HCAi Department of Health Care Access and Information
2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
hcai.ca.gov

Public Comments Submitted Regarding OHCA Proposed Spending Target

Part 5

Table of Contents

San Diego Regional Chamber

402 West Broadway, Suite 1000
San Diego, CA 92101-3585
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www.sdchamber.org

March 7, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 W El Camino Avenue
Suite 1200
Sacramento, CA 95833

Subject: Concerns With 3% Statewide Spending Target

Dear Dr. Ghaly,

On behalf of the San Diego Regional Chamber of Commerce (Chamber), I am writing to express our concerns with the Office of Health Care Affordability's (OHCA) proposed 3% statewide spending target. Improved healthcare affordability is a laudable goal that our members support, but unfortunately OHCA staff's recommendation of a 3% spending target does not take into account many factors critical to healthcare costs and therefore may negatively impact access to care for residents and workers in the San Diego region and throughout California. We encourage the Health Care Affordability Board to consider other factors that affect healthcare spending when developing this and any future spending regulations.

OHCA staff's recommendation of a 3% statewide spending target relies on historical per capita health care spending data and historical median household income as indicators. Staff recommends not using any other indicators despite outlining a variety of other factors that can affect health care spending. We encourage the Board to include other indicators when crafting this regulation. Specifically, provider cost data, labor costs, seismic and other infrastructure requirements, drug pricing, provider-payer mix, and inflation are all factors that influence health care spending and should be considered as indicators. California law makes a number of unfunded mandates on providers, including seismic requirements and the recently enacted health care minimum wage, all of which increase provider costs, and none of which are taken into account under the proposed cap on provider spending. Clearly this creates an infeasible situation for providers, as the State is now mandating providers to spend more and spend less at the same time. The unfortunate result of this type of regulation is that services must be cut from somewhere to lower costs. This jeopardizes patient access to care and specialty treatment.

As the largest local Chamber on the west coast, we represent approximately 2,200 regional businesses and 300,000 employees. Our region's employees count on access to reliable health care that serves their needs. The current staff recommendation may imperil health care access that is critical for San Diegans via an arbitrary target that does not consider the many costs it takes to provide care (as well as current state mandates), and may force our region's healthcare providers to cut certain services. While lowering health spending is an ideal

goal, it cannot be achieved successfully by using only one main metric and ignoring the complex economic realities faced by healthcare providers.

We appreciate your understanding of our concerns and look forward to continuing dialogue and collaboration on improving healthcare affordability and access in our state. If you have any questions, please contact Evan Strawn, Policy Advisor (estrawn@sdchamber.org).

Sincerely,

Jerry Sanders
President & CEO
San Diego Regional Chamber of Commerce

SAN GORGONIO
MEMORIAL HOSPITAL

February 28, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

The Office of Health Care Affordability (OHCA) seeks to improve health care affordability and must do so without sacrificing access to or the quality of health care. We stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually **reflect** these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage, California Paid Sick Leave Program (CPSL), and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

For San Gorgonio Memorial Hospital, meeting the proposed 3% target would mean:

- If these limits would have been in place over the past 5 years, the Hospital's Revenues would have been reduced by approximately $50M. In other words, the Hospital would have filed bankruptcy and closed 3 or 4 years into the program. Period!
- San Gorgonio proudly serves our community as a safety net provider—more than 81% of our net patient revenue is attributed to providing Medi-Cal and Medicare services. There are not enough cuts in services, staffing, or programs that could be made that would still allow the Hospital to remain operational in a manner that would meet the numerous California licensing, staffing, mandated benefits, seismic, reporting, and other HCAI capital and operational licensing requirements necessary to maintain a Hospital (not to mention Federal mandates such as EMTALA, price transparency, etc.).

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

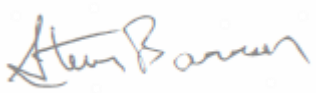
- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,



Steve Barron, CEO
San Gorgonio Memorial Hospital

Cc:

Rosilicie Ochoa Bogh
California State Senator
23rd District

Susan DiBiasi
San Gorgonio Memorial Hospital
Hospital Board Chair

Shannon McDougall
San Gorgonio Memorial Healthcare District
District Board Chair

From: Anne-Marie Jackson CA-Santa Cruz
To: HCAI OHCA
Subject: cost growth
Date: Monday, March 11, 2024 2:03:19 PM

MEMORANDUM

To: Megan Brubaker; OHCA@hcai.ca.gov

From: Anne-Marie Jackson, MD

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

I stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.

I am concerned that this unrealistic target will impact patient wait times which are already longer than acceptable. It will penalize physicians who care for complex patients with disabilities and chronic diseases. The most vulnerable of patients might not be able to find physician practices or medical groups able to take them and meet targets. Running a practice or medical group is already a daunting challenge given overall inflation rates, staffing shortages which drive up labor cost, supply costs and the cost of operating and maintaining our clinics. Government reimbursement has not not kept pace with inflation leading to difficult financial losses for many practices. I am deeply concerned that the current proposal will have a disproportionate impact on our ability to maintain access and provide high-quality care.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; and the overall cost of practicing medicine. In January, CMS projected the increase in the cost to practice medicine would be 4.6% in 2024 (Medicare Economic Index).

The proposed target falls well below current lived experience. Physicians are a critical

part of our state's health care system and I am concerned that those operating in the red will be penalized under this target. For Santa Cruz Medical Group, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. Maintaining access to care and equity must be considered when looking to set these spending growth targets. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,

Anne-Marie Jackson, MD, FACOG
CMO, Dignity Health Medical Group - Dominican
Obstetrics and Gynecology
[redacted]

SANTA CRUZ MEDICAL GROUP

Feb 28, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

Santa Cruz Medical Group (SCMG) stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

SCMG is concerned that this unrealistic target will impact patient wait times which are already longer than acceptable. It will penalize physicians who care for complex patients with disabilities and chronic diseases. The most vulnerable of patients might not be able to find physician practices or medical groups able to take them and meet targets. Running a practice or medical group is already a daunting challenge given overall inflation rates, staffing shortages, which drive up labor cost, supply costs and the cost of operating and maintaining our clinics. Government reimbursement has not kept pace with inflation leading to difficult financial losses for many practices. SCMG is deeply concerned that the current proposal will have a disproportionate impact on our ability to maintain access and provide high quality care.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; and the overall cost of practicing medicine. In January, CMS projected the increase in the cost to practice medicine would be 4.6% in 2024 (Medicare Economic Index).

The proposed target falls well below current lived experience. Physicians are a critical part of our state's health care system, and SCMG is concerned that those operating in the red will be penalized under this target. For SCMG, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target

SANTA CRUZ MEDICAL GROUP

- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. Maintaining access to care and equity must be considered when looking to set these spending growth targets. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. **We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.**

Sincerely,

Thomas Luen Yen, President
Santa Cruz Medical Group

1667 Dominican Way, Suite 134
Santa Cruz, CA 95065

From: Saul Olivas
To: HCAI OHCA
Subject: Health care costs too much, Trust me I know
Date: Wednesday, February 28, 2024 3:34:41 AM

Dear Office of Health Care Affordability Board Members,

I am writing to you today to share my health care story.

My health care costs me more than 200 per month.

Health care costs are too expensive and clearly unsustainable. While these costs continue to increase, everyday folks like me are forced to compromise our health, choosing between delaying care, skipping tests, or failing to fill prescriptions to save money. Slowing the growth of health care costs leaves more money for me, helping me to pay for other basic needs like food, rent, utilities, and additional living expenses.

I am respectfully urging you not to make any adjustments that would adversely affect or delay the implementation of health care affordability protections. Specifically, maintaining a 3 percent annual spending growth target for 2025 - 2029 that is based on the median income between 2002- 2022, rather than on the growth of the economy. All too often, consumers have been burdened by a health care system that does not prioritize the health and well-being of the patient. I am counting on the Office of Health Care Affordability to hold industry accountable and not put profits over the people who rely on the health care system to survive.

Thank you for your consideration.

Sincerely,
Saul Olivas
[redacted]

United States

Amber J. Ter-Vrugt
Senior Director, Government Relations
Office of the President
Scripps Health

10140 Campus Point Drive, CPA-320
San Diego, CA 92121
Tel 858-678-6893

February 29, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly,

On behalf of Scripps Health, a not-for-profit integrated health care delivery system in San Diego, Calif., we respectfully urge you to reconsider the proposed cost growth target and staff-recommended multi-year target.

Scripps Health was founded in 1924 by philanthropist Ellen Browning Scripps. We treat more than 600,000 patients annually through the dedication of 3,000 affiliated physicians and more than 15,000 employees among our five acute-care hospital campuses, 30 outpatient centers and clinics, eight free standing imaging centers, and hundreds of affiliated physician offices throughout the region. In addition to serving as one of San Diego's safety-net providers, Scripps is a leader in disease and injury prevention, diagnosis and treatment, and we are at the forefront of clinical research. Scripps is also home to three highly respected graduate medical education programs and has been ranked five times as one of the nation's best health care systems by IBM Watson Health.

As the Office of Health Care Affordability (OHCA) seeks to improve health care affordability, it must do so without sacrificing access to, or the quality of, health care. We stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care.

The spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.

For example, a 3% year-over-year cap on costs as proposed in the bill does not take into consideration the razor thin margins, we are currently operating under, nor does it consider the underlying, escalating costs of labor, pharmaceuticals, and hospital construction; many of which are beyond our control or necessitated by other legislation without funding.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for a myriad of factors that impact health care spending. To be credible, a target must not only consider but actually **reflect** these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care. Our aging patient population alone is projected to increase health care spending in California by 0.7% annually.

For Scripps Health, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health. For example, we must spend almost $3 billion to comply with the 2030 seismic operational mandates set forth in SB 1953 and the majority of the costs going forward are to rebuild hospitals that lose money every year. The added SB 1953 expense requires significant borrowing. When we borrow money, we pay well over 3% in interest alone. On top of the interest, we must also pay back the loan amount.

Additionally, the cost target proposal does not take into consideration market growth for wages. Scripps has always provided our employees with competitive wages and benefits. We've been named one of the country's Best Companies to Work for by Fortune magazine for the 15th time this year and we are one of only three healthcare organizations to receive this in the country. That said, to remain competitive with the current market, from FY 22 to FY 23 wages increased by 11% on average across our system with the highest increases being nearly 16% for our nurses. These are well-deserved increases and an investment in our work force but at the same time, these increases represent a significant market shift that we do not have control over. These increases in compensation, while voluntary, are a function of market dynamics and are effectively out of our control if we desire to stay market competitive and in compliance with state-legislated staffing ratios.

The same can be said for unregulated drug costs and supplies. When combining labor, supplies, services, and the depreciation expense resulting from seismic compliance as previously mentioned, this represents more than 90% of our cost basis, and mere compliance with state guidelines in each category make 3% impossible without cuts to services.

Furthermore, our spend on cyber security in Information Services (IS) alone increased 7.2% this past year (exclusive of labor). And the compound annual growth rate in cyber spend over the past 5 years is more than 60%. The continued investment in cybersecurity reflects the need to keep pace with an evolving threat landscape and increasingly sophisticated attack techniques. Investments in cybersecurity are directed towards solutions and services to protect and monitor necessary assets, data and systems and detect and respond to cybersecurity events promptly.

These are just a few examples of costs that are outside of our control and not considered in the proposed spending target.

A 5-year spending target is premature; multi-year targets should be considered after proper data collection and analysis has been conducted.

On top of the challenges afore mentioned, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

1. Collected data to inform the establishment of a credible, attainable target,
2. Promulgated rules around how this data would be analyzed, and
3. Laid out the rules for how entities would be held accountable for the targets.

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical analysis have been conducted.

Making health care more affordable requires thoughtful, long-term planning to allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care. Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense.

Scripps supports the goal of reducing growth in health care costs and we want California to be successful. Unfortunately, this proposal does not offer a framework and process that will truly address health care affordability in California. Without thoughtfully addressing many of the complex issues of health care financing, this proposal will stifle health care services for Californians.

We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care – and set the initial target for one year.

Sincerely,

Amber Ter-Vrugt
Senior Director, Government Relations

From: [redacted] on behalf of Sean Kilpatrick
To: HCAI OHCA
Subject: Public Comment on Initially Proposed OHCA Statewide Spending Target Recommendations
Date: Monday, February 12, 2024 1:58:16 PM

[You don't often get email from s[redacted]m. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

CAUTION: This email originated from outside of the organization.

Dear Office of Health Care Affordability Board,

Health care is an abomination in the USA and I say that having lived in the UK. Not only is pricing an absurdity in California but it trickles down to all aspects of healthcare pricing. Despite being financially well-off, our family does everything possible to avoid the emergency room.

