Department of Health Care Access and Information
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Sacramento, CA 95833
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Health Care Affordability Board
February 2025
Additional Public Comment Received

The following table reflects written public comments that were sent to the Office of Health Care Affordability email inbox.

Date	Name	Written Comment
3/19/2025	Salinas Valley Health	See Attachment #1.
3/20/2025	Stanford Medicine	See Attachment #2.

March 19, 2025

VIA U.S. MAIL & EMAIL
Members of the Health Care Affordability Board and Chair Kim Johnson
2020 W. El Camino Avenue
Sacramento, CA 95833

Subject: Response to Proposed Sector Targets

Dear OHCA Board Members and Chair Kim Johnson,

Salinas Valley Health (SVH) shares the Office of Healthcare Affordability's (OHCA) goals; however, we remain deeply concerned about the Board's methodology and statements made at recent hearings. If implemented, the designation of SVH as a high-cost outlier—along with the associated limitations—will jeopardize our legacy and future as a safety-net healthcare system providing essential services to the vulnerable populations we serve.

In response to multiple comments made at recent OHCA hearings, we offer the following clarifications:

1. Comment: Salinas Valley Health created its financial reporting structure and now wants to be evaluated as a broader entity.

Fact: As a public district hospital, SVH is required to follow the California Corporate Practice of Medicine Doctrine. We are unable to directly employ physicians but can establish coverage agreements through a 1206(b) clinic (under California Health and Safety Code Section 1206). Other healthcare entities in California may directly employ physicians (such as public safety-net hospitals) or operate under different structures permitted by the California HSC. SVH adopted the only structure legally available to us under California law as a public district system. We did not create an arbitrary reporting structure and are not seeking to change it.

2. Comment: Salinas Valley Health has "bought up" private practices, creating market consolidation.

Fact: SVH has not purchased a single private practice. Instead, we have responded to requests from failing practices unable to sustain operations in Monterey County's high-cost environment—even when exclusively serving commercially insured patients. These community-based services address significant care gaps, particularly for Medi-Cal patients, and provide specialty care otherwise unavailable outside academic institutions (e.g., our pediatric diabetes clinic). Nearly all our clinic contracts reimburse SVH at or significantly below statewide market comparisons. Our goal has never been market consolidation to drive up costs; rather, we seek to provide critical, affordable healthcare services where they are most needed.

3. Comment: Salinas Valley Health is a high-cost "outlier."

Fact: OHCA's methodology selectively excludes non-hospital outpatient services, which account for nearly 700,000 patient encounters within our system. It also disregards system-level financial data and reimbursement shortfalls, leading to an incomplete and misleading financial picture. SVH's operating costs are significantly influenced by our commitment to maintaining essential safety-net services for Monterey County's diverse population while managing a payer mix of 80% government payers, including over 40% Medi-Cal (which reimburses SVH at significantly below our costs).

Furthermore, OHCA's methodology singles out systems with favorable commercial revenue relative to Medicare reimbursement, failing to acknowledge that Medicare reimbursement is not uniform. Systems with "outlier" commercial prices—yet enhanced Medicare reimbursement (e.g., through GME allowances)—are excluded from OHCA's outlier classification, while those with a disproportionate Medi-Cal payer mix receive no such consideration. We have repeatedly requested examples of California healthcare systems with similar payer mixes and "average commercial reimbursement" that are not financially distressed, but OHCA has yet to provide any.

4. Comment: Salinas Valley Health has not proposed a reasonable alternative to measuring its operating margin.

Fact: SVH has consistently provided OHCA with audited, consolidated financial data reflecting system-wide performance. Detailed consolidated data was presented as early as December 2024 during public comment and reiterated in discussions with OHCA board members and staff in February 2025. However, OHCA's ever-evolving methodology continues to exclude outpatient services and payer mix (specifically Medi-Cal) — essential components of SVH's care model. Our proposal to assess consolidated margins aligns with standard healthcare accounting practices and presents a more accurate view of our financial health.

5. Comment: SVH has done little to drive down costs in the community.

Fact: SVH has actively expanded low-cost access to care through an extensive clinic system and significant investments in non-hospital services, including:

- A non-hospital-based outpatient ambulatory surgery center
- A non-hospital outpatient endoscopy center
- A non-hospital-based radiation oncology center
- Non-hospital-based imaging centers

Ironically, by intentionally shifting these services from outside our hospital license to lower-cost centers, our healthcare system—when viewed solely as a licensed hospital—has been mischaracterized as a high-cost outlier.

6. Comment: OHCA should not factor in potential federal policy changes when establishing sector spending targets beyond the 3.5% threshold.

Fact: The proposed $880 billion in federal cuts to Medicaid, ACA premium assistance, and key

health programs will have a profound impact. At a recent town hall, Congressman Jimmy Panetta stated that these cuts could strip healthcare coverage from over 163,000 people in our district, including 50,000 children and 26,000 seniors.

