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

Public Comments Submitted Regarding Proposed Hospital Sector Cost Growth Target

Table of Contents

From: anabelle7_95051@everyactioncustom.com on behalf of A. B.
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:43:00 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
A. B.
[redacted]

From: hedgebeast@everyactioncustom.com on behalf of Abbie Bernstein
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 8:23:18 PM

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.

I do not want my health insurance costs to go up. I do not want the general public to be unable to afford medical care that can result in, among other things, pandemics that make me or my loved ones sick, or make it impossible for anyone to go out in public.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Abbie Bernstein
[redacted]

From: anabelle7_95051@everyactioncustom.com on behalf of A. B.
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:42:40 AM

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.

Seriously, what is it with highly paid best benefits politicians and government officials in their obsessive determination to kill off, impoverish & rob taxpayers of few measly benefits they PAY INTO. Health Insurers & big pharma, mostly owned by foreign leeches like pfizer moderna gilead are for profit OUTED PARASITES.

It is SADISTIC & CRUEL MAKING AMERICANS BEG FOR A RETURN ON EGREGIOUS TAXATION WITHOUT REPRESENTATION. Both parties of wealthy pols on taxpayers treat hell bent on robbing and killing off Americans.

The Thin the herd stated agenda. Criminal vile corps loot treasury pay zero taxes and rob Americans. This is ghoulish. Hunger Games Armageddon the goal here?

High health care expenses, specifically high hospital bills and monthly insurance premiums make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
A. B.


From: adamkaplan@everyactioncustom.com on behalf of Adam Kaplan
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 7:50:26 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Adam Kaplan
[redacted]

Adventist Health
One Adventist Health Way
Roseville, CA 95661
AdventistHealth.org

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Adventist Health Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Megan:

Thank you for the opportunity to provide comments on the Office of Health Care Affordability's (OHCA) proposed hospital sector spending target. We appreciate the Board's commitment to transparency and stakeholder engagement throughout this process. We respectfully urge the Board to reconsider its proposal on hospital sector spending targets. The impact of this proposal will increase financial pressure on California's already strained healthcare system and negatively impact the most vulnerable patients and communities we serve.

Adventist Health is a Safety Net Provider

Adventist Health is a faith-based, nonprofit integrated health system that serves over 80 diverse communities across the West Coast and Hawaii. In California alone, we operate 23 hospitals that span the state, from the Mendocino Coast in the north to Los Angeles in the south. Our commitment to care is deeply rooted in our mission to serve all individuals, with many of our facilities situated in rural and medically underserved areas where healthcare disparities are most pronounced.

Rural and medically underserved communities face unique challenges in addressing health disparities, ensuring accessibility, and sustaining viable operations. These issues are compounded by the closure of rural and safety-net hospitals and clinics, further restricting access to care for vulnerable populations. Across our system, 60% of our facilities are in rural settings, including four California critical access hospitals. With approximately 80% of our patients relying on government healthcare funding and less than 20% covered by commercial

insurance, Adventist Health supports underserved populations through acute care hospitals, rural health clinics, home care services, and more.

OHCA's Hospital Sector Spending Target

OHCA's approach to slow spending growth with the adoption of sector targets appears premature and lacks any supporting analysis. We are concerned about the impact and unintended consequences it will have on access to care it will have on our vulnerable populations.

For instance, OHCA has provided no assurance that its proposal would sustain access to high-quality care, how the proposal fulfills statutory requirements to minimize fragmentation, how it will prevent cost shifting, or how it will promote cooperation in meeting statewide and regional targets.

Throughout the process, OHCA failed to meet essential milestones, such as conducting a comprehensive review of healthcare spending across potential sectors or establishing a method to measure growth in hospital spending, before proposing a hospital sector-specific target. Furthermore, the proposed methodology fails to account for health system relationships and selectively ignores outpatient services. This results in an incomplete and misleading picture of financial performance.