Even with health insurance coverage, we know the costs will be gargantuan. A little while back, I had an infection that was causing severe abdominal pain. However, knowing that a visit to the hospital would cost me, even with healthcare coverage, at least $3,000 in co-pays, I avoided and delayed going. The outcome of this was my being huddled on the floor in immense pain and having to take an uber to the hospital so my wife could continue to care for our children.

At the hospital, the staff were not only relatively useless but made repeated attempts to push up my bill. At one point a nurse offered ibuprofen and, as I pointed out to my wife (she came later), it costs around $12 for a bottle of 100 but at the hospital, its $25 for two pills. It's incredible to think that the hospital looks at its staff as people there to 'upsell' instead of get people well. I endured the pain and we confirmed that they did indeed intend to charge us astronomical fees.

Later, we did receive a bill - it was an infection that required an antibiotic but, with health care coverage, it was still over $3k in co-pays. At that rate, I have no idea how anyone else goes to the hospital! We ourselves will either try to talk to a doctor we know ourselves or just endure the pain.

I support the Office of Health Care Affordability's suggested statewide spending target of at most 3% without any further delays and without population or new technology adjustments. This target makes sure that health care costs don't outpace what every day Californians like myself can afford. I hope this board keeps my story in mind while making their decisions so Californians can better afford the health care we need to thrive.

Sincerely,
Mr. Sean Kilpatrick
[redacted]

Dignity Health.
Sequoia Hospital

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

Sequoia Hospital stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

Sequoia Hospital and Dignity Health's 30 other hospitals in California are the largest provider of Medi-Cal services, making up a significant portion of the state's safety net. Three fourths of all patients that come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, Government reimbursement has not not kept pace with the rising costs of labor, supplies and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

The proposed target falls well below our current lived experience. Hospitals are a critical part of our state's first response to disaster and we welcome everyone, regardless of their ability to pay. As we work toward our financial recovery from COVID, Dignity Health and other health systems operating in the red will be penalized under this target.

For Sequoia Hospital, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates. Sequoia Hospital operates many medical and surgical services at a loss in order to support the broad needs of our community. It is these very services that would be put at risk for closure or reducing access to stay within our given

170 Alameda de las Pulgas
Redwood City, CA 94062-2799
650.369.5811
sequoiahospital.org

Dignity Health.
Sequoia Hospital

targets. Restricted access will not reduce overall health care spending, but rather defer it until more critical and more costly.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. **We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.**

Sincerely,

William Graham

William B. Graham
President and CEO

170 Alameda de las Pulgas
Redwood City, CA 94062-2799
650.369.5811
sequoiahospital.org

March 8, 2024

Megan Brubaker
Department of Health Care Access and Information
Office of Health Care Affordability
2020 West El Camino Avenue, Suite 1200
Sacramento, CA 95833
Submitted via email to: OHCA@hcai.ca.gov

Subject: Sharp HealthCare Comments on the Proposed Statewide Health Care Spending Target

Dear Ms. Brubaker,

Sharp HealthCare (Sharp) appreciates and supports the goals of the Office of Health Care Affordability (OHCA) to improve affordability and access to high quality, equitable health care for all Californians. In fact, Sharp's long-standing mission has been to "to offer quality care and services that set community standards, exceed patients' expectations and are provided in a caring, convenient, cost-effective and accessible manner."

As San Diego's largest health care provider, and the region's largest Medi-Cal provider, Sharp has relentlessly pursued this cause for nearly seven decades by adopting and investing in population health and alternative payment methodologies that provide patients with comprehensive coordination across the continuum of care. Unfortunately, the OHCA staff's recommendation of a 3% spending target for five years as California's first statewide spending target will put our mission – and patient outcomes – in jeopardy.

Sharp strongly objects to OHCA's proposed growth target:

1. First and foremost, without full visibility into the cost of care by providers, setting a 5-year benchmark will disadvantage providers who are already efficiently providing care at a low cost today, while giving an advantage to providers who are inefficient. A provider's current efficiency and baseline costs matter in the application and impact of a static growth target. A 3% increase for inefficient providers permits a larger adjustment window compared to an efficient provider with lower baseline costs and financial adjustment opportunities.

2. Establishing a spending growth target based on historical household income growth, rather than historical health care spending trends (as used in Massachusetts for its initial growth targets), is comparing apples to oranges; the outcome of which will yield the opposite effect of what is intended by setting a spending target. A spending target that does not consider actual annual cost increases facing health systems, such as labor, supplies, pharmaceuticals, mandated seismic construction, and other costs

beyond the health system's control, will necessitate cuts in services, labor and access to care for hospitals to maintain fiscal viability.

3. A 3% spending target will undermine Sharp's ability to invest in our staff and the workforce pipeline. For the last four years, Sharp's expenses have outpaced our system's revenue. While Sharp's revenue increased by 23.3% between fiscal years 2019 and 2023 (an average of 5.82% annually); during that same period, expenses increased 26.2% (an average of 6.55% annually), with labor costs as the primary driver of the expense increases with a 27.8% increase (an average of 6.95% annually).

4. Lastly, Sharp, like many other hospitals and health systems across the state, faces a fast-approaching 2030 seismic compliance deadline with skyrocketing construction costs that will far outpace a 3% annual spending target.

In OHCA's authorizing statutes, the California Legislature clearly articulated the Office's multifaceted mandate of making health care more affordable while protecting and improving patient access to high-quality, equitable care. The OHCA statute only requires the adoption of a single year's target in this first year; the current five-year proposal unnecessarily rushes toward an enforceable target that disregards the Legislature's recognition that significant work in collecting data, setting the rules of enforcement, and evaluating potential care impacts are necessary in setting multi-year spending targets.

For these reasons, Sharp urges OHCA to adopt an initial single-year spending target that reflects and accounts for the underlying drivers of cost rather than forcing health care providers to choose between reducing services to meet an unrealistic spending target or facing penalties for delivering the care patients need.

Sincerely,

Chris Howard
President & CEO
Sharp HealthCare

3400 Data Drive
Rancho Cordova, CA 95670
direct 916.837.3208
shelly.schlenker@dignityhealth.org

March 11, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly and OCHA Board Members:

On behalf of our 31 hospitals, more than 9,700 physicians and advanced practice clinicians, and 593 ambulatory care sites across California, Dignity Health appreciates the opportunity to share the following comments for consideration regarding the staff recommendation to the Office of Health Care Affordability (OHCA) Board of a proposed 5 year, 3 percent statewide spending target currently under consideration.

Dignity Health acknowledges the critical nature of advancing health care affordability in California. The initiative by OHCA to establish statewide health care spending targets is a bold endeavor to mitigate escalating costs while aiming to enhance the quality of care. We appreciate the Board's discussion and having had the opportunity to provide public comment at the February Board Meeting. We look forward to providing additional insights that reflect the extensive experience of our health system in delivering quality health care across diverse communities - in particular underserved and vulnerable communities that we have the privilege to serve.

As the state's largest Medi-Cal provider, Dignity Health is deeply committed to ensuring that our patients have access to affordable quality health care, regardless of their ability to pay. Being a critical pillar in California's safety net has come at a huge financial cost to our health system due to years of chronic underpayments by all government payors - in particular Medi-Cal. Three fourths of all patients that come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, government reimbursement has not kept pace with the rising costs of labor, supplies and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers for a number of reasons outlined below.

In summary, we ask the OCHA Board to consider the following:

- Reject the proposed 5 year, 3 percent spending target and consider a one year target supported by more robust data analysis and stakeholder input.
- Strongly consider the proposed alternative framework for construction of a spending target advanced by the California Hospital Association in comments sent under separate cover and discussed briefly below.

- Delay any enforcement of spending targets on providers until a more comprehensive analysis of the potential impacts on health care quality, access, and equity is undertaken.

Dignity Health is deeply concerned about the proposed 3% spending target for the years 2025-2029. This target suggests a drastic pivot in health care spending trends, aiming for a 40% deceleration in spending growth within a single year and a cumulative reduction of 10% in total health care spending over five years. Such ambitious reductions will destabilize the delicate health care infrastructure - and have a devastating impact on safety net providers like ours. Such a shift will inevitably lead to further exacerbation of areas of the state where access to care is already limited. For example, Dignity Health operates in 10 counties where there is no public hospital. We must be able to grow to meet the increasing demands of our communities or patients will have to drive further, or be left without access. The repercussions may be particularly felt by our vulnerable populations who already face barriers to accessing care.

The Methodological Approach Does Not Reflect Realities of Providing Care in California

The proposed methodology OHCA used to derive the 3% spending target is based on the past 20 years of median household income growth and overlooks several critical dimensions:

Inflationary Pressures: As a health care system, we are facing unprecedented inflationary costs that are far beyond our control. Hospitals are required to operate 24 hours a day, 7 days a week and 365 days a year. Our doors are open to all. We are the states first response in natural disasters. In order to serve our communities we must have access to drugs and supplies in order to deliver care on demand. No other provider of care has these requirements. Despite our ability as a national health system to avail ourselves of group purchasing for many items and services that lowers our overall costs, the proposed reduction in spending is not realistic. The methodology is woefully inadequate and fails to account for the specific inflationary pressures within the health care sector, many of which are out of the control of the hospital and the scope of the OHCA target. We urge the board to revisit this issue more fully.

Demographic Shifts: Ignoring the impact of demographic changes that are upon us will be particularly felt in our rural areas across the state. As the population ages, there will be an increased demand for health care services, which naturally drives up spending. The target must fully reflect the changing nature of the need for services and age is one of the most critical factors to consider.

Technological Advancements and Labor Costs: California is known for health care innovation and a leader in advanced medical care. At the same time we are a desirable location for doctors, nurses and other clinicians and their families to live. The Board has not fully recognized the cost implications of investment in new medical technologies that will ensure that California remains one of the most clinically and technology advanced states for health care, nor does it account for the resources it takes for a health system to train and retain top talent during a time of unprecedented shortages. These are significant drivers of health care spending growth and should be accurately captured and considered.

An Alternative Framework

While we appreciate the work of the OCHA staff to date, we encourage the Board to consider an alternative framework for setting the health care spending targets advanced by the California Hospital Association. Dignity Health fully supports a more robust framework to ensure that we can be successful in addressing the intent of the legislature in making health care more affordable. Highlights of the framework include the following factors.

Aligning spending targets with broader economic inflation indicators, rather than median income would ensure that health care spending targets are grounded in the economic reality, preserving our ability to deliver high-quality care. As discussed above, a detailed analysis of the demographic trends and their impact on health care demand and costs should be a cornerstone of the framework. This would ensure that spending targets are responsive to the health care needs of our communities. Further, acknowledging the dual pressures of adopting new medical technologies and addressing labor cost inflation in the health care sector is vital. A framework that incorporates these elements can guide the setting of a more realistic and sustainable spending target.

Most importantly, the framework should also consider the effects of significant health policy on spending. California is one of the most complex and highly regulated states in the country by which to deliver health care services. Hundreds of pieces of legislation pass every year, and while well meaning, the vast majority that impact our health system require a significant financial and personal cost to implement. Whether it's a $25 minimum wage for health care workers, a requirement for health data exchange, 2030 seismic compliance or the cost of reporting ESG - the costs are real. This is on top of the federal legislative and regulatory requirements. Recognition of policies and their impact on health spending - both legislative and regulatory - will ensure that spending targets are adaptable to legislative developments and public health priorities.

In conclusion, Dignity Health respectfully requests a pause in the implementation of long-term enforceable spending targets until a more comprehensive analysis of the potential impacts on health care quality, access, and equity is undertaken. We encourage continued dialogue and collaboration between OHCA and stakeholders across the health care ecosystem to ensure that any future spending targets are realistic, achievable, and aligned with the overarching goal of improving health care outcomes for all Californians.

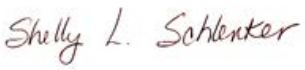
Moreover, we question the prudence of adopting a five-year target before data become available and critical decisions have been made. Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models.

If the Board proceeds in adopting the proposed 3% target, we would be forced to reevaluate the services we provide, as well as care expansions and other investments we hope to make to improve our community's health because of the uncertainty over our ability to meet state mandates. As a safety net provider, we operate many services at a loss. It is these very services that would be put at risk for closure or reduced access to stay within our given targets. Restricted access will not reduce overall health care spending, but rather defer it until more critical and more costly.

We respectfully request the Board to reject the OHCA staff proposal, and instead adopt a new framework based on a data-driven spending target that truly reflects the resources needed to provide life-saving care.

If you have any questions, please do not hesitate to reach out to me at shelly.schlenker@commonspirit.org or Alyssa Keefe, System SVP, Public Policy and Advocacy at alyssa.keefe@commonspirit.org

Sincerely,



Shelly L. Schlenker
EVP, Chief Advocacy Officer
CommonSpirit Health

From: [redacted] on behalf of Sheryl Iversen
To: HCAI OHCA
Subject: Public Comment on Initially Proposed OHCA Statewide Spending Target Recommendations
Date: Tuesday, February 13, 2024 8:04:16 AM

[You don't often get email from s[redacted]. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

CAUTION: This email originated from outside of the organization.

