

## Office of Health Care Affordability News

June 2025

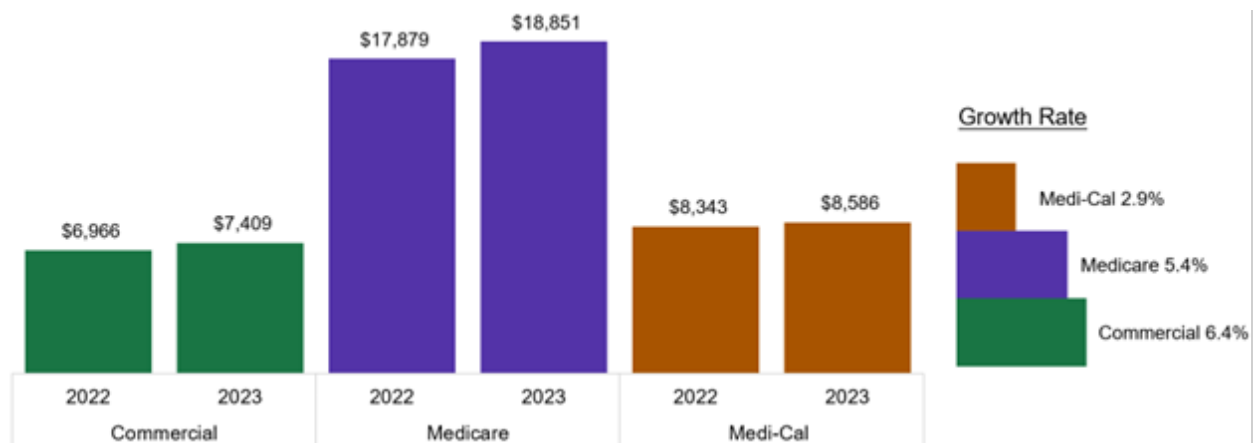
### Baseline Report Released

The Office of Health Care Affordability has released a [Baseline Report](#) on health care spending in California. The report shows that health care spending in California reached \$408 billion in 2023. For the commercial market, total health care spending per member grew 6.4% from 2022 to 2023, continuing the historical trend of outpacing the growth in family incomes and underscoring the importance of OHCA's efforts to improve consumer affordability.

When measured per member per year, total health care expenditures – health care spending including health plan administrative costs and profits – varied across the three major markets of Commercial, Medicare and Medi-Cal.

- Commercial health care spending per member per year was \$6,966 in 2022 and \$7,409 in 2023, an increase of \$443 or 6.4%.
- Medicare had the highest spending per member per year at \$17,879 in 2022 and \$18,851 in 2023, an increase of \$972 or 5.4%.
- Medi-Cal spending per member per year was \$8,343 in 2022 and \$8,586 in 2023, an increase of \$243 or 2.9%.

### Total Health Care Expenditures Per Member Per Year Spending and Spending Growth by Market, 2022-2023



In addition to reporting by market, the report also describes spending changes across 2022-2023 by payer, service category, commercial product type, and region. Each year, OHCA will collect, analyze, and report data to present a comprehensive view of California's health care spending and trends over time.

## Defining Hospitals and High-Cost Hospitals as Sectors

At the April 2025 Health Care Affordability Board meeting, the Board voted unanimously to [define high-cost hospitals and set hospital sector spending target values](#). For most hospitals the hospital sector spending target is set at the [statewide spending target](#).

For seven hospitals identified as high-cost hospitals, the Board set the spending target at 1.8% in 2026, 1.7% in 2027 and 2028, and 1.6% in 2029. Annually, the Office will provide the Board with an updated list of hospitals that meet the high-cost criteria and an updated list of factors for the Board to consider when identifying high-cost hospitals.

More information about the hospital sector target values in detail are available [here](#).

## Quality and Equity Set Update

At the April 2025 Health Care Affordability Board meeting, OHCA adopted the [OHCA Quality and Equity Measure Set](#) to promote high quality and more equitable health care for all Californians. The measure set will be used to monitor changes in quality and equity as health care entities work to meet the spending targets. Statute requires OHCA to use recognized clinical quality, patient experience, patient safety, and utilization measures, and to consider reliable measurement of disparities in health care. OHCA is aligning with existing quality and equity measurement programs across California to limit administrative burden on health care entities.

Combined, the following measure sets make up the OHCA Quality and Quality Measure Set:

- For **payers**, OHCA will use the Department of Managed Health Care (DMHC) Health Equity and Quality Measure Set and stratification requirements;
- For **physician organizations**, OHCA will use a subset of the Center for Data Insight and Innovation Office of Patient Advocate (OPA) Health Care Quality Report Card measures; and
- For **hospitals**, OHCA will use the HCAI Hospital Equity Measures Reporting Program measure set and stratification requirements.

OHCA will apply the same benchmarks used by each measure set to evaluate the performance of health care entities.

Adopting the OHCA Quality and Equity Measure Set is a starting point. OHCA is required to regularly review and update its measure set. OHCA will continue to work with sibling state departments, stakeholders, and other partners to evolve the measure set, collaboratively address limitations, and strengthen quality and equity analyses. More information about the OHCA Quality and Equity Measure Set is available on the [OHCA Quality and Equity Measure Set webpage](#).

## OHCA in the News

[California's primary care shortage persists despite ambitious moves to close gap](#), KFF Health News: Six years after the influential California Future Health Workforce Commission made a series

of recommendations to plug a projected shortage of 4,100 primary care providers in 2030, a number of public and private initiatives have proliferated around the state to address the problem. They include new residency slots, debt forgiveness, waived medical school tuition, new ways of paying doctors, expanded nurse practitioner roles, and a statewide target to increase primary care spending. Hundreds of millions of state funds have been allocated for some of these efforts including many programs implemented by HCAI.

[State's Health Care Affordability board tells CHOMP and SVH to limit future spending even further](#), Monterey County Now: The health care landscape in Monterey County could look different in the next few years, after the state's Office of Health Care Affordability board voted 5-0 on Tuesday, April 22, to label Community Hospital of the Monterey Peninsula and Salinas Valley Health as high-cost outlier hospitals, requiring them to cap their spending growth at a lower rate than over 400 other hospitals in the state, starting with a 1.8-percent cap in 2026.

[California regulators cap rates at seven hospitals, including 3 on Central Coast](#), KSWB-TV: State regulators are targeting seven California hospitals, including three on the Central Coast, for having rates deemed too high.

### **Upcoming Health Care Affordability Board meetings**

The following Health Care Affordability Board meetings will take place in upcoming months at 2020 West El Camino Ave., Sacramento, CA 95833:

- July 22, 2025, 10 a.m.
- August 26, 2025, 10 a.m.