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 6

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March 11, 2024

Mark Ghaly, M.D.
Chair, Office of Health Care Affordability
1215 O Street
Sacramento, CA 95814

Re: Proposed Statewide Spending Target

Dear Secretary Ghaly and Office of Health Care Affordability (OHCA) Board Members:

Anthem Blue Cross (Anthem) appreciates the opportunity to offer feedback on OHCA's proposed statewide spending target. Anthem has been providing high-quality, affordable health care for Californians for more than 85 years. As one of California's largest health insurers, Anthem Blue Cross provides health care services to more than nine million members in all 58 counties through a full continuum of product and coverage options that focus on improving access, quality and equity across our system of care. Our offerings available in the individual and small group (including Covered California), large group, Medicare and Medi-Cal programs include a full range of integrated medical and specialty products.

We value this dialogue, as we share your goal of making healthcare more affordable, accessible, and equitable in our state. Paying differently for healthcare – shifting reimbursement from volume to value – is an essential building block to improve the overall healthcare system and achieve whole health. To that end, Anthem contracts for outcomes and increased value for consumers. We also recognize that to achieve meaningful change in care delivery, contracting for outcomes alone is not enough. Our wholistic approach goes beyond that by offering our provider partners and our members the tools and resources necessary to help them make the right healthcare decisions at the right time.

As detailed below, Anthem recommends that OHCA select a realistic and data-driven healthcare spending growth target and support legislative policy changes aimed at making healthcare more affordable, accessible, and equitable.

Background

On January 24, 2024, OHCA announced a proposed statewide annual 3.0% per capita statewide spending growth target for 2025-2029, based on the average annual change in historical median household income over the 20-year period from 2002-2022. During the December 2023, January 2024, and February 2024 Health Care Affordability Board meetings, there were robust discussions regarding the proposed spending target. Anthem shares several of the concerns expressed by Board members, including:

- Whether the target is reasonable and achievable;
- The possibility that the target could, in the short-term, further increase pressures on the healthcare workforce, reducing consumers' access to quality care;
- The failure of the target to account for critical adjustments, such as technology advancements and new expensive therapies;
- The need to recognize consumer's preferences for certain insurance plan designs, particularly broader provider networks without a Primary Care Provider (PCP);
- The lack of clarity as to how the escalating enforcement mechanisms will be operationalized; and

- A 10-year average of historical median household income growth is likely to be a more predictive economic indicator compared to a 20-year average metric.

Recommendation

As noted above, Anthem recommends a more realistic growth target that is data-driven and better accounts for inflation, workforce shortages, and labor costs, so that payers and providers can work together to meet the target in a responsible fashion that does not significantly impact quality and access to care. If, however, OHCA and the Board continue to rely on historical median income as the basis for the benchmark, Anthem recommends, at a minimum, the following two changes to the growth target, recognizing that OHCA's proposed benchmark is the lowest starting point compared to any other state with a similar program.

- Add a phase-in factor for the first two to three years, similar to that utilized by other states in their programs. Connecticut, Delaware, and New Jersey all implemented a phase-in factor of an additional 0.25 to 0.5 percentage points, added to the benchmark to recognize the transition period necessary for healthcare stakeholders over a short period of time; and
- Base the benchmark on a 10-year average of historical median household income.

Addressing Healthcare Spending Drivers

Anthem strongly recommends that OHCA revise the spending target to better reflect the following drivers of healthcare spending. Without appropriate consideration of these factors, the proposed spending target could lead to healthcare providers having to make the difficult choice of reducing healthcare delivery to meet the target or face financial penalties. To avoid this, the spending target should better account for:

- **Inflation.** The healthcare delivery system must be able hire workers, afford medical supplies, and make practical infrastructure updates. This has become increasingly difficult with rising inflation. Recognizing this difficulty, the Connecticut Office of Health Strategy (OHS) recently recommended increasing the state's 2024 benchmark from 2.9% to 4.0% due to high inflation. In making this recommendation, OHS notes that "research shows that inflation impacts healthcare spending growth." OHS' recent revision also highlights that long-term historical forecasts are not always reliable indicators for future medical expenses.

- **Labor Costs.** The healthcare sector is labor intensive. While we agree that new technologies can result in productivity improvements, OHCA should also recognize the costs necessary to secure the human capital essential to providing access to quality care.

- **Healthcare Workforce Shortages.** Shortages of providers, including PCPs, nurses, behavioral healthcare providers, and specialists increase labor costs.

- **Technological Change, Prescription Drugs, and Unregulated Entities.** We expect continued development of new therapies and medications, which will carry substantial costs that are not factored into the proposed spending target. In addition, there is no enforcement mechanism for the pharmaceutical manufacturers despite the fact that prescription drugs are a major driver of rising healthcare costs. For example, the median annual price for newly approved drugs increased from $180,000 in 2021 to $222,000 in 2022, signaling double digit annual growth in price for 2024 and beyond.

- **Legislative Mandates that Increase Costs.** Legislative mandates also increase healthcare costs. These include benefit mandates and mandates that impose operational requirements or restrictions on health plans.

  In addition, a new law, SB 525 will increase the minimum wage for healthcare workers to $25 per hour in the coming years. The UC Berkley Labor Center released a report on the potential impact of the legislation, estimating that total health care expenditures in California would increase by 0.5%, or $2.7 billion, in the first year of the law, due to increased labor costs.