Dear Office of Health Care Affordability Board,

Californians like myself face high costs of living, and cannot afford the ever-escalating price of health care. Because of these expenses, I have to delay or ration care, or make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's suggested statewide spending target of at most 3% without any further delays and without population or new technology adjustments. This target makes sure that health care costs don't outpace what every day Californians like myself can afford. I hope this board keeps my story in mind while making their decisions so Californians can better afford the health care we need to thrive.

Sincerely,
Ms. Sheryl Iversen
[redacted]

Dignity Health
Sierra Nevada Memorial Hospital

155 Glasson Way
Grass Valley, CA 95945
530 274.6000
530 274.6614 fax

February 28, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

Sierra Nevada Memorial Hospital stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

Sierra Nevada Memorial Hospital and Dignity Health's 30 other hospitals in California are the largest provider of Medi-Cal services, making up a significant portion of the state's safety net. Three fourths of all patients that come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, Government reimbursement has not kept pace with the rising costs of labor, supplies and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers.
This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.
The proposed target falls well below our current lived experience. Hospitals are a critical part of our state's first response to disaster and we welcome everyone, regardless of their ability to pay. As we work toward our financial recovery from COVID, Dignity Health and other health systems operating in the red will be penalized under this target.

For Sierra Nevada Memorial Hospital, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates. Dignity Health Sierra Nevada Memorial Hospital operates many services at a loss such as emergent general medical care, maternal-child services, cardiac care, and pediatric care. It is these very services that would be put at risk for closure or reducing access to stay within our given targets. Restricted access will not reduce overall health care spending, but rather defer it until more critical and more costly.

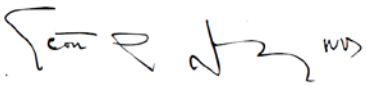
On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:
Collected data to inform the establishment of a credible, attainable target
Promulgated rules around how these data would be analyzed
Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,



Scott Neeley, MD
Hospital President and CEO
Sierra Nevada Memorial-Miners Hospital

March 1, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

Dignity Health Sierra Nevada Memorial Hospital stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

Dignity Health Sierra Nevada Memorial Hospital and Dignity Health's 30 other hospitals in California are the largest provider of Medi-Cal services, making up a significant portion of the state's safety net. Three fourths of all patients that come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, Government reimbursement has not kept pace with the rising costs of labor, supplies and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

The proposed target falls well below our current lived experience. Hospitals are a critical part of our state's first response to disaster and we welcome everyone, regardless of their ability to pay. As we work toward our financial recovery from COVID, Dignity Health and other health systems operating in the red will be penalized under this target.

For Dignity Health Sierra Nevada Memorial Hospital, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates.

Dignity Health Sierra Nevada Memorial Hospital operates many services at a loss such as emergent general medical care, maternal-child services, cardiac care, and pediatric care. It is these very services that would be put at risk for closure or reducing access to stay within our given targets. Restricted access will not reduce overall health care spending, but rather defer it until more critical and more costly.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. **We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.**

Sincerely,

Stephanie Ortiz

Stephanie Ortiz, Chair
Board of Directors
Dignity Health Sierra Nevada Memorial Hospital

SIERRA VIEW
MEDICAL CENTER

March 11, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Spending Growth Target

Dear Dr. Ghaly:

Sierra View Medical Center stands ready to collaborate with the Office of Health Care Affordability (OHCA) to achieve our shared goals of improved affordability and access to high-quality health care. Unfortunately, office staff's recommendation for California's first statewide spending target falls short of achieving those two goals, and ultimately jeopardizes patient care.

We urge OHCA to finalize a one-year spending growth target that thoroughly considers the complexity of California's health care landscape and allows for meaningful progress toward more affordable health care — without endangering patients' access to care. As the board contemplates its final target, Sierra View Medical Center urges it to incorporate the framework promulgated by the California Hospital Association (CHA), summarized below.

A sustainable, achievable target must reflect the factors that influence health care costs: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

Framework for a Sustainable Spending Target

	2025	Average 2025 - 2029
1) Economy-Wide Inflation	**3.3%**	**3.4%**
2) Aging	**0.8%**	**0.7%**
3) Technology and Labor:	**0.6%**	**0.6%**
A) Drug and Medical Supplies	0.4%	0.4%
B) Labor Intensity	0.2%	0.2%
4) Major Policy Impacts:	**1.6%**	**0.6%**
A) Health Care Worker Minimum Wage	0.4%	0.2%
B) Investments in Medi-Cal	1.1%	0.3%
C) Seismic Compliance	0.1%	0.1%
Totals	**6.3%**	**5.3%**

SIERRA VIEW
MEDICAL CENTER

In stark contrast to OHCA staff's proposal, which relies on a single economic indicator that does not reflect the complexity of health care as a whole, CHA's proposed framework thoughtfully considers **and quantifies** the impact these major drivers have on health care costs. This allows for meaningful discussion about ways to reduce spending without endangering patients' access to care. Absent that type of thorough consideration, the impact on patient care will be dire.

Since 2019, Sierra View Medical Center has been impacted as follows:

- From 2019 to 2023, staffing cost has increased at a compounded rate of 5.7% annually. Without consideration of any other costs, this would put Sierra View Medical Center over the 3% threshold. Controlling this cost will require a reduction in staff which will, in turn, lead to a reduction in services provided to our community.
- SVMC has a payer mix that is 80% Medi/Medi. This difficult payer mix requires us to subsidize anesthesia, emergency room, hospitalist and intensivist services. These subsidies have been increasing at a compounded 4.1% annually and will continue to increase as Medicare and Medi-Cal fees do not keep up with inflation in these areas. The contemplated cap of 3% would require SVMC to reduce the availability of these services.
- Utility costs (electricity and natural gas) escalated by 47% from 2019 to 2023 adding nearly one million dollars in annual cost for SVMC. This increase took place despite the fact that SVMC has a utility use rate that is lower than its peer group average based on annual reports from Osborn Engineering.
- It is informative to note that SVMC's license fees during the 2019 to 2023 time period increased by an average of 12.5%.
- The combined effect of the above expense categories expressed as a percentage of total operating revenue is 4%. There would be no room left to develop outpatient clinics, replace equipment at our cancer treatment center, cardiac catheterization lab or upgrade our imaging and surgical services. In turn, this would lead to lost revenues and further service reductions.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

SIERRA VIEW
MEDICAL CENTER

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal, and instead adopt a one-year, data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,

Donna Hefner
President & CEO

465 West Putnam Avenue | Porterville, CA 93257
(559) 784-1110 | sierra-view.com

SILICON VALLEY LEADERSHIP GROUP

2460 North First St, Suite 260
San José, California 95131

(408) 501-7864

svlg.org

March 11, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

The Office of Health Care Affordability (OHCA) has an obligation to improve the affordability of health care without sacrificing access to the quality of healthcare. While the office is clearly committed to these goals, the final recommendation for California's first statewide spending target misses the mark and does not adequately consider the factors driving health care spending and, in doing so, jeopardizes patient care.

In support of the Bay Area's innovation economy, the Silicon Valley Leadership Group (SVLG) stands ready to collaborate with OHCA to achieve a shared goal of improved affordability and access to high-quality health care.

On behalf of the Silicon Valley Leadership Group's (SVLG) healthcare members, (SVLG) advocates for a spending target that is attainable, sustainable, and supportive of efforts to improve equitable access to high-quality care. We stand ready to collaborate with OHCA to achieve a shared goal of improved affordability with access to high-quality health care and urge the OHCA board and advisory committee to reconsider OHCA staff's proposed 3% target for 2025-29. We are concerned that the proposal.

- Fails to strike a balance between promoting affordability and maintaining access to high-quality, equitable care.
- Ignores external factors that influence health care costs, such as inflation and California's aging population.
- Sets California apart as an outlier from other states with spending targets.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and

SILICON VALLEY
LEADERSHIP GROUP

2460 North First St, Suite 260
San José, California 95131

(408) 501-7864

svlg.org

medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

For SVLG's health care members, meeting the proposed 3% target could mean:

- Reevaluating the services provided, as well as care expansions and other investments they hope to make to improve the community's health. This is because of the high cost of necessary technology and real estate investment, which is required to deliver high-quality healthcare services.
- Considering ways to reduce current staff or hire fewer staff in the future, given that labor is the largest operational expense in delivering healthcare services.
- Uncertainty over the ability to meet state mandates like California's 2030 hospital seismic retrofitting requirements.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,

Lisa Gauthier

Lisa Gauthier
SVP, Inclusion & Belonging
SVLG

From: [redacted] on behalf of Soraya Barabi
To: HCAI OHCA
Subject: Public Comment on Initially Proposed OHCA Statewide Spending Target Recommendations
Date: Monday, February 12, 2024 2:03:50 PM

[You don't often get email from m[redacted]. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

CAUTION: This email originated from outside of the organization.

Dear Office of Health Care Affordability Board,

Californians like myself face high costs of living, and cannot afford the ever-escalating price of health care. Because of these expenses, I have to delay or ration care, or make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's suggested statewide spending target of at most 3% without any further delays and without population or new technology adjustments. This target makes sure that health care costs don't outpace what every day Californians like myself can afford. I hope this board keeps my story in mind while making their decisions so Californians can better afford the health care we need to thrive.

Sincerely,
Ms. Soraya Barabi
[redacted]

Dignity Health.
St. Elizabeth Community Hospital

2550 Sister Mary Columba Drive
Red Bluff, CA 96080
direct 530.529.8000
dignityhealth.org

3/1/24

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

St. Elizabeth Community Hospital stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

St. Elizabeth Community Hospital and Dignity Health's 30 other hospitals in California are the largest provider of Medi-Cal services, making up a significant portion of the state's safety net. Three fourths of all patients that come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, Government reimbursement has not not kept pace with the rising costs of labor, supplies and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

The proposed target falls well below our current lived experience. Hospitals are a critical part of our state's first response to disaster and we welcome everyone, regardless of their ability to pay. As we work toward our financial recovery from COVID, Dignity Health and other health systems operating in the red will be penalized under this target.

Dignity Health.
St. Elizabeth Community Hospital

2550 Sister Mary Columba Drive
Red Bluff, CA 96080
direct 530.529.8000
dignityhealth.org

For St. Elizabeth Community Hospital, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates. St. Elizabeth Community Hospital operates many services at a loss such that would be put at risk for closure or reducing access to stay within our given targets. Restricted access will not reduce overall health care spending, but rather defer it until more critical and more costly.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. **We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.**

Sincerely,

RSP

Rodger Page
President
St. Elizabeth Community Hospital

Dignity Health.

St. John's Regional Medical Center
1600 North Rose Avenue
Oxnard, CA 93030
805.988.2500
DignityHealth.org/StJohnsRegional

St. John's Hospital Camarillo
2309 Antonio Avenue
Camarillo, CA 93010
805.389.5800
DignityHealth.org/StJohnsCamarilloHospital

February 28, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

St. John's Regional Medical Center and St. John's Hospital Camarillo stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality healthcare. Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving healthcare spending growth, and in doing so jeopardizes patient care.

St. John's Regional Medical Center, St. John's Hospital Camarillo, and Dignity Health's 30 other hospitals in California are the largest provider of Medi-Cal services, making up a significant portion of the state's safety net. Three-fourths of all patients who come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, Government reimbursement has not kept pace with the rising costs of labor, supplies, and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact healthcare spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.
The proposed target falls well below our current lived experience. Hospitals are a critical part of our state's first response to disaster and we welcome everyone, regardless of their ability to pay.

As we work toward our financial recovery from COVID, Dignity Health and other health systems operating in the red will be penalized under this target.

For St. John's Regional Medical Center and St. John's Hospital Camarillo, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates. St. John's Regional Medical Center and St. John's Hospital Camarillo operate many services at a loss such as Obstetrics, Neonatal Intensive Care Unit, and Emergency Services. It is these very services that would be put at risk for closure or reducing access to stay within our given targets. Restricted access will not reduce overall healthcare spending, but rather defer it until more critical and more costly.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:
- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making healthcare more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the healthcare system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,

Emma Grossman
Chief Financial Officer

Dignity Health
St. Joseph's Behavioral Health Center

2510 N. California Street
Stockton, CA 95204
(209) 461-2000

(209) 467-8107
stjoescanhelp.org

March 8, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

St. Joseph's Behavioral Health Center stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

St. Joseph's Behavioral Health Center and Dignity Health's 30 other hospitals in California are the largest provider of Medi-Cal services, making up a significant portion of the state's safety net. Three fourths of all patients that come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, Government reimbursement has not not kept pace with the rising costs of labor, supplies and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

The proposed target falls well below our current lived experience. Hospitals are a critical part of our state's first response to disaster and we welcome everyone, regardless of their ability to pay. As we work toward our financial recovery from COVID, Dignity Health and other health systems operating in the red will be penalized under this target.