OHCA's Sector Targets Impact on Finances and Operations

OHCA's actions will limit hospitals' ability to invest in patient care without any assurance that the proposed targets will lead to meaningful savings for patients. In contrast, health insurance companies continue to raise consumer premiums by 10% or more each year. Without ensuring that any savings achieved through the hospital sector targets would result in lower health insurance premiums and cost sharing, insurers will end up being the beneficiaries of OHCA's sector targets.

OHCA's proposed spending growth targets do not cover the rate of inflation and will negatively impact hospitals' ability to sustain vital patient services. Since 2021, labor costs for our organization have risen by 9.7% annually, supply costs have increased by 7.7% annually, purchased services have increased by 9.1% annually, and pharmaceutical expenses have increased by 8% over the last 4 years. Additionally, Adventist Health is facing significant costs related to other legal obligations. Seismic upgrades alone are projected to cost upwards of $542 million, and minimum wage increases will cost an additional $73 million. As a nonprofit, these escalating costs threaten our ability to sustain operations and meet the healthcare needs of the communities we serve.

Generating sufficient revenue in excess of operating expenses is critical for reinvesting into our care delivery system. This margin allows Adventist Health to ensure ongoing access to healthcare in underserved regions, expand our services, enhance our services with the use of technology, and support our healthcare workforce. The proposed sector targets will not allow Adventist Health to reinvest in its care delivery system. Planned investments in new patient services, departments, and advancements in medical care would need to be reconsidered, leaving our communities without access to critical healthcare innovations. Vulnerable service lines—particularly those in rural areas—would face closure or reduction. Financial constraints under the cap would also hinder our ability to recruit and retain highly skilled healthcare professionals, creating barriers to providing quality care. These impacts will lead to reduced access to services and likely result in larger healthcare disparities in the communities we serve.

Medicare and Medi-Cal

OHCA's creation of sector targets must take into account additional challenges from Medicare and Medi-Cal. In 2023, Adventist Health had a shortfall of over $685 million from Medicare and Medi-Cal. As the primary healthcare provider for many underserved areas, these shortfalls disproportionately impact our rural patients, who are often sicker due to limited access to preventative care. These patients often require resource-intensive services, which elevate costs that are not adequately reimbursed. The financial strain caused by these shortfalls has forced Adventist Health to make difficult decisions, including closures of units at various hospitals and clinics. These measures limit access to healthcare for underserved populations and restrict investments in infrastructure, technology, and new services that would otherwise improve care delivery. Without adequate compensation, closures may increase, leaving communities without viable healthcare options.

Compensating for these shortfalls is essential to safeguarding healthcare access and equity for the vulnerable populations served by Adventist Health. In many areas, our organization is the only provider of healthcare services, making it critical to maintain operations. Bridging funding gaps ensures access to preventive care, chronic disease management, and essential medical services, ultimately reducing long-term healthcare costs and improving public health outcomes.

The timing of the proposed target is especially premature, as federal policymakers are currently considering significant cuts to vital healthcare programs. Particularly at risk are the Medicaid program and enhanced premium support for individuals with coverage through the individual market. These proposed cuts could strip tens of billions of dollars in federal funding from California's health care system—funding the state is unlikely to replace given its

own fragile budget situation. As a result, reductions in coverage, benefits, and provider reimbursement rates are likely, threatening to turn an already challenging financial environment for rural and safety-net hospitals into a full-blown crisis.

Adventist Health Recent Acquisitions

Adventist Health has taken significant risks to sustain vulnerable hospitals and ensure equitable access to care. For example, in 2023, Adventist Health acquired Beverly Hospital in Montebello, which was in bankruptcy and at risk of closure. The acquisition ensured that the community continued to have access to healthcare services. Now known as Adventist Health Montebello, this hospital is integrated with Adventist Health White Memorial and other locations, supporting a region predominantly reliant on Medi-Cal and Medicare.

