Department of Health Care Access and Information
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Health Care Affordability Advisory Committee
January 23, 2024
MEETING MINUTES

Members Attending: Joan Allen; Barry Arbuckle; Aliza Arjoyan*; Adam Dougherty*; Parker Duncan Diaz; Hector Flores; Sara Gavin*; Stacey Hrountas; David Joyner; Ivana Krajcinovic; Carolyn Nava; Janice O'Malley*; Sumana Reddy; Kiran Savage-Sangwan; Andrew See; Sarah Soroken; Ken Stuart; Suzanna Usaj; Yvonne Waggener*; Rene Williams; Anthony Wright; Abbie Yant*; Tam Ma; Carmen Comsti

*Attending virtually

Members Absent: Stephanie Cline; Mike Odeh; Yolanda Richardson

Health Care Affordability Board Member Attending: Ian Lewis

HCAI: Scott Christman, Chief Deputy Director; Vishaal Pegany, Deputy Director; Brian Kearns, Assistant Chief Counsel; CJ Howard, Assistant Deputy Director; Margareta Brandt, Assistant Deputy Director

Presenters: Scott Christman, Chief Deputy Director, HCAI; Vishaal Pegany, Deputy Director, HCAI; CJ Howard, Assistant Deputy Director, HCAI; Margareta Brandt, Assistant Deputy Director, HCAI; Michael Bailit, Bailit Health; Mohit Ghose and Tiffany Ingliss, Anthem; Stacey Hrountas, Andrea Snyder, and Dr. Andy Dang, Sharp Rees-Stealy: John Freedman, Mary Jo Condon, Sarah Lindberg, and Gary Swan, Freedman Health Care

Facilitators: Karin Bloomer, Jane Harrington, Leading Resources Inc.

Meeting Materials: https://hcai.ca.gov/public-meetings/january-advisory-committee/

Agenda Item # 1: Welcome and Call to Order
Scott Christman, Chief Deputy Director, HCAI
Vishaal Pegany, Deputy Director, HCAI

The facilitator called roll. The Chief Deputy Director reviewed the meeting agenda, noting that agenda item 4 would be pushed to next month's meeting.

Agenda Item # 2: Executive Updates
Scott Christman, Chief Deputy Director, HCAI
Vishaal Pegany, Deputy Director, HCAI

Chief Deputy Director Christman and Deputy Director Pegany provided updates on the following:

- The recently released California proposed budget for the 2024-25 fiscal year. As with last year's budget that features a $291.5 billion budget with an estimated $37.9 billion deficit. This means that some of the HCAI programs will face delays in program funding, about $140 million for nursing and social work initiatives ($70 million each) is proposed, as well as a delay of about $189 million for various behavioral health programs.
- Quarterly work plan for THCE and statewide spending targets, cost and market impact review (CMIR), promoting high value, and the advisory committee.
- Future topics beyond March 2024 including THCE and spending target, promoting high value, and assessing market consolidation.
- Review of material change transactions update and future plans.
- Health system performance focus areas for promoting high value.
- Review of the investment and payment workgroup membership.
- Workgroup discussion topics: alternative payment models, update of primary care investment progress and behavioral health benchmarks.

Public Comment was held on agenda item 2. No public comment.

Agenda Item #3: Spending Target Methodology and Statewide Spending Target Value
Vishaal Pegany, Deputy Director, HCAI
CJ Howard, Assistant Deputy Director, HCAI
Michael Bailit, Bailit Health

Deputy Director Pegany, Assistant Deputy Director Howard, and Michael Bailit presented on the topic of spending target methodology and statewide spending target value.

Discussion and comments from the Advisory Committee included:

- Mention that it would be challenging to predict the impact of new technologies on spending targets due to unknown factors such as FDA approval or insurance coverage decisions.