For St. Joseph's Behavioral Health Center, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates. St. Joseph's Behavioral Health Center operates many services at a loss such as Inpatient and Outpatient. It is these very services that would be put at risk for closure or reducing access to stay within our given targets. Restricted access will not reduce overall health care spending, but rather defer it until more critical and more costly.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. **We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.**

Sincerely,

Paul Rains
President

From: Kit Katz CA-Long Beach
To: HCAI OHCA
Subject: Protect access to Health Care, Reject 3% Cost Growth Target
Date: Wednesday, March 6, 2024 11:50:36 AM

Attn: Megan Brubaker

Sent on behalf of Carolyn Caldwell, St Mary Medical Center-Long Beach, President and CEO

March 4, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

St. Mary Medical Center - Long Beach, stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

St. Mary and Dignity Health's 30 other hospitals in California are the largest provider of Medi-Cal services, making up a significant portion of the state's safety net. Three fourths of all patients that come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, Government reimbursement has not not kept pace with the rising costs of labor, supplies and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

The proposed target falls well below our current lived experience. Hospitals are a critical part of our

state's first response to disaster and we welcome everyone, regardless of their ability to pay. As we work toward our financial recovery from COVID, Dignity Health and other health systems operating in the red will be penalized under this target.

For St. Mary Medical Center, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates. St. Mary operates many services at a loss such as Obstetrics, General Medicine and Infectious Diseases. It is these very services that would be put at risk for closure or reducing access to stay within our given targets. Restricted access will not reduce overall health care spending, but rather defer it until more critical and more costly.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. **We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.**

Sincerely,
Carolyn Caldwell, FACHE
Hospital President and CEO

--
Kit G. Katz
Director Community Health
CommonSpirit Health®

St. Mary Medical Center
[redacted]

March 11, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Re: Protect Access to Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

At Stanford Medicine, we proudly combine clinical care, research, and education to advance the understanding and practice of medicine to provide personalized care for our patients. Stanford Medicine is our world-class health care delivery system that comprises Stanford Health Care, Stanford Medicine Children's Health, and the Stanford University School of Medicine. As a destination health care delivery system and an academic medical center, we care for the most acute and complex pediatric and adult patients in the region.

The Office of Health Care Affordability (OHCA) seeks to improve health care affordability and must do so without sacrificing access to or the quality of health care. We stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, OHCA's recommendation for California's first statewide spending target does not adequately consider all the factors driving health care spending growth, and in failing to do so, jeopardizes patient care.**

I. Proposed target lacks consideration of necessary factors

This target, which is based solely on the historical growth in household income, median wage, and gross state product, fails to account for a myriad of factors that impact health care spending. To be credible, a spending target must not only consider but actually reflect additional known factors including but not limited to: inflation; rising costs in graduate medical education and academic research; demographic factors, such as California's aging population; trends in technology costs, such as high costs of new pharmaceuticals and medical devices; increased labor costs due to physician, nursing, and other clinical worker shortages; federal and state policy changes and increased reporting

requirements that raise spending; and the up-front costs hospitals invest to improve the value of the care they provide, which — over the long term — reduce the cost of care.

II. Proposed target's potential unintended consequences

As a non-profit private integrated academic medical center, we have had to keep up with the San Francisco Bay Area's high cost of living and increasing labor costs. Given the sharp increase in costs, largely due to factors outside of our control, we are deeply concerned that meeting the proposed 3% target would create unintentional and draconian consequences, impacting the quality of care for our most vulnerable patients, the health of our surrounding communities, and the healthcare workforce; as well as stifling innovation.

Impact to specialized and advanced care and investments in our communities

As predominantly tertiary and quaternary sites of care, Stanford Health Care and Stanford Medicine Children's Health have one of the highest case mix indexes in the country because we specialize in caring for complex diseases and conditions. Adherence to spending caps would effectively prevent us from providing the specialized lifesaving care our practitioners are trained to provide – including, but not limited to complex pediatric oncology cases, critical transplantation procedures, highly advanced cardiothoracic surgeries, and level one trauma services.

Moreover, we provide programmatic support to expand access to care and address the social determinants of health for our most vulnerable and underserved patients and communities. For example, as part of our commitment to health equity, we provide non-reimbursable wrap-around services for Medi-Cal and uninsured children and families receiving care at Stanford Medicine Children's Health. Additionally, we subsidize various health services, such as Stanford Life Flight, which provides fast and reliable transport solutions for critically ill and injured patients, not just to Stanford Medicine locations, but also to hospitals throughout the region. Moreover, we partner with community-based hospitals and practices to offer second opinion services. These clinical services are provided at a financial loss, so that we can do our part to address identified community needs. These investments and others that we have not mentioned here will be jeopardized should the proposed spending growth target be enforced next year.

Labor costs and physician shortages

Labor costs alone constitute nearly half of our total costs. The proposed spending target completely ignores this annual labor expense increase, which is largely outside of our control. For example, both the adult hospital and our children's hospital, Stanford Medicine Children's Health, are subject to strict nurse-to-patient ratios and even stricter mandates in intensive care and neonatal intensive care units which prevent hospitals from flexing staffing downwards in many situations. Beyond staffing mandates, another factor that contributes to high annual labor cost increases is the state's recent minimum wage increase for health care workers.

In addition to staffing mandates and higher minimum wage requirements, numerous other regulatory requirements lead to increased annual costs, such as seismic building requirements that cause California hospital construction costs to be the highest in the country by a significant margin. The costs that unavoidably result from the many levels of hospital regulation in California, both labor and non-labor related, make the proposed rate infeasible.

In addition to the costs imposed by regulation, Stanford Health Care and Stanford Medicine Children's Health also incur very substantial costs as part of an academic medical center (AMC) that plays a critical role in training resident physicians, fellows, and medical students. Much of the cost to train these physicians and future physicians is not reimbursed by Medicare's Graduate Medical Education (GME) and Children's Hospital Graduate Medical Education (CHGME) programs and is borne by the AMC hospitals. We know that physician shortages are growing, exacerbated by the COVID-19 pandemic. For example, the Association of American Medical Colleges projects a national shortage of up to 124,000 physicians by 2033, including shortages of primary care physicians and specialists, such as pathologists, neurologists, radiologists, and psychiatrists.[1] Pediatricians and subspecialty pediatricians are also disproportionately affected by the shortages. A spending target that does not take these cost trends into account will inevitably lead to fewer physicians being trained at a time when more physicians are sorely needed. Quite simply, without AMCs, there would be no infrastructure for medical education that affords physicians the crucial experience and exposure that our communities need.

Stifling innovation

As an AMC, Stanford Medicine focuses on innovative basic and clinical medical research that is translated into bedside care for complex adult and pediatric cases. Our researchers have been responsible for major medical breakthroughs. Most recently, Stanford Medicine was one of the first clinical laboratories in the country to offer SARS-CoV-2 RT-PCR testing – a clear example of how our clinical research translates directly into patient care and promotion of public health nationwide.

Stanford Medicine is home to physicians and researchers who innovate to solve some of the world's most challenging health conditions, as well as to improve care delivery, and promote stronger health outcomes. This research infrastructure is only partially supported by federal and industry funding; a very significant portion of the research cost is borne by Stanford Health Care and Stanford Medicine Children's Health. Therefore, we are deeply concerned that the proposed spending target would stifle medical advancements through our robust clinical research.

[1] AHA Fact Sheet: Increased Graduate Medical Education Needed to Preserve Access to Care. Source: AHA. https://www.aha.org/fact-sheets/2022-12-02-fact-sheet-increased-graduate-medical-education-needed-preserve-access-care

III. Conclusion and recommendations

Making health care more affordable is a laudable goal that requires thoughtful, long-term planning. As expressed earlier, we have undertaken the significant but necessary up-front investments and reorganization of delivery models needed to advance health equity in our communities.

As such, we believe OHCA staff's five-year target recommendation prematurely establishes an enforceable spending target before OHCA has even:

- Collected data to inform the establishment of a credible, attainable target.
- Promulgated rules around how these data would be analyzed.
- Laid out the rules for how entities would be held accountable for the targets.
- Considered recommendations from the OHCA Advisory Board and other stakeholders.

Given these outstanding issues, we are very concerned about the adoption of a five-year target before data becomes available and critical decisions have been made. **Therefore, we respectfully request the OHCA board reject the OHCA staff's 3% proposal, and instead consider setting a localized cost growth target that ramps down over time, accounting for all the other cost factors described above**. The statewide target, as proposed, would be the lowest of any state with a similar program in place, and California would be the only state to adopt a target without a phase-in period. This is an overly aggressive approach that will have serious detrimental impacts on health care quality, access, and equity for the patients and vulnerable children we serve.

Similarly, we urge the board to set a 1-year baseline target for 2025 and then use 2025 to collect data that can be used to inform the first enforceable target for 2026. This will allow California hospitals to develop ways to reduce costs and slow down the rate of spending without having major detrimental impacts on delivery of care, medical education, and research.

Thank you for your time and consideration.

Sincerely,

David Entwistle

President and CEO
Stanford Health Care

Paul A. King

President and CEO
Stanford Medicine Children's Health

From: [redacted] on behalf of Stephen Serafino M.S.
To: HCAI OHCA
Subject: Public Comment on Initially Proposed OHCA Statewide Spending Target Recommendations
Date: Monday, February 12, 2024 3:48:59 PM

[You don't often get email from s[redacted]. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

CAUTION: This email originated from outside of the organization.

Dear Office of Health Care Affordability Board,

Californians like myself face high costs of living, and cannot afford the ever-escalating price of health care. Because of these expenses, I have to delay or ration care, or make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's suggested statewide spending target of at most 3% without any further delays and without population or new technology adjustments. This target makes sure that health care costs don't outpace what every day Californians like myself can afford. I hope this board keeps my story in mind while making their decisions so Californians can better afford the health care we need to thrive.

Sincerely,
Mr. Stephen Serafino M.S.
[redacted]

From: Steve Maron, MD
To: HCAI OHCA
Subject: 3% cost growth target
Date: Sunday, March 3, 2024 9:54:45 PM

You don't often get email from [redacted] Learn why this is important

CAUTION: This email originated from outside of the organization.

Via Megan Brubaker
Mark Ghaly, MD

Dear Dr. Ghaly,
We crossed paths at Martin Luther King Community Hospital when our medical group was providing ER services, and you were involved in county services.
For this reason, I have no doubt that you are an advocate for the at risk population in CA.
Our medical group provides Emergency dept. services for about 700,000 Californians, mostly for patients in true need. Hospitals like MLKCH, White Memorial, California Hospital Medical Center, as well as Northridge, Bakersfield, Merced and rural hospitals up north.
We also provide inpatient care at many of our hospitals.
We are struggling due to passage of the No Surprise Act, lower pay from private insurance companies and Medicare Cuts year after year.
Envision, the nation's largest ER group went bankrupt and is working out of it.
Team Health, the second largest is struggling
American Physician Partners, around the 5th biggest national provider of ER services went Bankrupt and closed the doors. They didn't even have enough to buy a malpractice tail.
Sound Inpatient physicians, treating around 2 Million ER patients annually is 'restructuring' to avoid bankruptcy.
Those large groups financial woes speaks volumes about the economic challenge medical groups are experiencing.
Our ability to deliver high quality healthcare to those in need is detrimentally impacted by any decrease in reimbursement.

I request that you continue to advocate for those in need of healthcare. Medicare economic Index projects 4.6% increase in the cost to practice medicine.
We need at least that much not to lose ground.
Thanks for your help and commitment.
Steve Maron, MD.
ER physician Petaluma Valley Hospital
U.S.
Acute Care Solutions, Board Member.

Steve Maron, MD
Board Member
[redacted]

From: [redacted] on behalf of Steven McDougall
To: HCAI OHCA
Subject: Public Comment on Initially Proposed OHCA Statewide Spending Target Recommendations
Date: Monday, March 11, 2024 6:49:27 AM

[You don't often get email from [redacted]. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

CAUTION: This email originated from outside of the organization.

Dear Office of Health Care Affordability Board,

Californians like myself face high costs of living, and cannot afford the ever-escalating price of health care. Because of these expenses, as a Board member for Municipalities, Colleges, and Schools Insurance Group, I have to recommend plan design changes to move more cost sharing onto payers, placing debt recoupment surges onto payers, and substantially increasing the rates that payers are fiscally burdened with. Sometimes, all three of these decisions were made at the same time. Enough is enough!

I support the Office of Health Care Affordability's suggested statewide spending target of at most 3% without any further delays and without population or new technology adjustments. This target makes sure that health care costs don't outpace what every day Californians like myself can afford. I hope this board keeps my story in mind while making their decisions so Californians can better afford the health care we need to thrive.