Similarly, Adventist Health played a pivotal role in reopening Tulare Regional Medical Center, which had been closed for nearly a year following bankruptcy in 2017. In October 2018, Adventist Health entered into a partnership with the Tulare Local Healthcare District (District), providing a $10 million loan, which allowed the District to fund critical improvements necessary to reopen the hospital. This included upgrades such as installing a new nurse communication system, repairing infrastructure, and enhancing the facility's overall functionality. The reopening marked a significant milestone, as Tulare Regional Medical Center became operational once again under the management of Adventist Health, ensuring that the community regained access to vital healthcare services. This effort exemplifies Adventist Health's commitment to preserving healthcare access in medically underserved areas and supporting the sustainability of rural hospitals. With an aggressive cost-growth target cap, these opportunities to increase services in underserved areas will no longer be an option.

Thank you for the opportunity to provide feedback on the hospital spending growth target proposal. We urge OHCA to reconsider its proposal and conduct a thorough analysis to ensure its work does not negatively impact access to healthcare services. We also urge the organization to consider the unique challenges faced by hospitals and nonprofit safety net providers like Adventist Health. Adequate funding is essential for ensuring equitable healthcare delivery for medically underserved populations across California. Adventist Health remains committed to collaborating with stakeholders to ensure sustainable healthcare delivery. We appreciate OHCA’s efforts to address healthcare affordability and welcome the chance to share insights regarding the potential impacts of the proposed spending cap on our operations, workforce, patients and communities we serve.

Sincerely,

Julia Drefke, MPA

Public Affairs Executive, Adventist Health

Cc: Members of the Health Care Affordability Board:

David M. Carlisle, MD, PhD

Dr. Sandra Hernández

Dr. Richard Kronick

Ian Lewis

Elizabeth Mitchell

Donald B. Moulds, Ph.D.

Dr. Richard Pan

Elizabeth Landsberg, Director, Department of Health Care Access and Information

Vishaal Pegany, Deputy Director, Office of Health Care Affordability

Darci Delgado, Assistant Secretary, California Health and Human Services Agency

Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom

From: amenoartemis@everyactioncustom.com on behalf of AJ cho
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Friday, March 21, 2025 9:27:11 PM

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.

I already have to pay student loans on top of everyday expenses. (Such is the reality of needing to eat and use water and fuel.) My employer's insurance plan requires me to pay hefty co-pays and deductibles for care, so if I ever end up in the hospital for any reason, I won't be able to afford the bills after. Killing myself would be the more freeing option.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
AJ cho


From: amenoartemis@everyactioncustom.com on behalf of AJ cho
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Monday, March 10, 2025 10:25:07 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
AJ cho
[redacted]

From: teekell@everyactioncustom.com on behalf of Alex Teekell
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:10:27 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Alex Teekell
[redacted]

From: alexzukas@everyactioncustom.com on behalf of Alex Zukas
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:32:14 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Alex Zukas


From: alexcris@everyactioncustom.com on behalf of Alexandra Crisafulli
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 2:45:55 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I still need to survive and am hoping for help !

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Alexandra Crisafulli


From: allanlc16@everyactioncustom.com on behalf of Allan Campbell
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:57:58 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.
Instead I rely on Medi Cal for my health insurance.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Allan Campbell


From: allyqat15@everyactioncustom.com on behalf of Alyssa Fregoso
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:13:40 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Alyssa Fregoso
[redacted]

From: rebelmom1999@everyactioncustom.com on behalf of Amy McKendree
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:30:36 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Amy McKendree
[redacted]

From: dreadreas22@everyactioncustom.com on behalf of Andrea Schulz
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 7:46:29 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Andrea Schulz


From: Whitsonandrea@everyactioncustom.com on behalf of Andrea Whitson
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:08:29 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.
I work with patients that are having a difficult time getting procedures and medical supplies that are essential to their cancer treatment.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Andrea Whitson


From: angie4dolls@everyactioncustom.com on behalf of Angela Gardner
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 3:23:27 PM

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.

