



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

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

HEALTH CARE AFFORDABILITY BOARD

MEETING MINUTES

Wednesday, August 26, 2026

9:00 am

Members Attending: Secretary Kim Johnson, Dr. Sandra Hernández, Richard Kronick, Ian Lewis, David Chase, Dr. Mikah Owen, Dr. Richard Pan, Don Moulds

Members Absent: None

Presenters: Elizabeth Landsberg, Director, HCAI; Vishaal Pegany, Deputy Director, HCAI; Megan Brubaker, Engagement, Governance, and Policy Group Manager, HCAI; CJ Howard, Assistant Deputy Director, HCAI; Brian Kearns, Assistant Deputy Director, HCAI

Meeting Materials: <https://hcai.ca.gov/public-meetings/august-health-care-affordability-board-meeting-4/>

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

Secretary Kim Johnson, Chair

Chair Johnson opened the August meeting of the California Health Care Affordability Board. Roll call was taken, and a quorum was established.

Agenda Item #2: Executive Updates

Elizabeth Landsberg, Director, HCAI

Director Landsberg welcomed two new Board members appointed by Governor Newsom, David Chase and Dr. Mikah Owen, who introduced themselves and shared their professional backgrounds. Director Landsberg also announced that Board members Dr. Sandra Hernández and Richard Kronick have been reappointed to the Health Care Affordability Board. Director Landsberg reminded the public that flyers regarding HCAI's Hospital Bill Complaint Program are available in English and Spanish in the meeting room, with flyers written in 21 additional languages available on the HCAI website.

Director Landsberg then provided Executive Updates, including the following:

- CalRx is providing free albuterol inhalers and spacers to 10,000 public and private schools statewide to help increase access for students experiencing respiratory

distress. She acknowledged the efforts of Deputy Director Pegany and the CalRx team, as well as Dr. Pan's role in authoring the first CalRx bill.

- This is the third CalRx product being made available to the public following the availability of insulin and naloxone.

There were no comments or discussions from the Board.

Director Landsberg provided an overview of the meeting agenda. (Out of order)

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

Agenda Item# 5a: Spending Target Enforcement – Continued Spending Target Penalty Discussion, Including Advisory Committee Feedback (out of order)

Vishaal Pegany, Deputy Director, HCAI

CJ Howard, Assistant Deputy Director, HCAI

Assistant Deputy Director Howard presented an overview of the proposed spending target enforcement framework, including feedback from the Health Care Affordability Advisory Committee.

Discussion and comments from the Board included:

- A member asked whether penalties would be assessed separately for each line of business, such as, Medi-Cal, Medicare, or commercial, or collectively across all lines of business.
 - The Office replied that performance would be measured and enforced by market. The Office added that state and federal policy decisions affecting Medicare and Medi-Cal spending patterns would be taken into consideration and that entities would have 45 days to submit additional information.
- A member expressed concern that assessing each line of business separately could lead entities to reduce services in response to reductions in federal funding, including those resulting from HR1.
- A member stated historical evidence demonstrates that hospitals have responded to reductions in Medicare spending by adjusting their cost structures, resulting in lower commercial prices. The member added that while hospitals may have limited control over labor costs and prescription drug prices, they have considerable control over their own cost structures.
- A member emphasized the importance of ensuring that entities are not penalized for costs outside their control, as doing so could lead to reductions in services as well as access to health care.
 - The Office replied that the statute's enforcement considerations and penalty justification factors would allow the Office to consider the extent to which cost increases resulting from federal and state mandates affect an entity's cost growth.
- A member emphasized the need for clear guidelines and transparency to avoid arbitrary enforcement and provide greater certainty for future investments.

- The Office replied that it is committed to establishing as clear a process as possible given the legislative uncertainty at the federal and level. The Office noted that each entity will be responsible for demonstrating how legislative changes affected its spending and that the enforcement considerations and the penalty justification factors are intended to provide as much certainty as possible.
- A member expressed concern that the spending target penalty process may be less effective than direct price interventions implemented in other states, such as Vermont and Indiana. The member added that placing responsibility for cost reductions on health care entities may not result in meaningful improvements in health care affordability over the next three to four years.
- A member stated that health care costs are projected to increase by 9% in 2027, potentially resulting in an increase of approximately 60% over the next five years. The member expressed concern that the health care entities may pass these increased costs on to consumers, significantly worsening the existing health care affordability problem.
- A member stated that the assertion that health care entities have no control over rising costs is not supported by the evidence. The member added the Board's charge is to identify and address the significant amount of waste within the health care system.

Public comment was held on agenda item 5a. Forty-two members of the public provided comments.

Agenda item #3: Action Consent Item

Item 3 was deferred and will be addressed at a future meeting.

