Office of Health Care Affordability
Department of Health Care Access and Information

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HEALTH CARE AFFORDABILITY ADVISORY COMMITTEE

MEETING MINUTES
Wednesday, April 15, 2026
10:00 AM

Members Attending: Joan Allen; Barry Arbuckle; Kati Bassler; Stephanie Cline* Carmen Comsti*; Hector Flores*; Stacey Hrountas; David Joyner; Travis Lakey; Tam Ma*; Kassie Maroney*; Mike Odeh*; Janice O'Malley; Sumana Reddy; Cristina Rodriguez; Kiran Savage-Sangwan; Andrew See; Stephen Shortell; Suzanne Usaj; Iftikhar Hussain* Carolyn Nava;

Members Absent: Adam Dougherty; Amanda McAllister-Wallner; Marielle Reataza; Manan Shah; Sarah Soroken; Ken Stuart; Michael Weiss

Health Care Affordability Board Member Attending: Sandra Hernandez*

*Attended virtually

Presenters: Elizabeth Landsberg; Director; Vishaal Pegany, Deputy Director, HCAI; CJ Howard, Assistant Deputy Director, HCAI; Margareta Brandt, Assistant Deputy Director, HCAI; Maggie Heidmann, Health Equity and Quality Performance Group Manager, HCAI

Facilitators: Jane Harrington, Leading Resources Inc.

Meeting Materials: **https://hcai.ca.gov/public-meetings/april-health-care-affordability-advisory-committee-meeting//**

Agenda Item # 1: Welcome and Call to Order
Elizabeth Landsberg, Director, HCAI

Director Landsberg opened the April meeting of the Health Care Affordability Advisory Committee. Roll call was taken, and a quorum was established. Director Landsberg then presented an overview of the meeting agenda.

Agenda Item # 2: Executive Updates

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

Director Landsberg provided Executive Updates, including the following:

- HCAI received 1300 applications for BH-CONNECT's Medi-Cal Behavioral Health Scholarship Program initiative. Awardees will be announced in June 2026.
- HCAI hosted an informational webinar last month for the Medi-Cal Behavioral Health Student Loan Repayment Program in preparation for the May 1 launch of its Cycle 2 funding. There were 500 attendees.
- HCAI launched the development process for the 2026–2030 Five-Year Workforce Education and Training (WET) Plan and is working in close collaboration with the California Behavioral Health Planning Council. The Council will review and approve the final 2026-2030 Five-Year WET Plan this June.
- At the end of March, CMS approved HCAI's revised budget for the California Rural Health Transformation Program (CalRHT) and unrestricted the remaining $50 million that was previously withheld, pending additional details pertaining to how the funds would be used.
    - $15 million will be reallocated to strengthen already approved activities, including care model implementation, workforce capacity building, and rural provider retention and relocation. HCAI has redesigned the remaining $35 million as Transformative Payments for rural hospitals.
- On April 21, 2026, CalRHT will hold a webinar providing further details on the Request for Application of grants process for the Transformative Care Model and Workforce Development initiatives.
- Acknowledgment that last March was the 16th anniversary of the signing of the ACA.

Deputy Director Pegany provided Executive Updates, including the following:

- Information about OHCA's first Patient and Consumer Forum on March 10, 2026. Participants expressed support for OHCA's mission while raising concerns about potential incentives for entities to deny care for chronic conditions requiring high-cost services. Meeting materials and slides are available on OHCA's webpage.
- An overview of the latest findings from the California Health Care Foundation's 2026 Health Policy Survey.
- An overview of a March 2026 article published in Health Affairs which examined 2023 administrative spending across the fully insured, Medicaid managed care, and self-funded employer insurance markets.
- An overview of a March 2026 article published in the National Bureau of Economic Research that examines the effects of anti-fraud enforcement on hospital admissions, Medicare spending, and patient mortality.
- An update that OHCA recently posted a publication on its website regarding the Facility Number National Provider Identifier Crosswalk.

- An update on OHCA's Total Health Care Expenditures Data Submission Guide 3.0. The final drafts were submitted to the Office of Administrative Law on April 8. If approved, they will become effective April 20, 2026.
- An update on the closing of its Cost and Market Impact Review of Sevita's acquisition of ResCare's BrightSpring Health Services.
- Reminder about slide formatting.

