Department of Health Care Access and Information
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Health Care Affordability Board
May 23, 2023
MEETING MINUTES

Members Attending: David Carlisle, Mark Ghaly, Sandra Hernandez, Richard Kronick, Elizabeth Mitchell, Don Moulds, Ian Lewis

Members Attending Virtually: Richard Pan

Presenters: Mark Ghaly, Chair, HCAB; Elizabeth Landsberg, Director, HCAI; Vishaal Pegany, Deputy Director, HCAI; CJ Howard, Assistant Deputy Director, OHCA; Michael Bailit, Bailit Health

Meeting Recording: https://www.youtube.com/watch?v=yW4qdyIsc8s
Meeting Materials: https://hcai.ca.gov/public-meetings/may-health-care-affordability-board-meeting/

Agenda Item # 1: Welcome and Call to Order
Mark Ghaly, Chair, HCAB
Elizabeth Landsberg, HCAI

Mark Ghaly opened the May meeting of California's Health Care Affordability Board. All Board members were present, establishing a quorum. Elizabeth Landsberg provided an overview of the agenda.

Agenda Item # 2: Executive Updates
Elizabeth Landsberg, Director, HCAI
Vishaal Pegany, Deputy Director, HCAI

Elizabeth Landsberg provided an update from HCAI. She shared two items from the Governor's May Revision of the state budget. She shared that there has been new early action taken by the legislature to create a new Distressed Hospital Loan Program with $150 million which will provide interest-free loans to not-for-profit hospitals and public hospitals in significant financial distress or to governmental entities representing a closed hospital, for purposes of preventing the closure of, or facilitating the reopening

of, those hospitals. Elizabeth Landsberg noted that HCAI is working with California Health Facilities Financing Authority (CHFFA) and working quickly to set up this new program.

Additionally, she reviewed proposed changes to the budget for HCAI's work on CalRx, noting that the May Revision includes a one-time $30 million from Opioid Settlements Funds to support the development of a lower cost, generic version of a naloxone nasal spray product through the proposed CalRx Naloxone Access Initiative at HCAI. She shared that naloxone is an essential tool in combating the opioid epidemic and that increasing access to this medication is critical. In comparison to the injection form, the nasal spray formulation is very popular and can be administered by non-medical professionals. Elizabeth Landsberg noted that both the generic and brand name prices are artificially high for several years, which is an access barrier.

Related to HCAI's racial equity work, Elizabeth Landsberg shared that they are part of a learning collaborative of other state departments that are focusing on racial equity and that they begin all meetings with a Land Acknowledgement statement and a Black Liberation statement. She then shared that HCAI has developed its own statement and read a portion of the Land Acknowledgement statement. Elizabeth Landsberg appreciated HCAI's equity team members who developed the Land Acknowledgement statement.

Elizabeth Landsberg then reviewed slide formatting to refine areas of authority between the Board and the Office. There will be a yellow arrow to indicate where OHCA, the Office, has decision-making authority and a green arrow where the Board has decision-making authority.

Elizabeth Landsberg presented areas where the Board has approval or establishment authority, followed by areas where the Office is required to consult and discuss with Board, highlighting the Baseline Report as being an important matter on which to receive input.

Vishaal Pegany then followed up on the April discussion related to the THCE Measurement and updates to the Board Workplan. He noted that in April, Board members expressed interest in accounting for other categories of spending such as spending by the uninsured, or cash payments by insured consumers as well as other public spending, and that OHCA is continuing to research this and will return at a later Board meeting for a more substantive update on the feasibility of reporting this spending.

Related to Board Workplan updates, Vishaal Pegany presented the timeline update for alternative payment models, cost and market impact reviews, and total healthcare expenditures.

Questions and Comments from the Board:

Elizabeth Mitchell asked a clarification question about tracking by market and whether that will enable accountability at the organizational level. Vishaal Pegany noted that the

market reporting would be an aggregation, but with the carrier specific reporting you could attribute spending to physician organizations and health systems. He then referenced the presentation to follow by Michael Bailit will offer more information.

Public Comment on agenda item 2 (See recording for comments).

Agenda Item # 3: Approval of April Meeting Minutes

Mark Ghaly, Chair

Mark Ghaly reminded the Board and the public that questions during public comment will not be answered during public meetings and to be thoughtful in framing statements.

Mark Ghaly opened it up to the Board to ask if there are any concerns, edits, or refinements. David Carlisle motioned to approve. Sandra Hernandez seconded the motion. Mark Ghaly invited public comment for approval of the Board meeting minutes.

No public comment.

The Board voted unanimously to approve.

Agenda Item # 4a: Establishment of Advisory Committee

CJ Howard, Assistant Deputy Director, OHCA

CJ Howard provided an overview of recommendations related to establishing and appointing members to the Health Care Affordability Advisory Committee. He summarized legislative background on the charge of the Advisory Committee and the Board's charge when considering appointments to the Advisory Committee. CJ Howard then reviewed the subcommittee deliberations.