Agenda Item #4: Action Items

a) Spending Target Enforcement – Vote on Spending Target Penalty Scope, Range, and Justification Factors (out of order)

Vishaal Pegany, Deputy Director, HCAI

CJ Howard, Assistant Deputy Director, HCAI

Deputy Director Pegany provided an overview of OHCA's recommendations for the spending target penalty and reviewed the Board's discussion history of the progressive enforcement process.

Discussion and comments from the Board included:

- A member suggested establishing periodic check-ins with entities to assess their cooperation and progress in implementing a PIP, helping to ensure that entities making a good-faith effort are not unfairly penalized.
 - The Office replied that penalties would be assessed only if the entity has exceeded the spending target and violated its PIP. The Office added that, under the statute, an entity that fully complies with its PIP by the deadline established

- by the Office would not be subject to an administrative penalty.
- A member asked whether the Office would modify an existing PIP during the multi-year implementation process or require an additional PIP to address unmet goals.
 - The Office replied that the Office would regularly monitor an entity's progress and may modify the existing PIP rather than require a new PIP.
- A member emphasized the need for clear principles to guide the application of penalty justification factors to ensure fairness and avoid arbitrary decisions.
 - The Office replied that it will evaluate each health care entity based on its specific circumstances and apply the relevant penalty justification factors on a case-by-case basis.
- A member expressed appreciation for the flexibility within the spending target enforcement process, which allows the Office to consider the specific circumstances and factors affecting each health care entity.
- A member suggested that the Office respond publicly to concerns raised during the public comment period to demonstrate that it is working toward potential solutions.
- A member expressed concern that health care entities may not be taking the spending targets seriously and expressed support for the flexibility within the penalty structure, which allows penalties to range from 0% to 125% based on an entity's circumstances.
- A member emphasized the importance of maintaining a collaborative and transparent process, strengthening data collection, and continuing to respond to concerns raised by stakeholders.
- A member expressed appreciation for the Office's efforts to foster a collaborative approach to address spending target challenges. The member added that penalties are an important mechanism for promoting participation and accountability among all entities.
- A member encouraged continued collaboration and innovation to reduce costs and suggested highlighting successful cost-containment practices to support shared affordability goals.
- A member expressed concern about issues raised regarding transparency and accuracy of spending target data and suggested that the topic be addressed at a future Board meeting.
 - The Office replied that its data methodology has been published and that it is committed to ensuring the data submitted by entities can be replicated. The Office agreed to provide a presentation on its data methodology at a future meeting.

Chair Johnson introduced the action item to vote to approve the draft motion regarding scope and range of spending target penalties. Board member Lewis proposed a motion to approve. Board member Hernández seconded the motion.

Chair Johnson introduced the action item to vote to approve the draft motion regarding the justification factors related to spending target enforcement. Board member Kronick proposed a motion to approve. Board member Hernández seconded the motion.

Public comment was held on agenda item 4a. Sixteen members of the public provided comments.

Voting members who were present voted on the first motion regarding spending target cost and range. There were seven ayes. The motion passed.

Voting members who were present voted on the second motion regarding spending target penalty justification factors. There were seven ayes. The motion passed.

b) Spending Target Enforcement – Vote on Spending Procedural Penalty Scope, Range, and Justification Factors

Vishaal Pegany, Deputy Director, HCAI

CJ Howard, Assistant Deputy Director, HCAI

Deputy Director Pegany provided an overview of OHCA's recommendations for the spending procedural penalty scope, range, and justification factors.

Discussion and comments from the Board included:

- A member asked whether an entity that fails to submit would be subject to administrative law proceedings.
 - The Office replied that this is correct.
- A member asked whether the Board could apply the approved penalty to an entity that remains noncompliant with a PIP.
 - The Office replied affirmatively.

Vice Chair Hernández introduced the action item to vote to approve the draft motion regarding spending procedural penalties scope and range. Board member Lewis proposed a motion to approve. Board member Hernández seconded the motion.

Vice Chair Hernández introduced the action item to vote to approve the draft motion regarding spending procedural penalties justification factors. Board member Lewis proposed a motion to approve. Board member Kronick seconded the motion.

Public comment was held on agenda item 4b. Five members of the public provided comments.

Voting members who were present voted on the first motion regarding spending procedural penalties scope and range. There were five ayes. Two members were absent. The motion passed.

Voting members who were present voted on second motion regarding spending procedural penalty justification factors. There were five ayes. Two members were absent. The motion passed.

c) Vote to Appoint Advisory Committee Members to Purchaser Category

Megan Brubaker, Engagement, Governance, and Policy Group Manager

Megan Brubaker provided an overview of the current membership of the Health Care

Affordability Advisory Committee. She presented the subcommittee's recommendation to reappoint the two incumbents, Ken Stuart and Suzanne Usage, for the remainder of a two-year term ending June 30, 2028, and recommended appointing one new member, Laura Josh, for the remainder of a two-year term ending June 30, 2028. The Office intends to convene a subcommittee to discuss Advisory Board Committee member Janice O'Malley's membership status following a change in her employment.