Sincerely,
President Steven McDougall
[redacted]

From: [redacted] on behalf of Susan Lea
To: HCAI OHCA
Subject: Public Comment on Initially Proposed OHCA Statewide Spending Target Recommendations
Date: Monday, February 12, 2024 2:52:07 PM

[You don't often get email from s[redacted]. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

CAUTION: This email originated from outside of the organization.

Dear Office of Health Care Affordability Board,

The California government is abusing Californians' by using our tax dollars to pay hundreds of millions of dollars in order to provide health care and dental care to millions of Illegals. I am unable to receive any health care on my $1100/ month social security income because our corrupt and deceitful government only helps Illegals. Now, the state government is creating more divisions and departments who will do nothing to help Californians like me. Despicable!!! I do not support spending California's money on health care for Illegals. I cannot afford the medicine I need to remain alive. I don't have $600++ per month to pay for pharmaceutical drugs, but if I was an Illegal, California would buy me whatever drugs I need for free. Damn California's government.

I support the Office of Health Care Affordability's suggested statewide spending target of at most 3% without any further delays and without population or new technology adjustments. This target makes sure that health care costs don't outpace what every day Californians like myself can afford. I hope this board keeps my story in mind while making their decisions so Californians can better afford the health care we need to thrive.

Sincerely,
Ms Susan Lea
[redacted]

Sutter Health

External Affairs

2200 River Plaza Dr.
Sacramento, CA 95833

March 11, 20204

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Concerns Related to Office of Health Care Affordability Proposed 3% Spending Target

Dear Dr. Ghaly:

On behalf of Sutter Health, we are pleased to provide our comments to the Office of Health Care Affordability (OHCA) proposed statewide spending target. Thank you for allowing us the opportunity to provide comment on this proposed spending target that will have significant and long-term impacts on the overall health care delivery system in California, including the Sutter Health network of hospitals, physicians and ambulatory surgical centers and clinics.

We at Sutter Health are committed to working with the Office of Health Care Affordability (OHCA) to achieve our shared goals of improved affordability and access to high-quality health care. Unfortunately, the office staff's recommendation for California's first statewide spending target falls short of achieving those two goals and ultimately jeopardizes patient care.

We urge OHCA to finalize a one-year spending growth target that accounts for the complexity of California's health care landscape and allows for meaningful progress toward more affordable health care — without endangering patients' access to care. As the board contemplates its final target, Sutter Health urges it to incorporate the framework promulgated by the California Hospital Association (CHA), summarized below.

A sustainable, achievable target must reflect the factors that influence health care costs: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

Framework for a Sustainable Spending Target

	2025	Average 2025 - 2029
1) Economy-Wide Inflation	**3.3%**	**3.4%**
2) Aging	**0.8%**	**0.7%**
3) Technology and Labor:	**0.6%**	**0.6%**
A) Drug and Medical Supplies	0.4%	0.4%
B) Labor Intensity	0.2%	0.2%
4) Major Policy Impacts:	**1.6%**	**0.6%**
A) Health Care Worker Minimum Wage	0.4%	0.2%
B) Investments in Medi-Cal	1.1%	0.3%
C) Seismic Compliance	0.1%	0.1%
Totals	**6.3%**	**5.3%**

Sutter Health

In stark contrast to OHCA's which relies on a single economic indicator that does not reflect the complexity of health care as a whole, CHA's proposed framework thoughtfully considers **and quantifies** the impact these major drivers have on health care costs. This allows for meaningful discussion about ways to reduce spending without endangering patients' access to care.

For Sutter Health, meeting the proposed 3% target would require us to reevaluate the services we provide, as well as care expansions and other investments we hope to make to improve our community's health. In 2023 alone Sutter Health has:

- Initiated a plan to open **25 new ambulatory care centers** across our footprint in the next several years – based on an assessment of how to best meet community needs and fill care gaps.
- Began work to add **160+ more acute/hospital beds** over 3 years.
- Created a plan to enhance mental healthcare services.
- Hired **700+ new physicians and advanced practice clinicians in 2023** and aim to recruit hundreds more every year for the next several years to expand care capacity.
- 16,000 more home health visits
- 5% increase in admissions
- 5.9% more outpatient surgeries
- 6.6% increase in total patient lives

All of these efforts were executed to improve patient access to care directly, and OHCA's aggressive 3% spending target would impact our ability to continue to implement similar projects in the future.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Making health care more affordable is one of the most challenging issues facing providers, payers and policymakers. It will require years of cooperation and coordination to be successful. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal, and instead adopt a one-year, data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,

Grace Davis
Senior Vice President & Chief External Affairs Officer
Sutter Health

TAHOE FOREST HOSPITAL DISTRICT | 75 YEARS TAHOE FOREST HEALTH SYSTEM

February 26, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

The Office of Health Care Affordability (OHCA) seeks to improve health care affordability and must do so without sacrificing access to or the quality of health care. We stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually **reflect** these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

For Tahoe Forest Health System meeting the proposed 3% target would mean:

- Reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health. For example, meeting service line growth to match population growth in our catchment area may fall behind further exacerbating patient access to quality and timely care.
- Considering ways to reduce current staff or hire fewer staff in the future, including offering fewer retention or recruitment bonuses. A spending target of 3% will make attracting and retaining talent a struggle in the already hyper cost of living we are seeing in the Truckee Tahoe area. Tahoe Forest will fail to be competitive with competitors in Reno, Nevada.
- Uncertainty over our ability to meet state mandates like Seismic retrofit compliance by 2030, inclusive of on campus storage of three day supply of water and storage of waste.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

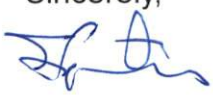
- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,



Harry Weis
President & CEO
Tahoe Forest Hospital District

From: TERILYN MCCLARY
To: HCAI OHCA
Subject: Health care costs too much, Trust me I know
Date: Wednesday, March 6, 2024 1:46:09 PM

Dear Office of Health Care Affordability Board Members,

I am writing to you today to share my health care story.

My health care is not the normal average because I am pretty healthy but 65 which I know will cost more once I retire..I am still working and covered by my employer insurance so I have no major medical bills except what being deducted from my check..that cost is still to high

Health care costs are too expensive and clearly unsustainable. While these costs continue to increase, everyday folks like me are forced to compromise our health, choosing between delaying care, skipping tests, or failing to fill prescriptions to save money. Slowing the growth of health care costs leaves more money for me, helping me to pay for other basic needs like food, rent, utilities, and additional living expenses.

I am respectfully urging you not to make any adjustments that would adversely affect or delay the implementation of health care affordability protections. Specifically, maintaining a 3 percent annual spending growth target for 2025 - 2029 that is based on the median income between 2002- 2022, rather than on the growth of the economy. All too often, consumers have been burdened by a health care system that does not prioritize the health and well-being of the patient. I am counting on the Office of Health Care Affordability to hold industry accountable and not put profits over the people who rely on the health care system to survive.

Thank you for your consideration.

Sincerely,
TERILYN MCCLARY
[redacted]

United States

From: Tom Slone
To: HCAI OHCA
Subject: Health care costs too much, Trust me I know
Date: Thursday, February 15, 2024 10:32:07 AM

Dear Office of Health Care Affordability Board Members,

My name is Tom Slone and I am writing to you today to share my health care story.

My health care costs me more than $ __700____ per month.

Health care costs are too expensive and clearly unsustainable. While these costs continue to increase, everyday folks like me are forced to compromise our health, choosing between delaying care, skipping tests, or failing to fill prescriptions to save money. Slowing the growth of health care costs leaves more money for me, helping me to pay for other basic needs like food, rent, utilities, and additional living expenses.

I am respectfully urging you not to make any adjustments that would adversely affect or delay the implementation of health care affordability protections. Specifically, maintaining a 3 percent annual spending growth target for 2025 - 2029 that is based on the median income between 2002- 2022, rather than on the growth of the economy. All too often, consumers have been burdened by a health care system that does not prioritize the health and well-being of the patient. I am counting on the Office of Health Care Affordability to hold industry accountable and not put profits over the people who rely on the health care system to survive.

Thank you for your consideration.

Sincerely,
Tom Slone
[redacted]

United States

From: [redacted] on behalf of Tracy Shortle
To: HCAI OHCA
Subject: Public Comment on Initially Proposed OHCA Statewide Spending Target Recommendations
Date: Monday, February 12, 2024 1:02:25 PM

[You don't often get email from [redacted]. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

CAUTION: This email originated from outside of the organization.

Dear Office of Health Care Affordability Board,

Californians like myself face high costs of living, and cannot afford the ever-escalating price of health care. Because of these expenses, I have to delay or ration care, or make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's suggested statewide spending target of at most 3% without any further delays and without population or new technology adjustments. This target makes sure that health care costs don't outpace what every day Californians like myself can afford. I hope this board keeps my story in mind while making their decisions so Californians can better afford the health care we need to thrive.

Sincerely,
Ms Tracy Shortle
[redacted]

UNIVERSITY OF CALIFORNIA HEALTH

University of California Health
1111 Franklin Street
Oakland, CA 94607

universityofcalifornia.health

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INSTITUTES
Global Health Institute

March 11, 2024

Mark Ghaly
Chair, Health Care Affordability Board
Office of Health Care Affordability
Department of Health Care Access and Information
2020 West El Camino Avenue, Suite 1200
Sacramento CA 95833

Submitted electronically via Email to OHCA@hcai.ca.gov.

RE: Proposed Statewide Health Care Spending Target

Dear Secretary Ghaly and Members of the Health Care Affordability Board:

Thank you for the opportunity to offer comments as the Health Care Affordability Board considers California's first statewide health care spending target. University of California (UC) Health and its six academic health centers are part of California's public health care system that form the core of the state's health care safety net. UC Health's mission is to improve the health and well-being of all people living in California now and in the future by educating and training the inclusive workforce of tomorrow; delivering exceptional and equitable care; and discovering life-changing treatments and cures. All of UC's hospitals are ranked among the best in California and its medical schools and health professional schools are nationally ranked in their respective areas.

UC Health shares the Office of Health Care Affordability's goal of furthering the public interest in ensuring that all Californians receive health care that is accessible, affordable, equitable, high-quality, and universal. As you consider the statewide health care spending target, we urge you to be mindful of the many factors outside of the control of health systems that make meeting the proposed 3.0% percent statewide spending target difficult including continued workforce and staffing challenges and increasing labor costs, rising pharmaceutical, medical device and supply costs, the costs of preparing for sustainability and resilience, and the insufficiency of and potential for reductions in federal Medicare and Medicaid reimbursements.

We also respectfully request the Board to consider UC's vital and unique role within the health care delivery system and the variety of ways that UC serves California's health care needs:

- **Care for patients with higher acuity:** We urge the Board to consider the more complex health care needs of California's aging population and the increasing trend in patient acuity when setting the spending target. Like many other hospitals, UC Health's case mix index (CMI) has increased over the last two decades as the population continues to age. UC Health has notably higher CMI than other hospitals because of our role as a provider of tertiary and quaternary care serving patients with more serious or complex ailments. While we support OHCA's goal of increasing investments in primary care, we must emphasize that Californians, particularly seniors, persons living with disabilities, and patients with complex health conditions will always require specialized care and a spending target must support quality and equitable access to that specialty care as well, particularly for those who are disproportionately impacted by health disparities.

- **Investments to expand capacity and meet California's health care needs:** The spending target must allow UC Health to grow its patient volume and continue making the investments needed to meet the state's health care needs. All of UC Health's hospitals are operating at or above their maximum capacity and we are unfortunately unable to accommodate thousands of transfer requests each year because of space and staffing limitations. Like many other hospitals, we continue to face challenges with discharging patients to post-acute care settings.

  UC Health is making significant investments to increase our capacity throughout the state by increasing the number of beds through construction and acquisition and partnering with other providers to make UC care available at community hospitals and clinics. Furthermore, UC Health is expanding capacity and services for vulnerable communities as many other hospitals and health systems cut critical services or exit the market. It is critical that UC Health be able to cover construction costs and debt service associated with expanding its capacity.

- **Care for Medi-Cal patients:** The spending target must allow public health systems to serve the growing numbers of people eligible for Medi-Cal, make the investments needed to provide a higher level of care coordination and services under CalAIM, and manage unreimbursed Medi-Cal costs. UC Health is a leading Medi-Cal provider and has significantly grown the volume of inpatient and outpatient services in recent years. UC will continue its commitment to serve Medi-Cal patients, but at the same time, we must continue to manage increased unreimbursed costs. In FY 2022, UC's health system provided $1 billion in care for people enrolled in Medi-Cal for which it was not reimbursed, approximately a 47 percent increase since 2015.

