California Health Care Foundation

SEPTEMBER 2026

Policy Options to Improve Health Care Affordability: What California Can Learn from Other States

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Executive Summary

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For years, California's health care costs have grown faster than wages, leaving individuals and families under mounting pressure. Unsurprisingly, Californians across the political spectrum want health care affordability to be a top priority for policymakers, according to CHCF's 2026 Health Policy Survey.

California enters this health care affordability reform moment from a position of relative strength — with established institutions, significant market influence, and a track record of meaningful policy action. By examining state activity across the United States over the past five years, this paper identifies policy opportunities that California could consider in four priority areas.

Reducing Administrative Complexity and Waste

- Require all California payers and providers to use a single, uniform companion guide for meeting national HIPAA (Health Insurance Portability and Accountability Act) standards when it comes to claims, billing, payment, and other electronic transactions. This could reduce variation and standardize key operations across payers.
- Require commercial plans to adopt prior authorization Application Programming Interface (API) standards that align with federal requirements. This could allow providers to submit and track prior authorization requests electronically through a standard connection, replacing slower manual processes like faxes and phone calls.
- Set minimum duration periods for prior authorization approvals for chronic or ongoing conditions to keep patients with stable, long-term treatment regimens from repeating the approval process without clinical justification.

Preventing Medical Debt and Providing Consumer Relief

- Extend financial assistance program (FAP) requirements beyond acute care hospitals to medical groups and ambulatory surgical centers. This would involve applying robust FAP requirements (including the administration of free and reduced-cost care to eligible patients) to other provider types, which could help prevent patients from accumulating medical debt in a variety of clinical settings.
- Establish a statewide medical debt relief program. California could purchase qualifying patients' debt at a fraction of face value and forgive it entirely.
- Prohibit civil action and bank account seizure for medical debt to shield patients from harmful and destabilizing debt collection tools.

Controlling Unreasonable Hospital Prices

- Cap hospital payments within CalPERS (California Public Employees' Retirement System) and CalSTRS (California State Teachers' Retirement System). This would limit what hospitals can charge the state's own employee and retiree health plans.
- Cap hospital prices across all commercial payers. This broader approach would extend price limits beyond public employee plans to the fully insured and self-insured commercial market statewide.
- Fully implement and enforce the California Office of Health Care Affordability's (OHCA's) hospital cost growth targets, creating a credible deterrent against hospitals exceeding their targets.

Addressing Consolidation and Anti-Competitive Market Practices

- Authorize OHCA to block or impose conditions on health care transactions, such as mergers and acquisitions, that may harm patients and providers.

About the Authors

January Angeles, MPP, is managing director at Bailit Health and has over 20 years of experience in health care policy and management. Her work focuses on helping states advance strategies to address health care affordability, develop and implement payment and delivery system reforms, and strengthen their Medicaid programs.

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Michael Bailit, MBA, is founder and president of Bailit Health, where he focuses on how purchasers and regulators can influence health care markets to operate as effectively and efficiently as possible. He has worked with state agencies and employer purchasing coalitions in more than 30 states.

Bailit Health is a health policy consulting firm that assists state agencies and their partners with strategy development and implementation, program design, multistakeholder process management, project management, and health policy research and analysis.

About the Foundation

The **California Health Care Foundation** is dedicated to advancing meaningful, measurable improvements in the way the health care delivery system provides care to the people of California, particularly those with low incomes and those whose needs are not well served by the status quo. We work to ensure that people have access to the care they need, when they need it, at a price they can afford. 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.