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

Agenda Item # 3: Spending Target Enforcement – Continued Performance Improvement Plan Discussion
Vishaal Pegany; Deputy Director

Deputy Director Pegany provided an overview of the continuing discussion regarding Performance Improvement Plans (PIPs) as a component of spending target enforcement.

Discussion and comments from the Committee included:
- A member asked for clarification on when in OHCA's PIP process would a labor union be notified that an entity is required to complete a PIP.
  - The Office replied that organized labor groups would be notified at the same time as the public.
- A member suggested that when evaluating a PIP proposal, OHCA should prioritize the strategies that have the biggest impact. The member also asked if the PIP could consider system-wide spending concerns.
  - The Office will take this back and address in a future meeting because an approved PIP would need to bring the individual entity into compliance, but PIPs might be able to consider other things.
- A member stated that entities should not have to explain industry-wide cost-driving factors like high-cost drugs or tariffs and asked if OHCA could make it easier for entities subject to a PIP by acknowledging these issues without the necessary explanation.
  - The Office stated that it would be difficult to identify industry-wide cost-driving factors because each entity is affected differently, so having a blanket explanation of why an entity missed the spending target would be difficult to apply uniformly.
- A member stated that when an entity changes its financials to meet the cost target, it may be difficult to avoid negative impacts on equity and workforce stability. The member also expressed that it may be unreasonable to have both cost reduction and maintain a stable workforce.
  - The Office highlighted a California Health Care Foundation report about the 25% problem that shows there is substantial room for entities to meet the spending target without negatively impacting quality, equity, or workforce stability.
- A member suggested that a PIP guidance detailing the steps of the process might be helpful for better understanding.

- A member stated that rural hospitals may have a hard time with PIPs due to their small operating margins.
- A member stated that the 45-day time frame to develop a PIP proposal might be difficult for entities to adhere to, even with an extension.
- A member asked if every entity who misses the spending target will be required to complete a PIP because that could be hundreds of PIPs.
    - The Office replied that not all entities will be required to complete a PIP. Those determinations will be made through the progressive enforcement process.
- A member advised OHCA to exercise discretion on the timing of when the information about entities subject to PIPs is released.
    - The Office replied that every component of the PIP will not be published online, but the law does require a summary of the PIP.
- A member stated that entities seeking to use the PIP process to replace workers with AI would be a perfect example of why the public would want to know and participate in the evaluation process.
- A member asked for clarification on what an evaluation of PIP proposal looks like and who participates in the evaluation.
    - The Office replied that the evaluation will be completed by the Office. The Board may possibly provide input through closed sessions, but the Board will not be directly involved in the discussion the Office has with entities.

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

Agenda Item #4: Introduction to Equity Adjustment and Quality Adjustment to Spending Targets
Margareta Brandt, Assistant Deputy Director, HCAI
Maggie Heidmann, Health Equity and Quality Performance Manager

Assistant Deputy Director Brandt and Health Equity and Quality Performance Group Manager Heidmann facilitated an introductory discussion on OHCA's analyses and recommendation to not apply an equity adjustment to payers' performance against the spending targets. In addition, they facilitated an introductory discussion on OHCA's recommendation to not apply a quality adjustment to spending targets for entities that deliver high-cost care not commensurate with improvements in quality and entities the deliver low-cost, high-quality care.

Discussion and comments from the Committee included:
- A member commented on the limited amount of financial information available for Social Determinants of Health (SDOH) and how it impacts patient care and costs down the line. The member also noted a recent UC Berkeley study that highlighted the ways SDOH indices are biased towards income and socioeconomic status. The member felt that these biases and various geographic factors may be influencing OHCA's analysis using the Social Vulnerability Index (SVI) and the stability of payers' distribution of members. The member suggested that OHCA think about how

SDOH differs from social risk and how that can impact consumers. The member also noted that providers need more funding to address SDOH.