  UC Health is working with the Department of Health Care Services (DHCS) and other public hospitals and health systems to try to right-size our Medi-Cal payments and to develop solutions and strategies to stabilize our financing. This includes working with managed care plans to increase our base rates, growing existing supplemental payment programs (including those for which UC and other designated public hospitals contribute the non-federal share funding needed to support those payments), and creating new performance requirements and incentive funds for achieving cost containment, productivity, efficiency, and access goals. However, it may take years to fully shore up public health care systems' financing. Further discussion is needed by OHCA and the Board on how the spending target will take into account public hospitals' contributions to financing the Medi-Cal program and how flexibility can be provided to account for the historical underfunding of the health care safety net.

- **Training California's health care workforce:** As the nation's leading academic health system, UC Health plays a critical role in educating the state's future health care workforce and promoting OHCA's goal of maintaining workforce stability. We train many of the state's future doctors, nurses, and other health professionals across our 20 health professional schools, enrolling approximately 16,000 health sciences students, trainees, and residents. More than 70 percent of our students build their careers in California after graduating from our health professional schools. UC Health provides approximately $1 billion in direct annual support to the UC Schools of Medicine. This is an expense that most other health care providers do not incur but should be considered in evaluating provider costs and affordability.

- **Research and innovative therapies:** Improving health care affordability must be balanced with the costs associated with innovation and medical advancements that treat and cure disease. UC Health researchers are running more than 4,600 clinical trials investigating treatments for more than 2,400 conditions, elevating care for current and future patients. The availability of new, innovative therapies that save lives can be high-cost and are often only available at a selected number of hospitals in the state and nation. Examples of high-cost, lifesaving, and innovative therapies available at UC Health include CAR-T therapies for the treatment of blood cancers, Zolgensma for infants with spinal muscular atrophy, and Zynteglo for cure of sickle cell anemia. The availability of high-cost, innovative therapies need to be accounted for in a spending target.

Single-year target: UC Health respectfully requests the Board set a single-year target instead of a five-year target to provide more time to consider and resolve the myriad issues raised in this comment letter, along with critical issues such as provider spending attribution and the specifics of Medi-Cal spending data collection and public health care system financing issues including treatment of supplemental payments and provider self-financing. Health care entities need clarity on these issues before a multi-year target is set. A single-year target would also provide us with the opportunity to evaluate and refine the methodology and identify how to mitigate risks for reduced access, quality, equity, and workforce stability.

We appreciate the Board's consideration of a spending target that considers California's health care needs, UC Health's unique role as the state's public academic health system, and our tripartite mission of teaching, research, and public service to the people of California. We look forward to working collaboratively with the Health Care Affordability Board, the Office of Health Care Affordability, and other stakeholders to address health care spending growth and our shared commitment to accessible, affordable, equitable, high-quality, and universal care for every California resident.

Sincerely,

Tam M. Ma
Associate Vice President
Health Policy and Regulatory Affairs

cc: Members of the Health Care Affordability Board: David Carlisle, Sandra Hernández, Richard Kronick, Ian Lewis, Elizabeth Mitchell, Donald Moulds, and Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability

UNIVERSITY OF CALIFORNIA, BERKELEY

UC BERKELEY LABOR CENTER

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March 11, 2024

Mark Ghaly, M.D., Chair
Health Care Affordability Board

Elizabeth Landsberg, Director
Department of Health Care Access and Information

Vishaal Pegany, Deputy Director
Office of Health Care Affordability
Department of Health Care Access and Information

2020 W. El Camino
Sacramento, CA 95814

Dear Dr. Ghaly, Ms. Landsberg, and Mr. Pegany,

The UC Berkeley Labor Center is a public service and outreach program of the Institute for Research on Labor and Employment, founded in 1964. The Labor Center's health care research program aims to inform policymaking related to access to health coverage and health care affordability for workers and their families. We submit these comments in reference to Proposed Statewide Health Care Spending Target Recommendations to the Board, published by the Office of Health Care Affordability (OHCA) in January 2024. The recommendations propose a 3.0% statewide health care spending growth target for 2025 to 2029, based on average annual median household income growth in California from 2002 to 2022.

Affordability of job-based coverage has eroded over last 20 years

Our January 2024 report "Measuring Consumer Affordability is Integral to Achieving the Goals of the California Office of Health Care Affordability"[1] found that affordability of job-based coverage has deteriorated over the past two decades in California due to rising premiums along with increasingly common and increasingly large deductibles for job-based coverage. Taken together, these trends in premium and deductible growth result in health care taking up a larger and larger share of household income.

The substantial affordability challenges many Californians face have consequences for health and financial well-being: a significant portion of California adults—with any type of insurance including those without insurance—reported that in the last 12 months they or a family member

[1] Miranda Dietz and Laurel Lucia, Measuring Consumer Affordability is Integral to Achieving the Goals of the California Office of Health Care Affordability, UC Berkeley Labor Center, January 2024, https://laborcenter.berkeley.edu/measuring-consumer-affordability/.

had delayed or postponed care due to cost (52%), had problems paying or couldn't pay any medical bills (27%), or had some type of medical debt (36%), according to a California Health Care Foundation survey. Black, Latino, and low-income Californians report these challenges at even higher rates.[2]

Rapidly growing health care costs also impede wage growth and exacerbate income inequality. A recent study in the Journal of the American Medical Association estimated that from 1988 to 2019 the average cumulative lost earnings due to growth in health care premiums for the typical U.S. family with job-based coverage was over $125,000.[3] The study also found that the disparities in the percentage of compensation dedicated to job-based coverage by Black and Latino families compared to White families worsened over this time period.

In a 2020 Labor Center publication, we reviewed literature on the impacts of rising health care costs for workers' wages and found that "the bulk of the research literature indicates that, one way or another, most of the burden of ever-increasing health care costs falls on the shoulders of workers. That burden may come in the form of lower wages, higher premium contributions, or higher out-of-pocket costs."[4]

The data and research showing the deterioration of affordability of job-based coverage over the last 20 years underscores the need for OHCA to set a spending target that at a minimum keeps this problem from getting worse, and ideally makes meaningful improvements in consumer affordability. It also highlights the importance of OHCA tracking changes in consumer affordability going forward, alongside measurement of performance against the spending target. Our January 2024 report provides specific recommendations for consumer affordability measures that OHCA could track in its annual reports.

Tying spending target to household income growth centers consumer affordability

Our September 2023 report "What can we afford? Considerations for aligning Office of Health Care Affordability spending target with Californians' ability to afford increases,"[5] evaluated five economic indicators that could be used as the basis of a spending target. We found that median household income growth and median wage growth were the best proxies for consumers' ability to afford health care spending increases. Our analysis showed that a spending target set using growth in median wages or household income would also be likely to slow spending more than

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[2] California Health Care Foundation, The 2023 CHCF California Health Policy Survey, February 2023, https://www.chcf.org/publication/2023-chcf-california-health-policy-survey/#related-links-and-downloads.
[3] Kurt Hager, Ezekiel Emanuel, Dariush Mozaffarian, Employer-Sponsored Health Insurance Premium Cost Growth and Its Association With Earnings Inequality Among US Families, JAMA Network Open 2024; 7(1). doi:10.1001/jamanetworkopen.2023.51644, https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2813927.
[4] Laurel Lucia and Ken Jacobs, Increases in health care costs are coming out of workers' pockets one way or another: The tradeoff between employer premium contributions and wages, UC Berkeley Labor Center, January 29, 2020, https://laborcenter.berkeley.edu/employer-premium-contributions-and-wages/.
[5] Laurel Lucia, Miranda Dietz and Tynan Challenor, What can we afford? Considerations for aligning Office of Health Care Affordability spending target with Californians' ability to afford increases, UC Berkeley Labor Center, September 2023, https://laborcenter.berkeley.edu/what-can-we-afford/.

a target using Gross State Product, based on historical spending trends in California over the last two decades.

While both median household income growth and median wage growth are the best proxies for consumers' ability to afford increases, we noted that household income would reflect changes in income for retired Californians or others who are not in the labor market, while median wages would not. If historical data is used, household income would likely better reflect changes in consumer affordability during times of recession. For example, in 2020 and during other recessions, median wages increased as lower wage workers were more likely to lose their jobs, even as median household income decreased.

A spending target tied to the growth in median household income aims to keep households' health care spending from growing no faster than income. Achievement of this target will not reverse the existing affordability challenges faced by Californians, but would help to prevent further erosion of affordability for the typical household if slower spending on overall health care expenditures translates to slower premium and out-of-pocket spending. As OHCA staff estimated, if the spending target is achieved health care spending per person is projected to be $1,500 less per year in the fifth year of target implementation compared to under projected health care spending growth.[6]

Some stakeholders have suggested that rather than setting an affordability-based target, a cost-based target, based on projected health care costs or cost drivers, would be more appropriate. However, using those projected costs would be circular as the purpose of the spending target is to change the spending trajectory.

Instead of considering health care costs or spending projections in *setting the target*, health care cost factors driving spending growth can be considered in *assessing performance* relative to the spending target at the statewide, sectoral, or entity level. For example, the Massachusetts Health Policy Commission considered the impact of the introduction of the Hepatitis C drug Sovaldi and other high-cost Hepatitis C drugs when evaluating health care entities' performance compared to the benchmark in 2014.[7] At the February 2024 Board meeting OHCA staff presented some potential factors that may be considered in contextualizing an entity's spending growth and as potentially mitigating steps in the progressive enforcement process. The potential factors that might be considered include statutory changes impacting health care costs, catastrophic events, advances in medical technology, growing pharmaceutical costs, demographic changes in an entity's population, among other factors.[8] Considering these factors retrospectively has at least two advantages: 1) many of these factors are difficult if not impossible to accurately predict in advance and 2) many of these factors impact various entities in different ways and therefore are more appropriately evaluated at the entity level.

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[6] OHCA, Health Care Affordability Board Meeting December 19, 2023, slide 84, https://hcai.ca.gov/public-meetings/december-health-care-affordability-board-meeting/.
[7] Commonwealth of Massachusetts Health Policy Commission, 2015 Cost Trends Report, accessed September 4, 2023, https://www.mass.gov/doc/2015-cost-trends-report-1/download.
[8] OHCA, Health Care Affordability Board Meeting February 28, 2024, slides 40-45, https://hcai.ca.gov/document/feb-2024-health-care-affordability-board-presentation/

Proposed 3.0% spending target is in a similar range as other states' targets

The 3.0% spending target proposal is in a similar range as the targets in other states for 2025 and beyond. Among states that have set a 2025 target, targets range from 2.9% in Connecticut and 3.0% in Washington and New Jersey to 3.4% in Oregon. Among states that have set targets for 2026 and beyond – New Jersey, Oregon, and Washington – the range in target values is from 2.8% to 3.0%.[9] While many of these states had higher initial target values and then phased into lower values, the OHCA recommendation to start the target at the desired 3.0% value is consistent with the desire for urgency in addressing affordability problems that has been expressed by some board members, some advisory committee members, and by many consumers in public comment.

Proposed 3.0% spending target exceeds inflation projections by DOF and CBO

In our September 2023 report, Consumer Price Index (CPI), also called inflation, was not one of the economic indicators we recommended using in setting the target because it is not directly relevant to the ability of households to afford health care spending increases. When CPI is high consumers often need to spend more on other essential items, making it harder to pay for health care. Furthermore, no other health care cost commission used CPI in setting its target.

While some stakeholders have raised concerns about the 3.0% spending target proposal falling below future inflation projections, recent projections by the California Department of Finance (DOF) and Congressional Budget Office (CBO) for 2025 and beyond are lower than 3.0% for the available years, as shown in the table below. California CPI-U projections by the Legislative Analyst's Office are higher than DOF and CBO estimates for unknown reasons.

Projected inflation, 2025-2029

	Source	2025	2026	2027	2028	2029
Projected CA CPI-U	DOF	2.5%	2.6%	2.7%	N/A	N/A
	LAO	3.3%	3.4%	3.5%	3.5%	N/A
Projected U.S. CPI-U	CBO	2.5%	2.3%	2.2%	2.2%	2.2%

Sources: California DOF, Economic Forecasts, U.S. and California, November 2023. CBO, The Budget and Economic Outlook: 2024 to 2034, February 2024. Personal correspondence with California LAO, February 2024.

[9] OHCA, Health Care Affordability Board Meeting February 28, 2024, slide 33, https://hcai.ca.gov/document/feb-2024-health-care-affordability-board-presentation/

Using a 20-year historical average for target setting promotes a more stable target with similar predictive accuracy as 5-year or 10-year averages

OHCA's recommendation of a 3.0% spending target is based on the 20-year historical average growth in median household income, from 2002 to 2022, the most recent 20 years available. The two other states that use historical data in setting their targets use a 20-year average. Oregon considers historical GSP and median wage in a non-formulaic way, examining the average over the last 20 years.[10] Washington considers historical median wage (weighted at 70%), calculated as an average from 2000-2019.[11] Additionally, compared to shorter lengths of time such as 5 years or 10 years, a 20-year historical average is likely to yield a more stable target. If California had set a spending target over the last few decades using median household income growth, the target value would have ranged from 2.4% to 3.4% using a 20-year average, 1.3% to 4.4% using a 10-year average, and 0% to 5.5% using a 5-year average. A 20-year average promotes the most "predictable" rate of change, a methodological consideration in statute.[12] All three options for historical time periods have similar predictive accuracy over the 18 years for which data is available, as shown in our analysis in the appendix.