There were no comments or discussions from the Board.

Board member Lewis made a motion to appoint Ken Stuart, Suzanne Usage, and Laura Josh to the Advisory Committee to represent Purchasers for a two-year term ending June 30, 2028. Board member Hernández seconded the motion.

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

Voting members who were present voted on agenda item 4c. There were five ayes. Two members were absent. The motion passed.

Agenda Item# 5: Informational Items

b) Spending Target Enforcement – Public Transparency of Enforcement and Draft Performance Improvement Plan Guidance

Vishaal Pegany, Deputy Director, HCAI

CJ Howard, Assistant Deputy Director, HCAI

Megan Brubaker, Engagement, Governance, and Policy Group

Assistant Deputy Director Howard provided an overview of the public transparency in the enforcement process and presented considerations and OHCA's recommendations for promoting enforcement transparency. Megan Brubaker provided an overview of PIP guidance.

Discussion and comments from the Board included:

- A member requested clarification on whether all entities that exceed the spending target would be required to submit additional information to the Office within the 45-day period, or whether the Office would determine which entities are required to provide additional information.
 - The Office replied that it will determine which entities have exceeded the spending target and notify those entities accordingly. Each entity can submit additional information during the 45-day period.
- A member asked whether the initial list of entities that have exceeded the spending target would be made public.
 - The Office explained that it would use the 45-day period to review additional information and determine which entities would be required to submit a PIP. The list of entities required to submit a PIP would be made public.

- A member requested clarification on the types of information that would be made public for entities that have exceeded the spending target but are not required to submit a PIP.
 - The Office replied that it would identify each entity that exceeded the spending target and indicate the extent to which they exceeded the target. The Office will publish additional information regarding the proposed PIPs for entities required to submit a PIP.
- A member inquired about how the Office will handle information submitted as confidential or identified as a trade secret.
 - The Office replied that it intends to use a process similar to the one used for the Cost and Market Impact Review (CMIR) program, in which entities identify information they consider proprietary, confidential, or a trade secret. The Office would then work with the entity to determine whether any information identified as confidential is publicly available.
- A member asked whether the Office has discretion to determine that information identified by an entity as a trade secret does not qualify as such.
 - The Office replied that it generally defers to an entity's designation of information as a trade secret when the entity can provide a compelling justification for that designation.
- A member requested clarification on how the Office would determine the percentage-point reduction required of an entity that exceeded the spending target in prior years and is also projected to exceed the target in the upcoming year.
 - The Office replied that the entity would be required to come into compliance with the spending target, although the target percentage could be adjusted to account for organized labor costs.
- A member asked how the Office plans to mitigate potential negative consequences if an entity meets its spending target by reducing access to care, quality of care, or its workforce.
 - The Office replied that it would further consider how to address these potential consequences.
- A member asked whether the statute allows the Office to prevent an entity from implementing an action proposed in a PIP if the action could result in negative consequences.
 - The Office replied that it would engage with the entity to determine which proposed actions would be approved as part of the PIP.
- A member requested clarification on how the Office would apply procedural penalties to an entity that fails to meet milestones during its implementation of the PIP.
 - The Office replied that it would want to provide the entity with an opportunity to implement the PIP if the entity is making a good-faith effort to comply. The Office explained that it would respond differently to an entity that is not implementing the strategy proposed in its PIP.

Public comment was held on agenda item 5b. Seven members of the public provided comments.

c) Non-Supervisory Organized Labor Adjustment and Assessment Update and Data Collection Regulations Update, Including Advisory Committee Feedback and Public Comments

CJ Howard, Assistant Deputy Director, HCAI

Brian Kearns, Assistant Deputy Director, HCAI

Assistant Deputy Director Howard and Assistant Deputy Director Kearns provided an update of the non-supervisory organized labor adjustment data collection regulations.

Discussion and comments from the Board included:

- A member encouraged the Office to allow unions to submit data without the entity's attestation in order to prevent employer misrepresentation.
 - The Office replied that the current provision is an initial step and asked for feedback regarding OHCA's approach to unions.
- A member suggested that additional input from unions could provide the Office with projected cost estimates that could be compared with the baseline.
- A member stated that information provided by unions could help prevent employers from citing the OHCA spending targets as justification for limiting negotiated increases to 3.5%.
- A member suggested that the Office consider collecting more detailed collective bargaining data than was proposed during public comment.
 - The Office replied that it would follow up on the suggestion, noting that it is inclined to prioritize simplicity during the first year and revisit the issue in the future.

Public comment was held on agenda item 5c. Six members of the public provided comments.

Agenda Item #6: General Public Comment

Public comment was held on agenda item 6. Two members of the public provided comments.

Agenda Item #7: Adjournment

Vice Chair Hernández adjourned the meeting.