2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
hcai.ca.gov

Health Care Affordability Board February 28, 2024 MEETING MINUTES

Members Attending: Ian Lewis, Richard Pan, Richard Kronick, David Carlisle, Elizabeth Mitchell

Members Absent: Secretary Mark Ghaly, Sandra Hernandez, Don Moulds

Presenters: Elizabeth Landsberg, Director, HCAI; Vishaal Pegany, Deputy Director, HCAI; CJ Howard, Assistant Deputy Director, HCAI; Margareta Brandt, Assistant Deputy Director, HCAI; Andrew Feher, Research and Analysis Manager, HCAI; Michael Bailit, Bailit Health (virtual); Miranda Dietz, Policy Research Specialist and Project Director for CalSIM; Laurel Lucia, Director of the Health Care Program, UC Berkeley Labor Center; KeriAnn La Spina, Senior Health Researcher, Mathematica

Meeting Materials: https://hcai.ca.gov/public-meetings/february-health-care-affordability-board-meeting/

Agenda Item # 1: Welcome, Call to Order and Roll Call

Elizabeth Landsberg, Director, HCAI

Director Landsberg opened the February meeting of California's Health Care Affordability Board. A quorum was established.

Agenda Item # 2: Executive Updates

Elizabeth Landsberg, Director, HCAI
Vishaal Pegany, Deputy Director, HCAI

Director Landsberg gave an overview of the agenda and provided updates on the work of the Department of Health Care Access and Information including:

- Statistics highlighting deep equity divide entrenched in California's health care system, as well as structural racism that impacts black maternal health.
- Budget updates and the preservation of core state programs of including expansion

of Medi-Cal to all, regardless of immigration status.
- Work to develop a new health profession, certified wellness coaches at the associate and bachelor's degree levels.

Deputy Director Pegany provided:
- An update on OHCA's proposed emergency regulations regarding total healthcare expenditures data collection after posting the notification.
- A review of updated data on consumer affordability challenges from the California Health Care Foundation/NORC California Health Policy Survey.
- A reminder that OHCA is accepting Health Care Affordability Advisory Committee submissions of interest through April 1, 2024 for terms running July 1, 2024 – June 30, 2026.

Discussion and comments from the Board included:
- A Board member cautioned the use of the term "wellness" regarding the new health profession and its link to non-evidence based care.
- A Board member requested that OHCA identify some studies related to national evidence that affordability is the primary barrier to access, which impacts equity.

Public Comment was held on agenda item 2 and 2 members of the public provided comments.

Agenda Item # 3: Approval of January Meeting Minutes
Vishaal Pegany, Deputy Director, HCAI

Deputy Director Pegany introduced the action item to approve the January meeting minutes. Board member Richard Kronick motioned to approve, and member Elizabeth Mitchell seconded.

Public Comment was held on agenda item 3. No public comment.

Voting members who were present voted to accept, with David Carlisle voting in abstention due to absence at the January meeting. The motion passed.

Agenda Item #4: Informational Items
Vishaal Pegany, Deputy Director, HCAI
CJ Howard, Assistant Deputy Director, HCAI
Andrew Feher, Research and Analysis Manager, HCAI
Margareta Brandt, Assistant Deputy Director, HCAI
Michael Bailit, Bailit Health (virtual)

a) Statewide Spending Target Methodology and Value including Advisory Committee Feedback and Assessing Performance Against the Statewide Spending Target

Deputy Director Pegany, Assistant Deputy Director Howard, Andrew Feher and Michael Bailit

presented on the topic of the statewide spending target methodology and value, provided a detailed summary of January Advisory Committee feedback on OHCA's 3% spending target recommendation, discussed historical spending growth patterns across states as well as an evaluation of published studies, and discussed assessing performance against the spending target.

Discussion and comments from the Board included:

- A Board member flagged an Advisory Committee comment speaking to cost as a barrier to access and infant mortality rates among the black population in rural areas.
- Comment that the low rates of people accessing preventive care could be a result of physician payment being too low.
- Consideration of geographic and sector-specific diversity in the spending target.
- Discussion on incorporating new technologies, like artificial intelligence (AI), that are cost-reducing.
- Is the Office planning a response to the AC members' arguments or is that left entirely to the Board members?
    - Statute requires the Office to make a recommended target and methodology to the board. If there are any changes in the Office's recommendation it will be brought back to the board for discussion.
- A member questioned the driver of the wide variation in the Medicare spend.
    - Information currently unavailable to explain variation in Medicare spend.
- Discussion of historical spending growth rates across states and availability of the 2022 data.
- A member requested an exact number of entities in California that will be subject to spending target enforcement.
- A member requested future discussion on how the spending target will be applied, clearer expectations on what factors OHCA will consider when adjusting the spending target, and how this will be operationalized.
- A member asked how increased availability of transparency data will be integrated into OHCA's evaluation.
    - OHCA will look at the HPD data and additional price transparency data available as OHCA does its report on cost drivers and trends.
- With regard to assessing performance, a recommendation for developing criteria and algorithms that are explicit and as uniform as possible.
- A member asked about different types of adjustments or different granularity of adjustment based on the entity, for example, with regions versus a medical group there may be different sensitivities depending on the size of the entity to consider.
- Process for addressing outstanding issues and potential adjustments to the target and timing for those conversations.
- A member asked OHCA to explore the impact of a spending target on the health care labor market.