Safety-net providers like SVH, which already serve a high proportion of government-insured patients, will be disproportionately affected. Ignoring and exacerbating these impending changes will destabilize care delivery and restrict access to essential services.

7. Comment: The community is unhappy with Salinas Valley Health.

Fact: While a small number of vocal individuals have raised concerns about SVH's commercial prices, Monterey County's 400,000+ residents have overwhelmingly supported SVH. Our publicly elected board sets SVH's direction based on community needs. If dissatisfaction were widespread, it would be reflected in board elections and community engagement.

8. Comment: There's no harm in identifying SVH as an outlier now and reassessing data later.

Fact: Imposing spending targets below the rate of inflation will immediately force difficult decisions regarding patient services and workforce reductions.

With federal cuts looming, SVH already faces an uncertain financial landscape. Budget restrictions will force reductions in specialty services and safety-net programs, including oncology, cardiology, and mammography. It will also severely impact our ability to recruit much-needed primary care providers. Once lost, these services will be extremely difficult to restore.

Conclusion

The proposed OHCA spending targets will have far-reaching consequences for healthcare access and affordability. The U.S. healthcare system faces innumerable systemic challenges, including:

- Chronic underfunding for government-insured patients
- Excessive profit margins and complex payment denial strategies by insurance companies
- Rising medication costs
- Inadequate access to primary and other community-based care
- Proprietary healthcare providers limiting services to insured patients

We remain unconvinced that imposing a spending cap on a governmental district hospital will meaningfully address the broader healthcare financing crisis.

For more than seven decades, Salinas Valley Health has been committed to delivering high-quality, locally accessible healthcare to our community. **However, the proposed sector targets threaten to reduce or restrict access to care, directly harming patients**—an outcome that was once unthinkable but is now an unavoidable concern if these targets are implemented.

We urge OHCA to thoroughly assess the real-world impact of its methodology and revise its approach to reflect the realities faced by safety-net providers before implementing measures that could jeopardize patient care.

Thank you for your time and consideration.

Respectfully submitted,

Allen Radner, MD
President/Chief Executive Officer
Salinas Valley Health

cc: Members of the Health Care Affordability Board:
David Carlisle, MD, PhD
Sandra Hernandez, MD
Richard Kronick, PhD
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, PhD
Richard Pan, MD, MPH
Elizabeth Landsberg, Director of Department of Healthcare Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom

Stanford MEDICINE Health Care

March 20, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

Subject: **Low Spending Growth Targets Undermine Patient Care**
(Submitted via email to Megan Brubaker)

Dear Chair Johnson,

Stanford Health Care is deeply concerned by the speed with which the Office of Health Care Affordability (OHCA) is considering hospital sector-specific spending growth targets. With an existing statewide target of 3.5% (dropping down to 3% by 2029), and complete lack of clarity around how that target would be measured or enforced, the proposed action is premature. Moreover, OHCA has not considered the impacts these targets could have on patient care, making detrimental effects all the more likely.

Promoting health care affordability — a priority for California hospitals — is a shared responsibility. To make a difference in the cost of care, the entire health care system — insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others — must work together. **Fragmenting the health care field so early in the process undermines the collaboration that is key to our shared success.**

Before defining one or more hospital sectors, all stakeholders would benefit from a comprehensive analysis of spending across various segments of the health care industry, identification of areas in which spending growth is high, and a meaningful assessment of spending drivers to determine whether differences in spending are appropriate. Absent that analysis, it is difficult to understand how this proposal would meet OHCA's statutory requirements to "maintain quality and equitable care" and "minimize fragmentation and potential cost shifting, and encourage cooperation in meeting statewide and geographic region targets."

Further, OHCA has not yet finalized its method for measuring hospital spending. OHCA has a legal prerogative to inform the creation of sector targets with historical cost data. However, the lack of a finalized methodology means the relevant historical cost data has not been reviewed and leaves hospitals in the dark as to how to comply with the target.

Patient care needs, economic trends, and the investments needed to comply with state mandates and move care from institutional settings and into the community increasingly reveal how difficult, if not impossible, meeting the statewide target will be.

OHCA's decision to lower the target even further, without a clear understanding of how spending will be measured, means that we would be forced to further reduce the care we provide. This will impact our

investments towards specialized and advanced care in our communities, stifling innovation as well as labor costs and meeting the nation's physician shortage gaps.

On behalf of the thousands of complex patients we serve, Stanford Health Care urges you to take additional time for analysis and discussion before finalizing sectors or corresponding targets. We remain deeply committed to achieving our shared goals of affordable, high-quality care — and we ask that the office proceed with a keen eye toward ensuring care is not diminished in the pursuit of lower costs.

Sincerely,

Jason Joseph Hill
Associate Vice President, Government Affairs
Stanford Health Care

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
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State Senator Josh Becker
State Assemblymember Marc Berman