Our for profit healthcare system does not support people having good health. Myself and my policy partner co-founded the Good Healthcare 4 All campaign with the goal of improving access to healthcare in the Black community which has high healthcare needs due to lack of access to healthcare.

One of the biggest issues with healthcare cost is medical debt. According to West Health Gallup Poll in 2024, 31 million Americans borrowed $74 billion for healthcare cost/ bills. The poll breakdown is 20% of those polled where under 49. 23% are Black. 16% are Hispanic and 9% are white. Black people have the highest amount of medical debt.

Cost sharing increases(deductibles) by healthcare plans prevent people from getting timely healthcare treatment or delay treatment possibly putting their health at risk.

Delays in approvals from healthcare plans for medical treatment for patients who pay their health care plan premiums each month. If a patient pays their premiums then they should receive healthcare services. The same for workers who pay for Medicare health plans have the same problems as well.

OHCA must address these issues because for profit managed healthcare plans find ways to deny healthcare through higher deductibles, delaying or denying approval for health treatments to patients that already paid their premiums sometimes for months or years before needing to use it.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Angela Gardner


From: angelosimao@everyactioncustom.com on behalf of Angelo Simao
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 3:11:49 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Angelo Simao
[redacted]

From:	blabber-blanks.7o@everyactioncustom.com on behalf of Ann Watters
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Tuesday, March 11, 2025 7:37:16 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. It is criminal the cost of healthcare! lower it now

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ann Watters
[redacted]

From: amraible@everyactioncustom.com on behalf of Annette Raible
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:22:31 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Annette Raible
[redacted]

From: annitabowman@everyactioncustom.com on behalf of Annita Bowman
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 8:25:48 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Annita Bowman
[redacted]

From: oracles-hickory.0d@everyactioncustom.com on behalf of Audrey Jin
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 7:22:52 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Audrey Jin
[redacted]

From: Aykui Damaryan-Nordloff
To: HCAI OHCA
Subject: Monterey County Hospital
Date: Monday, March 10, 2025 10:08:32 AM

Dear OHCA Board Members,

I want to express my sincere gratitude for your dedication to improving healthcare affordability and access in Monterey County. As a school psychologist in Monterey, I had the opportunity to attend one of your board meetings at Embassy Suites and greatly appreciate the time and effort you devote to addressing healthcare challenges in our community.

Your commitment to implementing cost caps on local hospitals is a significant step toward preventing monopolistic practices that have burdened our residents. We deeply appreciate your advocacy and encourage the Board to continue its efforts in holding hospitals accountable and ensuring fair healthcare access for all.

Thank you again for your hard work and commitment to our community.

Sincerely,
Aykui Damaryan

--
Aykui Damaryan-Nordloff, M.A., NCSP
MPUSD School Psychologist

From: kismetabc@everyactioncustom.com on behalf of Barbara Babin
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:04:55 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

Under-staffing and poorly trained personnel in accounting/billing/accounts receivable departments of such facilities create additional and prolonged stresses, often without resolution over years. Ridiculous.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Barbara Babin


Barton Health

2170 South Avenue
South Lake Tahoe
CA 96150

530.541.3420 TEL
bartonhealth.org

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Barton Health Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members,

As the Chief Nursing Officer of Barton Health, a 63-licensed bed facility with an average daily census of 18, I am compelled to speak out on behalf of our hospital and community. The recent portrayal of Barton Health as one of the "most expensive hospitals in California" by OHCA is not only misleading—it's damaging to the reputation of a healthcare organization deeply committed to serving its community with excellence.

If Barton Health is bound to a 1.8% spending cap in 2026 and just 1.6% in subsequent years—while the average California hospital operates at a 3.5% spending growth—we face a serious threat to our ability to function. Labor costs alone have risen 3-4% annually, supply costs 4–7%, and drug costs 5–10%. These are not optional expenses, and we cannot simply choose to limit growth to 1.8% without consequences.