OHCA's multi-pronged approach is critical for ensuring that slower spending growth is not achieved off the backs of health care workers or patients

The recommended spending target is one of multiple facets of OHCA's overall work in slowing spending growth while also promoting high value health care. OHCA will track quality, equity, and access; set benchmarks for and report on primary care and behavioral health investment; and set benchmarks for the adoption of alternative payment models. Establishing strong workforce stability standards will also be critical for ensuring that slower spending growth is not achieved off the backs of health care workers. While many of the details of how these efforts will be implemented are still to be figured out, the totality of OHCA's efforts has the potential to not only make health care spending growth more manageable for consumers and payers but also create opportunities to improve equity, quality, and access while promoting the stability of the healthcare workforce.

Sincerely,

Laurel Lucia
Director, Health Care Program

Miranda Dietz
Policy Research Specialist

[10] Oregon Health Authority, Sustainable Health Care Cost Growth Target Implementation Committee Recommendations, Final Report to the Oregon Legislature, Senate Bill 889 (2019), January 2021, accessed June 6, 2023, https://www.oregon.gov/oha/HPA/HP/Pages/Sustainable-Health-Care-Cost-Growth-Target.aspx

[11] Washington's Health Care Cost Benchmark Program, Technical Manual, July 7, 2022, accessed June 6, 2023, https://www.hca.wa.gov/assets/program/benchmark-data-call-manual-july-2022.pdf

[12] State of California Health and Safety Code Division 107, Part 2, Chapter 2.6, Section 127502.

Appendix: Analysis of options for historical average: 5 years, 10 years, 20 years

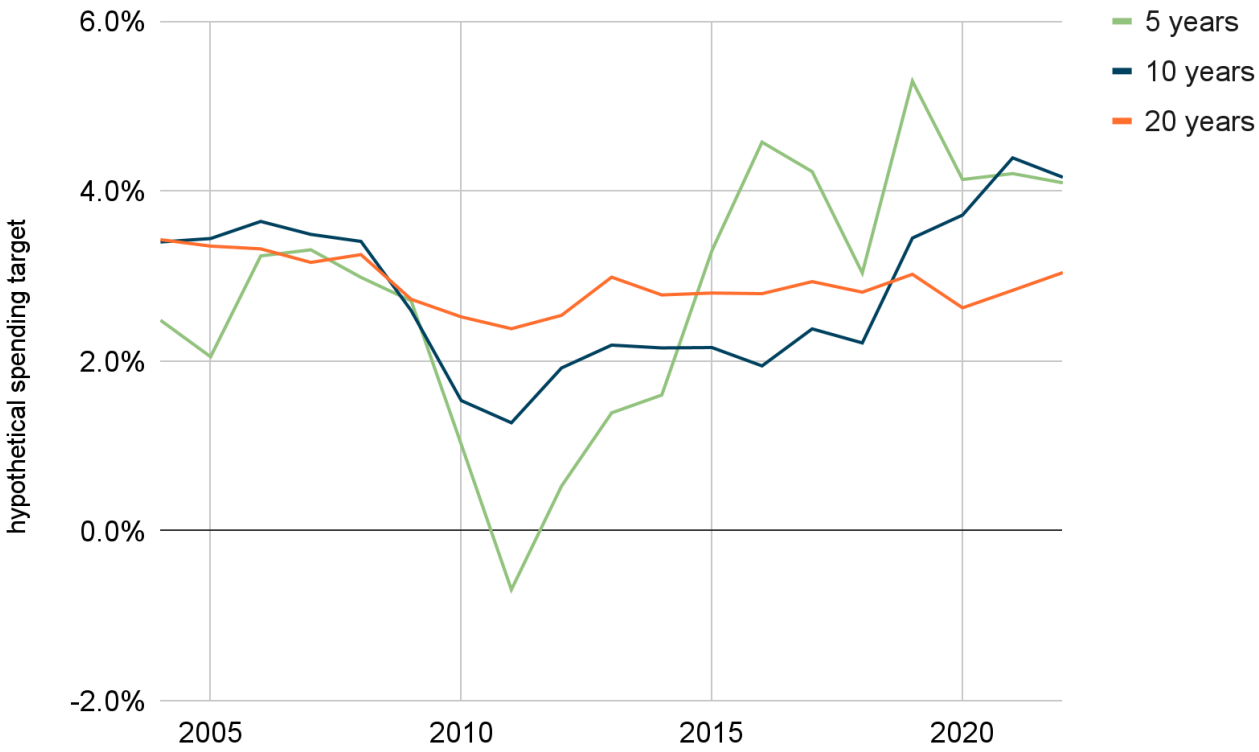
Stability: Using data on California median historical income,[13] we estimate hypothetical spending target values for each year as if California had set a spending target based on a 5-year, 10-year, or 20-year historical average. Data is available for 1984 to 2022, and the exhibit below shows 2004 to 2022 as the years in which historical averages can be compared for all three lengths of time - 5 years, 10 years, and 20 years.

- If a 5-year average had been used, the hypothetical spending target would have ranged from -0.7% (or 0% because the statute does not allow negative targets) in 2011 to 5.5% in 1989.
- A 10-year average would have yielded a target of 1.3% in 2011 to 4.4% in 2021.
- A 20-year average would have yielded a target of 2.4% in 2011 to 3.4% in 2004-2005.

Using a 20-year average for setting the target is best suited to promoting stability in the target value because the target range is smallest - approximately 1 percentage point based on historical data. This is a significantly narrower range in target values than might occur if shorter lengths of time are used, with potential target ranges varying by up to 5.5 percentage points with a 5-year average and up to 3.1 percentage points with a 10-year average. Having some degree of predictability in the target value will be important for health care entities subject to the target and for purchasers and consumers of health care.

[13] https://fred.stlouisfed.org/series/MEHOINUSCAA646N

Examining stability: hypothetical health care spending targets using 5-year, 10-year, and 20-year historical averages of California median household income growth, 2004-2022



Source: UC Berkeley Labor Center analysis of median household income in California, 1984-2022, using Current Population Survey data analyzed by the St. Louis Federal Reserve https://fred.stlouisfed.org/series/MEHOINUSCAA646N

Predictive accuracy: Using data on California median historical income,[14] we estimate hypothetical spending target values for each year as if California had set a spending target based on a 5-year, 10-year, or 20-year historical average. To test predictive accuracy, we then compare those hypothetical target values to the median household income growth during the subsequent 5 years given that OHCA is recommending a 5-year target. Data is available for 1984 to 2022, and the exhibit below shows 2004 to 2021 as the years in which historical averages can be compared for all three lengths of time - 5 years, 10 years, and 20 years. In 2018 to 2021, the historical average is compared to the average growth during the subsequent years available, which is between one and four years.

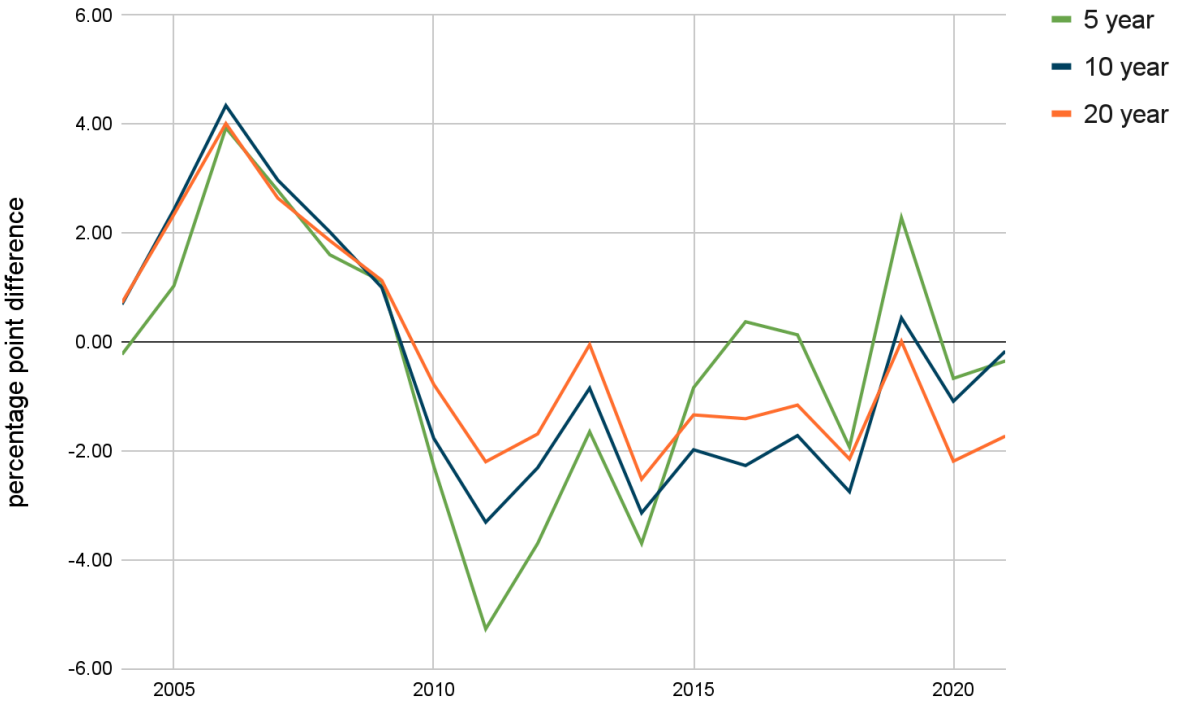
Accuracy of prediction is highest when the difference between the historical average and the average over the subsequent 5 years is closest to zero. For example, in 2013 the 20-year historical average of median household income was nearly identical to the average growth during the next 5 years, as shown by the 0.0 difference in the exhibit below. Over the 2004 to 2021 period, a 20-year average was slightly more accurate in predicting the next years (0.25

[14] https://fred.stlouisfed.org/series/MEHOINUSCAA646N

percentage points average difference) than a 5-year (0.41 percentage points) or 10-year average (0.42 percentage points), but these averages are very similar. While a 5-year year average more accurately predicts the next 5 years during certain time periods such as 2015-2017, it is only possible to observe that in hindsight.

If OHCA seeks to maintain a consistent target setting methodology over time, a 20-year time period for historical averages has a clear advantage in terms of creating stability in target values while having similar predictive accuracy as a 5-year or 10-year average.

Examining predictive accuracy: percentage point difference between 5-year, 10-year, 20-year historical average of California median household income growth in each year and average growth during the subsequent 5 years, 2004-2021



Note: Values closer to 0.0 have higher accuracy of prediction. Data for 5 subsequent years is only available through 2017. In 2018 to 2021, the historical average is compared to the average growth during the subsequent years available.
Source: UC Berkeley Labor Center analysis of median household income in California, 1984-2022, using Current Population Survey data analyzed by the St. Louis Federal Reserve https://fred.stlouisfed.org/series/MEHOINUSCAA646N

UNITE HERE HEALTH

February 6, 2024

Mark Ghaly, M.D., Chair Health Care Affordability
Board Elizabeth Landsberg, Director Department of Health Care Access and Information
Vishaal Pegany, Deputy Director Office of Health Care Affordability Department of Health Care Access and Information

By email ohca@hcai.ca.gov

Re: Statewide Healthcare Spending Target

Dear Dr. Ghaly, Ms. Landsberg and Mr. Pegany:

UNITE HERE HEALTH strong supports OHCA's proposed statewide spending target and urges its adoption without any adjustments or graduated ramp in. Working people are in critical need of relief from rising healthcare costs, particularly the rising cost of hospital care.

UHH is a Taft-Hartley Trust Fund providing coverage for low income hospitality workers and their families in California, both through our PPO (using the Anthem network) and through Kaiser Permanente. In 2023 UHH paid about $90 million for the care of 12,000 lives in California. Every dollar that goes to pay for healthcare is a dollar that could go to workers' wages and pensions. UHH has a low administrative load and does not pay shareholders so increased costs of coverage are born directly by the workers and their families. For example, this past summer, hotel workers in Monterey went without a raise as all funds negotiated by the bargaining parties went to pay for high hospital costs; in a time of high inflation, this means that these workers actually experienced a wage cut.

Many hospitality workers have provided eloquent testimony to the Board regarding the impact of rising healthcare prices on their ability to afford rent and food, their avoidance of care, and even the need to take second jobs to pay for high healthcare bills. We are particularly concerned with the exorbitant costs of hospital prices in Monterey County where we paid 559% of Medicare rates in 2022. Our COVID cases in Monterey cost on average four times more than the care we paid for in other parts of the country, including places hit hard by the pandemic like New York City. The lack of competition in Monterey County means that residents who need care have no choice but to pay high prices.