Legislative Policy Changes

Collaboration to address healthcare costs extends beyond payers and providers to include California policymakers as well. To help support payers' ability to meet the spending target, we ask that the Board and OHCA support legislative policy changes that would have a meaningful impact on our ability to contain healthcare cost growth and increase affordability, including:

- Prohibiting dishonest billing by off-campus hospital-owned providers;
- Addressing anti-competitive contracting practices by consolidated health systems such as all-or-nothing, anti-tiering, and anti-steering clauses in provider contracts; and,
- Prescription drug reforms, such as:
  - Preventing harmful mark-ups and increased costs for patients by protecting the use of specialty pharmacies to access lower drug costs, and
  - Increasing drug cost transparency by requiring price disclosure from drug manufacturers at time of launch and at time of list price increases and requiring disclosure of patient assistance programs.

In addition, as noted above, to ensure that consumers receive the right care, at the right place, and at the right time, we urge the Board and OHCA to oppose legislative mandates that impede payers' ability to manage care.

We welcome the opportunity to discuss our recommendations and other meaningful policy changes in more detail with Board members and OHCA staff. You can reach me at mohit.ghose@anthem.com or 747-215-0510.

Sincerely,

Mohit M. Ghose
Sr. Director, Government Relations

Dignity Health.

March 7, 2024

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

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

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

Dear Dr. Ghaly,

Mercy Medical 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.**

Mercy Medical 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 Mercy 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. Mercy Medical Center operates many services at a loss such as Surgical Services, Obstetrics, Physical Therapy, and Cardiac Rehab. 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,

Beatriz Ramirez
Compliance Safety Officer
Mercy Medical Center

Dignity Health
Glendale Memorial Hospital
and Health Center

1420 South Central Avenue
Glendale, CA 91204
direct 818.502.2201
fax 818.409.7688
glendalememorialhospital.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:

Dignity Health Glendale Memorial Hospital and 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.**

Glendale Memorial 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 Glendale Memorial, 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. 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
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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,

Jill Welton
President/CEO

From: [redacted]
To: HCAI OHCA
Subject: Protect Access to Health Care, Reject 3% Cost Growth Target
Date: Tuesday, March 12, 2024 11:42:49 AM

To Whom It May Concern:

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,

Dr. Jennifer Kelly

From: Karen Wang CA-Santa Cruz
To: HCAI OHCA
Subject: Protect Access to Health Care, Reject 3% Cost Growth Target
Date: Tuesday, March 12, 2024 10:33:34 AM

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,

Karen Wang, MD

Dignity Health.
Marian Regional Medical Center

1400 East Church St.
Santa Maria, CA 93454
direct: 805.739.3000
fax: 805.739.3060

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 OHCA@hcai.ca.gov

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

Dear Dr. Ghaly:

Marian Regional Medical 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.**

Marian Regional Medical 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 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, based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. A target *must* consider and reflect certain known factors to be credible. These factors include: inflation; demographic factors like 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 Marian Regional 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. Marian Regional Medical Center operates many services at a loss. These services 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
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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,

Sue Andersen
President & CEO

Dignity Health.
Mercy San Juan Medical Center

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:

Mercy San Juan Medical 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.**

Mercy San Juan Medical 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.

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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 Mercy San Juan 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. Mercy San Juan Medical Center operates many services at a loss such as inpatient pediatric services, labor and delivery services, behavioral health crisis stabilization 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 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:

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Sincerely,

Michael R. Korpiel, DHA, FACHE

From: Nhat Hoang CA-Santa Cruz
To: HCAI OHCA
Subject: Protect Access to Health Care, Reject 3% Cost Growth Target
Date: Tuesday, March 12, 2024 2:51:16 PM

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.

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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.

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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,

Nhat Hoang, D.O., FACOI
Hospitalist - Dominican Hospital
Santa Cruz, CA 95065
Int

From: Randall Nacamuli CA-Santa Cruz
To: HCAI OHCA
Subject: Cost Growth
Date: Tuesday, March 12, 2024 8:11:35 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.

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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,

Randall P. Nacamuli, MD
DHMF Plastic & Reconstructive Surgery
Chairman BOD, Santa Cruz Medical Group
Medical Director of Wound Care Services Dominican Hospital Santa Cruz

From: Robert Weber CA-Watsonville
To: HCAI OHCA
Subject: Protect Access to Health Care, Reject 3% Cost Growth Target
Date: Tuesday, March 12, 2024 12:34:02 PM

Dear Megan Brubaker,

I stand ready to collaborate with 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 does not adequately consider the factors driving healthcare 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, and staffing shortages which drive up labor costs, 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. 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 the 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 the 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.

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Thank you,

Robert J Weber MD

Dignity Health Medical Group-Dominican

Watsonville Family Medicine

575 Auto Center Dr

Watsonville, CA 95076

[redacted]

From: Steve Magee
To: HCAI OHCA
Subject: Protect Access to Health Care, Reject 3% Cost Growth Target
Date: Tuesday, March 12, 2024 11:18:38 AM

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.

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Sincerely,

Steve Magee MD

Santa Cruz Medical Group

From: Tooba Khan CA-CAPITOLA
To: HCAI OHCA
Subject: Protect Access to Health Care, Reject 3% Cost Growth Target
Date: Tuesday, March 12, 2024 10:37:13 AM

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.

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Sincerely,

Tooba Khan MD

From: Vijaya Mukthinuthalapati CA-Santa Cruz
To: HCAI OHCA
Date: Tuesday, March 12, 2024 10:39:19 AM

MEMORANDUM

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

Mukthinuthalapati, V V Pavan Kedar MD

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

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Sincerely,

Mukthinuthalapati, V V Pavan Kedar
Gastroenterologist
SCMG, Santa Cruz

From: Whay Jones CA-SANTA CRUZ
To: HCAI OHCA
Subject: Protect Access to Health Care, Reject 3% Cost Growth Target
Date: Tuesday, March 12, 2024 12:10:28 PM

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.

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Sincerely,

Whay H. Jones, M.D.
Family Practice Mission Street
Santa Cruz, CA 95060
[redacted]