- Different opinions expressed by committee members regarding adjustments for technology with some advocating for retrospective analysis while others emphasize focusing on spending smarter rather than specific adjustments.
- Some members agreed that retrospective analysis could be useful in assessing the impact of technology on spending.
- A suggestion that targets be adjusted prospectively based on a 5-year trend analysis of 3-4 categories of specialty drugs and devices.
- A concern about creating incentives to limit access to new technologies if targets were set too low.
- A suggestion to adjust targets downward for technologies that reduce spending.
- Some members expressed the need to be mindful of the different impacts of technology on different parts of the healthcare system and the potential inequalities that could arise from adjusting targets for specific technologies.
- A highlight on the importance of considering the outcomes and cost-effectiveness of new technologies and pharmaceutical products. Emphasis was made on the need for actionable information to make informed decisions about the use and cost of these technologies.
- A suggestion that primary care is the number one technology helping patients and spending should consider more investment in primary care.
- Some members expressed support for retrospective analysis of technology impacts and a suggestion for using the office as a platform for sharing information and discussing strategies to address pharmaceutical costs.
- Some members expressed concern about the retrospective approach, stating that it could create exemptions for pharmaceutical drugs and undermine the incentive to manage costs prospectively.
- A suggestion that adjustments are unnecessarily complex; technologies are usually put forward as cost-saving and there will always be some actors who implement technology well and others who do not.
- A suggestion that adjustments should be made retrospectively and that efforts should be focused on monitoring and addressing known technology trends.
- Committee member asked if OHCA's labor adjustments take into consideration increases in labor costs that are lower than inflation. OHCA replied that the statute focuses on adjustments for increased organized labor costs. There would not be an adjustment to labor costs that are lower than inflation and the office would not immediately know of the occurrence.
- A member expressed support for targets tied to household income, but suggested the Board consider whether the 5-year length is too long. The same member expressed support for moving towards entity and sector-specific targets because different entities will be starting from different cost bases.
- A member expressed support for a 3 percent target and appreciated its simplicity. The member expressed concern that providers are already increasing rates and steps must be taken to reduce wasteful spending.
- A suggestion that there are no easy answers and even listening to the AC discussion is challenging because of how much families are struggling.

- A member expressed support for getting to sector targets sooner. The member cautioned that emergency rooms are seeing more high acuity patients, which is leading to increased spending. The member suggested this is due to failures in network adequacy, medication noncompliance, and mental health and substance use disorder. It is important that targets do not make things harder for providers or restrict access to treatments patients need.
- A member expressed support for the OHCA staff recommendation and suggested that the process should be used to fix market failures.
- A member disagreed with the target proposal and suggested that OHCA staff reconsider household income and adjust the target for minimum wage increases. The member expressed concerns about unintended consequences impacting access to services and suggested that OHCA get to sector targets sooner.
- A member expressed appreciation to OHCA for keeping the proposal grounded in affordability. The member also expressed concerns about attribution of costs to providers and how the proposal will impact efforts to improve access and quality. The member suggested that targets consider adjustments for risk and equity and the implementation of CalAIM.
- A member supported the 3 percent target and suggested that costs are driving inequity in health care. The member spoke against population adjustments to the target and suggested that any future adjustment could be downward adjustments, so we move away from a system motivated by profit.

Public Comment was held on agenda item 3 and 1 member of the public provided comments.

Agenda Item #4: Consumer Stories on Affordability

This agenda item was not discussed and will be placed on the agenda for the next Health Care Affordability Advisory Committee Meeting.

Agenda Item #5: Examples of Cost-Reducing Strategies Employed by Elevance and Sharp Rees-Stealy
Margareta Brandt, Assistant Deputy Director, HCAI

Assistant Deputy Director Brandt introduced the topic of examples of cost-reducing strategies employed by Anthem (Elevance) and Sharp Rees-Stealy.

Discussion and comments from the Advisory Committee included:

- A member asked about attention given to eliminating elective C-sections. It was acknowledged that decreasing C-section rates is a challenge, but a lot of work has been done to understand the drivers of C-sections to inform the process and outcome measures of Anthem's doula program.
- Committee members supported the need for investment in the doula workforce to support the scalability of the program and address the disparity in access, particularly in rural areas.
- A member asked if Sharp-Rees Stealy's health care management model considered integrating behavioral health into their primary care services. Sharp-Rees Stealy is participating in the California Quality Collaborative CalHIVE (Health-Impact-Value-Engagement) behavioral health integration improvement collaborative. This 3-year collaborative is designed to meet patients where their needs are.
- A question was raised about Sharp-Rees Stealy health care management services possibly being expanded to include non-HMO plans. The program is focused on HMO plan members based on the HMO payment model. One of Sharp-Rees Stealy's services, the walking well program, is available to HMO and PPO members.
- Emphasis was placed on the value of APMs and how these models work best when purchasers are actively involved as part of the health care management program.
- Concerns raised that the use of cost saving technology would replace in-person care. Examples were provided of patients having problems with their pulse oximeters, including inaccurate readings for people with melanin and users not removing the film on the device. It was noted that cost-saving technology would not replace in-person care but works as a supplement to it.

Public Comment was held on agenda item 5. No public comment.

Agenda Item #6: Update on Workforce Stability Standards
Margareta Brandt, Assistant Deputy Director, HCAI

Assistant Deputy Director Brandt presented an update on the development of workforce stability standards, including a review of literature, data sets, and stakeholder interviews.