We are also concerned with the high cost of Kaiser Permanente's coverage. Like many Trust Funds, we were shocked to receive double digit increases for our renewal last year, despite the fact that our utilization was suppressed. Kaiser should be using trend to project necessary increases; instead Kaiser bases its renewals on its own budget-driven "trend". We hope OHCA spending targets will correct this.

711 North Commons Drive, Aurora, IL 60504 ● Phone (630) 236-5100 ● Fax (630) 236-4380

As an active purchaser, we have explored and tried many ways to hold down costs but our efforts are no match for the prices we are seeing. We have adjusted benefit design and hired staff to directly engage with members who need extra help navigating the healthcare system and staying healthy. We rigorously mine our data and, in the case of Kaiser, pay to have a third party data warehouse vendor convert its episodic data into claims data that we can analyze. Finally, we work hard to not disrupt our members' care – hospitals and plans like Kaiser know we cannot easily pursue alternative sources of care which increases their hold over our members.

The proposed 3% cap is at the upper bounds of what's sustainable. We could easily argue that the 3% spending target does not go far enough. In fact, it will do little to reduce the high outlier prices being charged by hospitals in Monterey County. For this reason, we ask that OHCA also perform a cost and market impact review of Monterey County to better understand why costs are so high and unsupportable. This work will no doubt suggest that the caps should be even lower than 3% for Monterey County.

We greatly appreciate the hard work the OHCA Board and its staff are doing to bring some relief to consumers. The growing availability of data has produced analyses that show that this effort is needed now more than ever. We urge you to hold the line and pass the proposal as recommended.

Sincerely,

Matthew Walker, CEO

Cc: Members, Health Care Affordability Board
Governor Gavin Newsom
Senate President pro Tempore Toni Atkins
Assembly Speaker Robert Rivas

711 North Commons Drive, Aurora, IL 60504 ● Phone (630) 236-5100 ● Fax (630) 236-4380

From: [redacted] on behalf of Urmila Padmanabhan
To: HCAI OHCA
Subject: Public Comment on Initially Proposed OHCA Statewide Spending Target Recommendations
Date: Monday, February 12, 2024 6:19:00 PM

[You don't often get email from [redacted]. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

CAUTION: This email originated from outside of the organization.

Dear Office of Health Care Affordability Board,

Californians like myself face high costs of living, and cannot afford the ever-escalating price of health care. Because of these expenses, I have to delay or ration care, or make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's suggested statewide spending target of at most 3% without any further delays and without population or new technology adjustments. This target makes sure that health care costs don't outpace what every day Californians like myself can afford. I hope this board keeps my story in mind while making their decisions so Californians can better afford the health care we need to thrive.

Sincerely,
Ms Urmila Padmanabhan
[redacted]

Keck Medicine of USC

Rodney Hanners
CEO of Keck Medicine of USC
President and CEO of USC Health System

March 8, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue, Suite 1200
Sacramento CA 95833
Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

The Office of Health Care Affordability (OHCA) seeks to improve health care affordability and must do so without sacrificing patient access or the quality of health care. We stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. Unfortunately, the recommendation before the Board regarding California's first statewide spending target, does not adequately consider the factors driving health care spending growth, and in doing so, jeopardizes patient care.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider, but actually *reflect* these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; supply chain issues that further drive up costs for hospitals and health systems; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

For USC Health System, meeting the proposed 3% target would mean:

- Reevaluating the services we currently provide, as well as care expansions and other investments we hope to make to improve our community's health. For example, Keck Hospital of USC currently serves as the facility of last resort for many patients who require life-saving heart transplants or other cardiac services that are not performed anywhere else in the city, county or state. Meeting the proposed 3% target means that USC Health System may need to eliminate plans to expand its delivery of this higher-level cardiovascular care to the community and the region. The investment and expansion of more advanced clinical services that USC Health System is planning to bring to the community surrounding USC Arcadia Hospital would have to be reconsidered. Plans to expand programs like USC Street Medicine

(health care for the unhoused in Los Angeles), and further development of gender-affirming care programs may need to be put on hold.

- Considering ways to reduce current staff or hire fewer staff in the future, including offering fewer retention or recruitment bonuses, which would diminish the outlook for those seeking careers in health care and further exacerbate current health care worker shortages. A spending target of 3% would have removed $141 million from our budget annually, potentially resulting in 746 jobs lost.

- Uncertainty over our ability to meet state mandates like costs of seismic retrofitting, the new $25 minimum wage requirements, Attorney General conditions from our acquisition of USC Arcadia Hospital, and participation in the QAF program which supports our ability to care for low-income families across Los Angeles County.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target;

- Promulgated rules around how these data would be analyzed;

- Laid out the rules for how entities would be held accountable for the targets;

- Considered how health care spending may not necessarily tie to patient affordability; and

- Compared California's cost targets with other states' cost targets, which are higher and more aligned with their economic growth rates.

Given these outstanding issues, we question the prudence of adopting a five-year target before data becomes available and critical decisions have been made. We further question the prudence of the potentially uncapped administrative damages associated with not meeting the targets, which would further debilitate the ability of hospitals and other health care providers to meet both patient care needs and the cost targets going forward.

The detrimental impact of the five-year target is also exacerbated by external factors that impose financial pressure on the healthcare market. For example, inflation; escalation in costs imposed by pharmaceutical and biomedical companies, which derive substantial margins from the healthcare industry; and cost increases due to organized labor and the general labor marketplace that are outside the control of hospitals and health systems but drives up the cost of care.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,

Rodney Hanners
President & Chief Executive Officer
USC Health System

March 7, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

Thank you to the Office of Health Care Affordability (OHCA) Board and staff for your commitment to improving access to health care that is affordable, equitable, high-quality, and universal. Valley Children's Healthcare stands ready to collaborate with OHCA in ways that do not sacrifice the potential of this shared commitment. **Unfortunately, OHCA staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

Valley Children's is Central California's only healthcare network dedicated to children and we play a vital role in meeting the healthcare needs of some of our region's sickest and most medically vulnerable residents. On any given day, 75% of the patients that we treat are covered by Medi-Cal and over 80% are of a race or ethnicity other than white or Caucasian.

As a specialty network, the services that we provide require significant investments including specially trained clinicians, sophisticated medical equipment, and cutting-edge drug therapies. And while we do a very good job managing our spending, we cannot fully anticipate the types and volumes of medical conditions that we are called upon to treat, the resources needed, and the associated costs.

The proposed 3% target, which is based solely on the historical growth in household income, is overly narrow and fails to account for the myriad of factors that impact health care spending. To be credible, a target must not only consider but actually **reflect** these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

For Valley Children's, meeting the proposed 3% target would mean reevaluating the services we provide and looking at ways to reduce current staff or hire fewer staff in the future. If the 3% target had been in place in 2023, Valley Children's would have had to eliminate 5% of our workforce, or 128 employees, to keep our costs in line with the target. With much of the region that we serve categorized as Health Professional Shortage Areas by the federal government, staffing reductions necessitated by the target would only exacerbate already existing health care access challenges for children and their families.

Additionally, the 3% target would create uncertainty regarding our ability to meet certain state mandates such as the minimum wage for health care workers and any potential new mandates such as requirements regarding paid sick time for health care workers.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data becomes available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. Valley Children's asks that the Board reject OHCA staff's proposal and instead work with health care leaders to design and adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Thank you for your attention to this critical issue.

Sincerely,

Todd A. Suntrapak,
President & Chief Executive Officer

Cc: Carmela Coyle
President & CEO, California Hospital Association

Washington Hospital Healthcare System
2000 Mowry Avenue, Fremont, California 94538-1716 | 510.797.1111
www.whhs.com

March 8, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject Three-Percent Cost Growth Target

Dear Dr. Ghaly:

The Office of Health Care Affordability (OHCA) seeks to improve health care affordability and must do so without sacrificing access to health care or the quality of care offered to patients. We stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, the OHCA staff recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**
This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for the myriad of factors that impact health care spending. To be credible, a target must not only consider but actually **reflect** factors that impact health care spending growth, including:

- Inflation
- Demographic factors, such as California's aging population
- Trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices
- Policy changes that raise spending, like minimum-wage and seismic mandates
- Up-front investments that hospitals make to improve the care they provide, which reduce the cost of care over the long term.

For Washington Hospital Healthcare System, an independent community Healthcare System, meeting the proposed three-percent target would mean:

- Reevaluating the scope of services we provide, as well as future infrastructure and program expansions and investments to improve our community's health. For example, we would need to reconsider building an acute rehabilitation unit, even though it is one of the most needed services in southern Alameda County. We would also delay or cancel a long-planned infrastructure investment in a PET-CT machine.

- Considering ways to reduce current staff or hire fewer staff in the future, including reducing future spending on retention and recruitment incentives. Over the last five years, a three-percent spending target would have removed $39 million in labor-related expenses, which equates to a reduction of 135 full-time equivalents.

- Revisiting our ability to meet California state-imposed mandates. Just to meet the 2030 seismic standard required by the state will require us to rebuild our inpatient building at a cost of $354 million. With a three-percent spending growth target, we will undoubtedly have to rethink and reduce the number of patient rooms we build, particularly in the birthing center.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target even before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how this data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data becomes available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. A comprehensive focus on health equity, for example, has the potential to lead to long-term cost savings. However, it requires significant up-front investments and reorganization of delivery models. Ultimately, giving time and space to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, OHCA's current proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,

Kimberly Hartz
Chief Executive Officer

Woodland Clinic Medical Group
632 West Gibson Road
Woodland, CA 95695
(530) 669-5310

February 27, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

The Woodland Clinic Medical Group stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

We are concerned that this unrealistic target will impact patient wait times which are already longer than acceptable. It will penalize physicians who care for complex patients with disabilities and chronic diseases. The most vulnerable of patients might not be able to find physician practices or medical groups able to take them and meet targets. Running a practice or medical group is already a daunting challenge given overall inflation rates, staffing shortages which drive up labor cost, supply costs and the cost of operating and maintaining our clinics. Government reimbursement has not not kept pace with inflation leading to difficult financial losses for many practices. The Woodland Clinic Medical Group is deeply concerned that the current proposal will have a disproportionate impact on our ability to maintain access and provide high quality care.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: Inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; and the overall cost of practicing medicine. In January, CMS projected the increase in the cost to practice medicine would be 4.6% in 2024 (Medicare Economic Index).

Woodland Clinic Medical Group
632 West Gibson Road
Woodland, CA 95695
(530) 669-5310

The proposed target falls well below current lived experience. Physicians are a critical part of our state's health care system and the Woodland Clinic Medical Group is concerned that those operating in the red will be penalized under this target. For our medical group, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. Maintaining access to care and equity must be considered when looking to set these spending growth targets. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. **We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.**

Sincerely,

Matthew B. Zavod, MD, MHCDS, FACS
President & CEO, Woodland Clinic Medical Group

Dignity Health
Woodland Memorial Hospital
1325 Cottonwood Street
Woodland, CA 95695

March 5, 2024

Mark Ghaly, MD
Chair, Health Care Affordability Board
2020 West El Camino Avenue
Suite 1200
Sacramento CA 95833

Submitted via email to Megan Brubaker at: OCHA@hcai.gov
Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

Dignity Health Woodland Memorial Hospital stands ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff's recommendation for California's first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

Dignity Health Woodland Memorial Hospital and Dignity Health's 30 other hospitals in California are the largest providers of Medi-Cal services, making up a significant portion of the state's safety net. Three fourths of all patients that come to Dignity Health have either Medi-Cal or Medicare. Unfortunately, Government reimbursement has not not kept pace with the rising costs of labor, supplies and drugs leading to a loss of over $245 million last fiscal year for Dignity Health. We are deeply concerned that the current proposal will have a disproportionate impact on all safety net providers.

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually reflect these known factors: inflation; demographic factors, such as California's aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

The proposed target falls well below our current lived experience. Hospitals are a critical part of our state's first response to disaster and we welcome everyone, regardless of their ability to pay. As we work toward our financial recovery from COVID, Dignity Health and other health systems operating in the red will be penalized under this target.

Dignity Health
Woodland Memorial Hospital
1325 Cottonwood Street
Woodland, CA 95695

For Dignity Health Woodland Memorial Hospital, meeting the proposed 3% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health and uncertainty over our ability to meet state mandates. Woodland Memorial Hospital operates many services at a loss such as our Adult Day Health program, infusion services, and cardiac rehabilitation. It is these very services that would be put at risk for closure or reducing access to stay within our given targets. Restricted access will not reduce overall health care spending, but rather defer it until more critical and more costly.

On top of these challenges, OHCA staff's five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

- Collected data to inform the establishment of a credible, attainable target
- Promulgated rules around how these data would be analyzed
- Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients' expense. **We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.**

Sincerely,

Gena Bravo
Hospital President
[redacted]