Public Comment was held on agenda item 4a and 30 members of the public provided comments.

b) Examples of Cost-Reducing Strategies Employed by MemorialCare

Assistant Deputy Director Brandt introduced the topic of examples of cost-reducing strategies employed by MemorialCare. President and CEO, Barry Arbuckle shared Memorial Care's cost reducing strategy focused on using the appropriate site of care for outpatient procedures (imaging, surgery, testing, etc.). These procedures can be done in hospital outpatient departments or community-based ambulatory centers; clinical criteria determine the most appropriate setting. Hospital outpatient departments are generally more expensive.

Discussion and comments from the Board included:

- A Board member asked if Barry Arbuckle sees opportunity to focus on more cost reductions.
  - Continuing to advance virtual care options, integrating behavioral health and primary care, and increasing behavioral health spend.
- A member asked Barry Arbuckle what he thought they'd be struggling with if the Board decides to do a 3% cap.
  - Unsure if entities will be able to stay at or below the 3% cap.
- A member asked for an estimate of how much MemorialCare has saved in total cost of care with this sort of specific intervention. And why other entities are not following their model.
  - The math hasn't been done to calculate the total cost of care savings, but possibly $60-80 million dollars per year.
  - More and more entities are moving toward this model, but there are not incentives to increase use of community-based ambulatory centers, when appropriate, in the historic fee-for-service (FFS) system.
- A member asked what fraction of their revenue is currently coming either from capitation or from a sort of significant shared savings arrangement.
  - 80-90% on the physician side, and 30-35% on the hospital side.
- A member asked what percentage of their business is through their own plan versus contracting with other plans.
  - The MemorialCare health plan doesn't compete against the big health plans. The MemorialCare health plan is a commercial product only for MemorialCare physicians and their families.
- A member asked the staff if they could invite the Integrated Healthcare Association (IHA) to make a similar presentation.

Public Comment was held on agenda item 4b and two members of the public provided comments.

c) Alternative Payment Model Standards and Adoption Goal

Assistant Deputy Director Brandt shared proposed recommendations for alternative payment model standards and an alternative payment model adoption goal. She was joined by Mary Jo Condon of Freedman HealthCare.

Discussion and comments from the Board included:

- A member asked if other states that are pursuing affordability standards, how many are relying upon APMs, in addition to Oregon and California.
  - In addition to Oregon and California, Rhode Island is also pursuing APM standards.
- A member suggested reading a piece of literature with a scathing attack on the ability to measure quality well and suggesting that all the pay-for-performance for the last decade plus is misguided.
- Three members noted that the adoption goals were low, and they'd like to see OHCA increase the adoption goals.
- A member asked what it means to have an APM in a PPO type arrangement, given why people sign up for a PPO versus HMO.
- A member noted that the quality measures and measure specifications used by health plans differ which increases burden on providers.
- A member suggested gathering information around increasing capitation or strong shared savings arrangements for facility payment.
- A member noted the timeline for adopting these goals needs to be much shorter.

Public Comment was held on agenda item 4c and three members of the public provided comments.

d) Measuring Consumer Affordability

Miranda Dietz, Policy Research Specialist and Project Director for CalSIM, and Laurel Lucia, Director of the Health Care Program, UC Berkeley Labor Center, discussed consumer affordability trends in California over 20 years and identified challenges in tracking equity measures due to data limitations. They recommended measuring consumer affordability through coverage costs, care access costs, and health/financial consequences using administrative and survey data sources.

Discussion and comments from the Board included:

- The Board discussed the RAND Health Insurance Experiment and its findings.
- A Board member suggested that OHCA should focus on post-2014 trends post-Affordable Care Act reforms to ensure health care affordability and accessibility and develop measures to track consumer affordability and utilize a combination of administrative and survey data sources for insights into the impact of health care cost changes on consumer access and coverage affordability.
- A member asked if consideration was given to benefit or cost, and what the benefits might be of investing in larger sample sizes than the California Employer Health Benefits survey related to premium data.
  - The CA Health Benefits Survey is a great resource, but unsure about asking employers about the race/ethnicity of their workforce.
- A member noted the practice of reducing employee hours and forcing them below the threshold of eligibility, as well as eliminating retiree coverage, as ways employers manage health care costs.

Public Comment was held on agenda item 4d and three members of the public provided comments.

e) Measuring Out-of-Plan Spend

Assistant Deputy Director Howard presented efforts to measure and track out-of-pocket or out-of-plan spending that's not captured through total health care expenditures, data collection efforts using Medical Expenditure Panel Survey Household Component (MEPS-HC), and a timeline.

Discussion and comments from the Board included:

- A member asked about particular challenges of capturing spending in terms of people not taking insurance and concierge medicine.
    - This is a novel approach that has not been done before in terms of this hierarchy, so OHCA is testing this approach out with behavioral health. From there, OHCA could go onto other categories that could be of interest to the board and stakeholders.
- A member recommended Medical Expenditure Panel Survey (MEP) as the best data source to look at this measurement and investigating provider-based payment sources, either potentially adding to licensure or re-licensure information.
- A member asked if OHCA decided up front to include dental services. Dental care has become more and more an uncovered benefit, resulting in higher out-of-pocket costs.
    - For dental services and THCE data, if it is a covered benefit, OHCA will capture it, but most dental benefits are a standalone plan outside of health plans, so it won't be captured. Measuring out-of-plan spending could be an area of investigation after behavioral health.
- A member asked if the MEPS health care data allows OHCA to look at racial inequities?
    - A member offered that sample size could be a problem, but there is quite a bit of demographic data in MEPS.

Agenda Item #5: General Public Comment
The Chair invited public comment for Agenda Item #4e and general public comment and seven members of the public provided comment.

Agenda Item #6: Adjournment
The Chair adjourned the meeting.