Health Care Access and Information, Accessed May 15, 2024.
5. "OHCA Investment and Payment Workgroup," Promote High Value System Performance, California Department of Health Care Access and Information, Accessed May 15, 2024.
6. "Total Health Care Expenditures (THCE) Data Submitter Workgroup," Slow Spending Growth, California Department of Health Care Access and Information, Accessed May 15, 2024.
7. "Statewide Health Care Spending Target Approval is Key Step Towards Improving Health Care Affordability for Californians," California Department of Health Care Access and Information, April 24, 2024.
8. [Office of Health Care Affordability Recommendations to the California Health Care Affordability Board: Proposed Alternative Payment Model \(APM\) Standards and Adoption Goal Revised May 2024](#) (PDF), California Department of Health Care Access and Information, n.d.
9. "Assess Market Consolidation," Office of Health Care Affordability (OHCA), California Department of Health Care Access and Information.