Discussion and comments from the Advisory Committee included:

- A committee member expressed the importance of physicians and nurses in health care, as well as the role of technology in augmenting health care services and the need for maintaining connection with patients and empowering them through various options.
- A point was raised that primary care clinicians, such as family medicine and internal medicine practitioners, should be included in the discussion about workforce stability. It was suggested that their perspectives be sought in future interviews.
- A member highlighted metrics absent for the initial workforce stability standards like language access and racial ethnic background. Mention was made that translation services are available for patients, and efforts are made to recruit healthcare professionals who speak the languages prevalent in specific areas.
- A member expressed the importance of including metrics that focus on equity, such as language preferences, racial/ethnic factors, and geographic distribution. It was noted that data sources exist that can provide such information, but additional work may be needed to capture these nuances.
- Suggestions were made regarding specific areas that require attention like the injury and illness rates of behavioral health workers or direct care workers at long-term care facilities.
- Consideration was given to metrics that capture equity issues like race/ethnicity distribution or geographic disparities in access to healthcare providers.
- Some members expressed concern that some providers, especially in behavioral health, may not be accepting insurance, which affects accessibility to care. It was suggested that this issue be further explored using data from the Healthcare Payments Database (HPD) and by linking licensing board data with claims and encounter data.
- A highlight was made of the unique challenges faced by frontline behavioral healthcare workers, including issues related to monitoring, clinical decision-making, and resource limitations in county systems. It was suggested to conduct interviews with frontline healthcare workers to gain insights into their experiences and perspectives.
- A question of how the 3% spending target might affect workforce stability, especially considering the existing shortages and access challenges in primary care and mental health. It was acknowledged that this specific question was not addressed in the interviews conducted so far and could be included in future discussions.
- Emphasis was placed on the importance of understanding clinical education and training challenges, particularly in areas like clinical placements and student loans and a suggestion that these factors could impact the stability of the healthcare workforce and should be considered in the standards.
- Observations on the causes of turnover and burnout in behavioral healthcare, such as limited decision-making autonomy and the pressure to move patients quickly through the system. It was suggested to gather data on reasons for turnover and burnout to better understand their impact on workforce stability.

Public Comment was held on agenda item 6. No public comment.

Agenda Item #7: Update on Total Health Care Expenditure (THCE) Proposed Regulations and Data Submission Guide
CJ Howard, Assistant Deputy Director, HCAI

Assistant Deputy Director Howard presented updates on the proposed total healthcare expenditures regulations and data submission guide, including modifications based on comments the office received.

Discussion and comments from the Advisory Committee included:

- A question from a committee member on whether a directly contracted plan will have to start gathering encounter level information, including diagnoses. The categories of data collected by OHCA does not include encounter data. OHCA will collect claims, non-claims, and consumer out of pocket spending.
- A member commented that the federal government is seeking comments on amendments to ERISA and that could be an avenue for eliminating any restrictions on ERISA plans submitting data.
- A member expressed appreciation for the thoroughness of the presentation and the Office's consideration of written comments. The member expressed support for age/sex risk adjustment instead of clinical risk adjustment due to concerns about upcoding.
- A member expressed concern over omitting physician groups with 25 or more physicians and the need for a registry.

Public Comment was held on agenda item 7 and 2 members of the public provided comments.

Agenda Item #8: Hospital Measurement: Introductory Discussion of OHCA's Plan for Measuring Hospital Spending
Vishaal Pegany, Deputy Director, HCAI

Deputy Director Pegany, John Freedman, Mary Jo Condon, Sarah Lindberg, and Gary Swan presented on the topic of OHCA's hospital measurement planning activities.

Discussion and comments from the Advisory Committee included:

- Committee members expressed interest in stakeholder engagement during the process to ensure accurate measurement outcomes related to hospital spending including attribution challenges tied to health system affiliations with independent providers or specialty care referrals outside primary care networks affiliated with health systems.
- A suggestion to look beyond obvious suspects in the industry when assembling the technical expert committee.
- The difficulty of identifying which patients are referred through a health system linkage and the different approaches to do so.
- The challenge of accounting for all the supplemental payments that flow

through the hospital system, both for the system and the non-system attributions.
- Concern about using Medicare as a benchmark due to its lower reimbursements compared to actual costs incurred by hospitals.
- Different comparators, such as hospitals with teaching programs or hospitals providing specialized services, could be considered to provide context and avoid unfair comparisons.

Public Comment for this item was combined with Agenda Item #9: general public comment.

Agenda Item # 9: General Public Comment

Public comment was held for Agenda Item #8 and general public comment and there was no public comment.

Agenda Item # 10: Adjournment

Leading Resources Inc facilitator adjourned the meeting.