He then presented the aims for Advisory Committee size, the term lengths, and appointments and reappointments. Related to Advisory Committee structure, CJ Howard presented the breakdown as 35% of the makeup would be from the payers, hospitals, and medical groups, 42% would be purchasers, organized labor, and patient and consumer advocate groups, 23% would be physicians and healthcare workers for a total of 26 members.

The Board asked about the slight deviation from the statute. CJ Howard clarified that payers and fully integrated delivery systems (referring to Kaiser) are called out separately in the statute. He then reviewed the attributes of the Advisory Committee structure that the subcommittee looked for in the search. Richard Pan added that the subcommittee was looking at individuals and their characteristics, and not simply filling groups or buckets. CJ Howard provided an overview of the deliberations of the subcommittee, the experience and expertise of the applicants, and the names of the individuals proposed for Advisory Committee membership. He then presented the draft motion to approve the 25 individuals and tasking OHCA with randomly assigning half of the appointments to a one-year term and the other half to a two-year term. The motion also would request OHCA to continue to review applications to fill one vacant slot. Mark Ghaly thanked CJ Howard and the subcommittee members and opened to questions and comments from the Board.

Ian Lewis appreciated the subcommittee and asked to hold back the two nominees that were identified as Health Care Workers and asked for reconsideration.

Richard Pan provided more background on the candidates and categories, and identified the objective in the Health Care Worker category was to identify those with frontline experience and not be representative of the organization with which they are affiliated. Elizabeth Mitchell agreed with Richard Pan and added that they were also looking specifically for someone with behavioral health expertise for balance.

David Carlisle raised diversity criteria. Elizabeth Landsberg stated that the submission form calls for a personal statement, which includes a self-identified diversity portion, and if there were to be new submissions, they would ensure diversity continues to be a consideration. Richard Kronick noted that the behavioral health applicant that was categorized as a Health Care Worker did not self-identify as a representative of health care workers in their submission. The subcommittee explained the consideration for this applicant but deferred to the decision of the Board.

Richard Pan asked the Board if a targeted solicitation would be the direction to getting the Health Care Worker category filled. Elizabeth Mitchell agreed that she was supportive of a new solicitation. Board members raised that the Health Care Worker category and the definitions of the categories themselves need to be top consideration, rather than shifting appointments between categories. Sandra Hernandez asked how the OHCA-convened workgroups and Advisory Committee will function. Elizabeth Landsberg highlights that the OHCA-convened workgroups will be focusing on highly technical matters, whereas the Advisory Committee is high-level. The Board members acknowledged there is complexity in forming both the workgroups and the Advisory Committee.

Don Moulds raised the need for academics that have been studying healthcare economics and advised that they would be useful in the Advisory Committee, although they would likely be put into the technical working groups. He also stated that the perspective of retirees is missing. Elizabeth Mitchell agreed with Don Moulds that these are two omissions.

The Board members expressed concern about adding categories and therefore increasing the number of Advisory Committee members. They also expressed that the subcommittee should reevaluate the Organized Labor category in addition to the Health Care Worker category.

The Board discussed how many Advisory Committee members to approve. Sandra Hernandez requested the rationale for having unlimited numbers of terms and Elizabeth Landsberg replied that it was intentional to leave it to the discretion of the Board.

Elizabeth Mitchell and Richard Pan agreed to continue the work of the subcommittee. The Board agreed there will not be an additional member added to the subcommittee.

The final motion was to add an additional Organized Labor position and hold open the three positions in the Health Care Worker category, totaling 23 members to be

approved and 4 open positions to be reconsidered by the subcommittee. David Carlisle motioned to approve. Sandra Hernandez seconded the motion. Mark Ghaly invited public comment.

Public Comment on agenda item 4a (See recording for comments).

The Board voted unanimously to approve.

Agenda Item # 4b: Board Member Attendance at Advisory Committee

CJ Howard, Assistant Deputy Director, OHCA

CJ Howard presented two options to the Board for member attendance at the Advisory Committee meetings. He shared that the first option is to have one or two Board members attend all Advisory Committee meetings for a one-year period, and the second option is to have the Board decide attendance for each Advisory Committee meeting. He noted that the staff recommends the second option.

Ian Lewis motioned to approve. Sandra Hernandez seconded the motion. Mark Ghaly invited public comment.

No public comment.

Richard Pan raised the importance of surveying the Board members for volunteering to attend the Advisory Committee meeting before the Board meetings.

The Board voted unanimously to approve.

Agenda Item # 5: Lunch Break

The Board paused for a 30-minute lunch.

Agenda Item # 6: Total Health Care Expenditures (THCE) Measurement

Vishaal Pegany, Deputy Director, HCAI
Michael Bailit, Bailit Health

Michael Bailit presented a recap of Board Meeting #2 and reviewed topics. He discussed reporting THCE for the baseline report, measuring payer and provider spending, and introduced spending target program adjustments.