- A member stated that the key missing variable in the SDOH analysis is the severity of illnesses that patients have, and this missing component is contributing to the inconclusive relationship between high SVI and increased costs. The member suggested that OHCA look at how SDOH may impact severity of illness and how that might influence spending when conducting analyses on physician organizations and hospitals.
- A member generally supported OHCA's analysis but suggested delaying the presentation to the Health Care Affordability Board until the analyses for physician organizations and hospitals have been completed in case these analyses have different findings.
- A member commented on the value of OHCA's analysis and stated the value of completing equity analyses for physician organizations and hospitals. The member asked if the Commercial market analysis included Covered California because Covered California members tend to have a different risk mix that could be analyzed separately. The member stated that there are several moving parts right now in health care and the economy like higher gas prices and people moving to more affordable housing areas, and that these shifts may show up in the data in the next few years. The member suggested OHCA do a pilot analysis on one region and track changes in SDOH over time.
- A member stated that OHCA's analysis makes sense, but the idea that "things don't change" is a bad thing. For example, SDOH is not improving but this doesn't reduce the need to intervene and make changes. The member stated that the information provided should promote action and not reduce funding for those who are taking care of Medi-Cal populations.
    - The Office stated that any equity adjustment implemented would not change Medi-Cal funding, as it's only a lens to look at specific payer's performance against the spending targets.
- The member stated that any approach that reduces commercial payment rates to providers means these providers will have less resources to care for Medi-Cal members. For providers taking care of a disproportionate number of Medi-Cal members their funding will decrease as they take on more Medi-Cal and less commercial members.
    - The Office stated it will take this back and think about how this might be addressed in the enforcement process.
- A member generally supported OHCA's recommendation and agreed with not looking at health equity purely from a cost-related perspective because a lot of money can be spent on things that don't improve quality or equity, so the question becomes where the money is going. Therefore, it would be better to assess equity from the enforcement side of the conversation. The member also cautioned against adjusting the target upward or downwards which may give entities incentives to spend more or less on things that may not be helpful to patients or health care workers.

- A member commented that the data does not reflect the true cost of care and does not capture unreimbursed care. The member suggested looking at the quality measures and potentially adjusting quality performance data based on SDOH.
- A member generally supported OHCA's recommendation and stated that it would be helpful to know more about the outliers in the analysis. The member expressed concern about how some plans, like Kaiser Medi-Cal, only participate in some regions. The member also expressed interest in discouraging high-cost, low-quality care for members with high social risk, but stated an equity adjustment to the spending targets may not have the intended impact.
- A member mentioned that quality and equity metrics could be stratified by race, gender and other factors, so maybe OHCA can also stratify these measures by SDOH. The member also suggested looking into high-value vs low-value care. Reducing low quality care is an area that physician organizations can improve on and suggested that OHCA look into a recent study by Michigan researchers that identified the procedures that have the lowest quality and value.
    - The Office will track how the Department of Managed Health Care (DMHC) expands stratification of measures in their Health Equity and Quality Measure Set over time.
- A member suggested that, when looking at the SVI analysis, it would be helpful to look at the Covered California population separate from the Commercial market because there's not just low-income enrollees, but many middle-income earners that still struggle to access high-quality care.
- A member supported OHCA's quality adjustment recommendation and expressed support for recognizing institutions that provide high-quality, low-cost care.
- A member agreed that OHCA should recognize entities with high-quality and could consider quality during the enforcement process.

Public Comment was held on agenda item 4. One member of the public provided comments.

Agenda Item #5: Non-Supervisory Organized Labor Adjustment and Assessment – Introductory Discussion
Vishaal Pegany, Deputy Director
CJ Howard, Assistant Deputy Director

Assistant Deputy Director Howard presented an introductory discussion about the non-supervisory organized labor adjustment.

Discussion and comments from the Committee included:

- One member expressed support for the approach the Office presented.
- One member expressed concern over the timing of when organized labor agreements are executed and when the office would need to collect information to inform target setting.
    - The Office commented that for entities without an adjusted target that the office would be able to consider growth in non-supervisory organized labor costs during the enforcement process. The Office clarified that entities

with adjusted targets would also need to demonstrate that their actual non-supervisory organized labor costs merited the adjusted target value.

- One member appreciated the complexity and noted that they imagine the process and methodology for non-supervisory organized labor costs will evolve as we gain experience implementing these adjustments.
- One member appreciated that the office acknowledged that labor unions would be able to initiate requests for non-supervisory organized labor adjustments.
- Some members expressed concern that increased organized labor costs also impact the cost of non-unionized workers given that they are hired from the same labor market.

Public Comment was held on agenda item 5. Two members of the public provided comments.

Agenda Item #6: General Public Comment

Public Comment was held on agenda items 7 and 8. No members of the public provided comments.

Agenda Item #7: Adjournment

Director Landsberg adjourned the meeting.