

Office of Health Care Affordability News

March 2025

Defining Hospitals as a Sector

In January, the Health Care Affordability Board voted to define the first health care sector - hospitals. [In February](#), OHCA staff presented its recommended methodology for identifying high-cost hospitals and a methodology for adjusting target values for those hospitals.

OHCA recommended keeping the hospital sector target at the statewide target for most hospitals. Hospitals are subject to the statewide target unless and until the board modifies the spending target for the entire hospital sector or specific hospitals. The statewide target is 3.5 percent in performance year 2026 and steadily lowers to 3 percent in performance year 2029.

In addition, OHCA recommended selecting disproportionately high-cost hospitals that merit a lower target value by identifying hospitals that are above the 85th percentile for 3 out of 5 years on both the unit price measure of Commercial Inpatient Net Patient Revenue per Case Mix Adjusted Discharge and the relative price measure of Commercial to Medicare Payment to Cost Ratio. This approach identified 11 hospitals as repeatedly disproportionately high-cost hospitals compared to other hospitals in the state.

Under OHCA's proposed approach, target values for high-cost hospitals would start at 1.8 percent in performance year 2026 and lower to 1.6 percent in performance year 2029.

Public comment on the hospital sector target will be accepted until 5 p.m. on April 11. It can be submitted to OHCA@hcai.ca.gov. The Board has until June 1 to set targets for 2026 and can set targets for beyond 2026 at this time.

Accepting Applications for Advisory Committee until April 15

The Office of Health Care Affordability has released a Submission of Interest Form for those who would like to serve on the Advisory Committee. If interested, please complete the Form on the [OHCA Advisory Committee webpage](#). **The submission period will close on April 15, 2025.**

Selected members will serve a two-year term from July 1, 2025 - June 30, 2027.

This committee provides input to the Health Care Affordability Board on a range of topics, including:

- A statewide health care spending target and specific targets by health care sector and geographic region;
- The methodology for setting spending targets and adjustment factors to modify targets when appropriate; definitions of health care sectors;
- Benchmarks for primary care and behavioral health spending;

- Statewide benchmarks for the adoption of alternative payment models and standards;
- Quality and equity metrics;
- Standards to advance the stability of the health care workforce; and
- Other areas requested by the board or the office.

The Advisory Committee must have representation, at minimum, from the following: consumer and patient groups, payers, fully integrated delivery systems; hospitals, organized labor, health care workers, medical groups, physicians, and purchasers.

The Advisory Committee’s current membership and upcoming meetings are listed [here](#).

OHCA – Upcoming Public Reports

OHCA’s first report on baseline health care spending (Baseline Report) must be published by June 1, 2025. The Baseline Report will include the following health care spending analyses for calendar years 2022-2023:

- Statewide total health care expenditures (THCE)
- Total Health Care Expenditures by market category (e.g., Commercial, Medicare, Medi-Cal)
- Total medical expense (TME) by service category, region, and payer.

OHCA recently completed data collection for the Commercial, Medicare and Medi-Cal Managed Care Organization (MCO) markets and is in the process of analyzing those data. The Baseline Report will not include the following:

- Physician organization-level reporting
- Performance against the target.
 - This will begin with the first Annual Report in 2027 for the 2025 performance year (comparing growth from 2024 to 2025).
- Alternative Payment Model and Primary Care analyses.
 - OHCA will begin data collection September 1, 2025, for calendar years 2023 and 2024.
- Behavioral Health Spending.

OHCA in the News

[Five States Leading Efforts to Increase Primary Care Spending](#), Milbank Memorial Fund - To address primary care workforce shortages and help keep care more affordable, a growing number of states are engaged in efforts to strategically invest in primary care. This report looks at efforts to increase primary care spending across five states – California, Connecticut, Oklahoma, Rhode Island, and Virginia. It compares primary care spending targets, timelines for those targets, performance against the targets (if available), and enforcement measures.

Upcoming Health Care Affordability Board meetings

The following Health Care Affordability Board meetings will take place in a new location: The May Lee State Office Complex Auditorium, Room 300, 651 Bannon Street, Sacramento, CA, 95811.

- April 22, 2025, 10 a.m.
- May 27, 2025, 10 a.m.
- June 24, 2025, 10 a.m.