Regarding levels of reporting, the Board members asked for clarification about payers' administrative costs and profits and expressed concerns about capturing administrative costs for provider entities.

Vishaal Pegany presented OHCA's approach for levels of reporting. He noted accountability as enforcement, which would be phased in with 2026 being the first year of enforcement for statewide spending.

Questions and Comments from the Board:

The Board members raised that administrative costs are folded into the reporting. Richard Kronick noted that reporting at the geographic level would be important to include, in addition to the provider entity level. The Board members noted that agreement needs to be reached on the provider entity levels and pushed on feasibility. Michael Bailit presented spending by geographic region, the variability in prices for common procedures, and Covered California premiums across the state.

Vishaal Pegany reviewed OHCA's approach for disaggregating THCE and asked the Board members for questions or comment.

The Board members agreed that using the Covered California regions for spending is most useful because it reflects the broad geographic diversity issues and variations in cost. They asked how granular the data levels can be, with the consideration of Los Angeles County (due to structure and population) and how to mitigate that variation. Don Moulds brought attention to the fact that the Los Angeles County Service Planning Areas (SPA) have a disproportionate population compared to Northern California. Specifically, each SPA has roughly the majority of the population of Northern California. He also noted the significant variation in cost and utilization within these regions. Richard Pan highlighted that those rating regions were established more than a decade ago and with population shifts, it would be helpful to do a cross-check with Covered California within the next few years to confirm if they continue with the rating regions as they currently stand. He also suggested there are lenses other than granularity that would also be important to review. Mark Ghaly agreed that Los Angeles County may need to be looked at again and noted that he would discuss reevaluating this rating region with the Covered California Board.

The Board asked about plans to collect cost-sharing data. Vishaal Pegany confirmed that cost-sharing is part of TME and it would be reported by payers.

Michael Bailit presented on disaggregating THCE by service categories, followed by an example of service category analysis from Rhode Island. The Board members expressed interest in primary care and behavioral health services and that they be considered as separate categories. Elizabeth Mitchell asked at what point the data will be able to be drilled down to the hospital and provider level, and if there is a plan to do so. Michael Bailit reviewed the possibilities, but noted that it will not be claim level data, only aggregate.

Regarding OHCA's approach, Vishaal Pegany commented they are already planning to disaggregate THCE by service category and are doing some information gathering on primary care and behavioral health in separate workgroups to better define service codes. He noted that next month the Board will receive an overview of those planning efforts.

Sandra Hernandez asked if HCAI has thought about how Kaiser is collecting and reporting data. Vishaal Pegany confirms they are actively engaged with Kaiser in technical work groups.

Vishaal Pegany presented on the provider types for which they are developing methods to measure performance and highlights they will use primary care attribution for measurement and alternative methods for assessing spending where that is not possible. He asked the Board for questions.

The Board asked how big the provider organizations will need to be in order for them to be expected to report. Michael Bailit shared they are planning a process to try to assess what the volume of attributed patients are by provider organizations and by market in order to set a threshold. The Board asked if the new direct care primary entities will be captured. Michael Bailit shared only if third party administrators (TPA) and insurers know about it. The Board requested elaboration on hospital targets and measuring performance against those targets. Vishaal Pegany replied that the intent of the statute is for targets to apply to health care entities that include payers, fully integrated delivery systems and providers. Providers include physician organizations of 25 or more, and hospitals and health systems, but OHCA will return at a later date with more specifics.

Public Comment on agenda item 6 (See recording for comments).

Michael Bailit presented on spending target and risk adjustments. He asked the Board for questions or comments.

Richard Pan commented that he is concerned that risk adjustment is being minimized and population changes need to be factored in when doing any cost targeting and performance assessment. The Board discussed that certain health plans will attract a certain population and it is important not to adjust away all of the risk. David Carlisle noted there is controversy around algorithms and racial impacts.

Richard Kronick commented that he is in strong support of using age/sex adjustment rather than diagnostic adjustment. He noted that adjusting for clearly measured characteristics (Medicare/Medicaid disability status) that are strongly related to spending beyond age and sex makes sense.

Mark Ghaly concluded the discussion, noting that the topic is big and will need to be discussed in the next meeting. He suggested that staff lay out the pros and cons of the issue for the Board before the next meeting so they can spend more time thinking about it.

Vishaal Pegany presented OHCA's approach for risk adjustment. The Board will discuss the approach in the next meeting.

Agenda Item # 7: General Public Comment

Public Comment on agenda item 7 and General Public Comment (See recording for comments).

Agenda Item # 8: Adjournment

Mark Ghaly asked for any closing comments from the Board before adjourning the meeting. Ian Lewis acknowledged and appreciated the public for travelling and asks staff to consider having this meeting somewhere other than Sacramento. The Board also suggested considering making the meeting longer by starting earlier. Sandra Hernandez asked about the status of the HPD database. Elizabeth Landsberg replied that it is due for completion by July 1st and plans to do a presentation in the future.

Mark Ghaly adjourned the meeting.