If OHCA does not reconsider, we may be forced to scale back or even close essential services such as our highly regarded Labor & Delivery department, inpatient pediatrics, Level III Trauma Center, and Intensivist program. These are not luxuries—they are critical services, especially in a rural area like South Lake Tahoe, where the nearest alternative facility is 30–50 miles away.

We fully support efforts to achieve cost efficiencies and operational excellence. However, comparing Barton Health to all other California hospitals using hospital-only metrics is an "apples to oranges" comparison. More than 70% of our services are delivered through outpatient care, yet the current classification does not account for this reality—resulting in a skewed and potentially misleading representation. Financially comparing small rural hospitals like ours to medium and large hospitals overlooks the significant differences in overhead and scale. These nuances are important to consider for a fair assessment.

We respectfully urge OHCA to re-evaluate the methodology used to include Barton Health on this list. The potential reputational impact of such a designation could have long-term consequences that may significantly outweigh the intended financial savings realized.

As someone who rounds daily and speaks with patients—both local residents and visitors from across the country—I hear firsthand the deep appreciation for the quality of care we provide. Our physicians and care teams consistently deliver exceptional care, the kind you would want for your own loved ones.

Please reconsider the impact of these decisions and remove Barton Health from the list.

Sincerely,

Carla Adams
Chief Nursing Officer

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Mark Ghaly, California Secretary of Health and Human Services
Rob Bonta, California Attorney General
Dr. Tomas Aragon, Director, California Department of Public Health
Alex Padilla, California US Senator
Adam Schiff, California US Senator
Kevin Kiley, California State Congressman
Marie Alvardo-Gil, California State Senator

Barton Health

2170 South Avenue
South Lake Tahoe
CA 96150

530.541.3420 TEL
bartonhealth.org

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Barton Health Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members,

I want to thank the OHCA staff for working with Barton's team over the past month. Barton has identified an error in our historical data submitted to the state of California and has corrected the error. Barton believes this correction will materially change the calculations utilized by OHCA to determine high-cost hospitals, thus resulting in the removal of Barton from this list.

Again, thank you for taking the time to consider our concerns. We look forward to engaging more with your team and board at the upcoming board meeting on April 22, 2025.

Sincerely,

Clint Purvance, MD
President and CEO

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Mark Ghaly, California Secretary of Health and Human Services

Rob Bonta, California Attorney General
Dr. Tomas Aragon, Director, California Department of Public Health
Alex Padilla, California US Senator
Adam Schiff, California US Senator
Kevin Kiley, California State Congressman
Marie Alvardo-Gil, California State Senator

Barton Health

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April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Barton Health Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members,

My name is David Young, and I am writing to you on behalf of Barton Health and the medical staff I represent. I have been a practicing cardiologist here at Barton for the last 13 years and over the las two years have been the health system's chief medical officer. In this arrangement I still actively participate in patient care and am also charged with making sure we provide the resources and access that is necessary to care for our community. This involves not only developing a robust primary care network but also providing specialty care services. We have gone to great lengths to work with our medical staff to preserve services such as OB and pediatrics while every other rural hospital surrounding us has closed them down. We find an ability to provide cardiology, pulmonology, rheumatology, gastroenterology, ENT, urology and many other specialty services because that is what are community asks for. We also take care of all patients regardless of their insurance or socioeconomic status and I know that our medical staff prides themselves on that.

My fear is that if Barton remains listed as a "high cost" hospital and subject to the proposed charge cap limitations the deliverance of health care in our community will drastically change. The services we fought so hard to preserve we will be forced to eliminate. The recruitment of high caliber specialty care doctors that are vital to meet the needs of our community will be restricted. We will no longer be in a place to develop a health system based upon the needs of community but rather what we can sustain to endure that the health system remains viable. I do not look forward to the days that I have to tell our physicians who are also our community leaders and friends that we have no choice but to close their programs.

I know that your job is difficult, and that there is no perfect formula that takes into account all the variables and provides you with a perfect list. However, as a physician in this community and as the leader of our medical staff please reconsider the methodology that has placed labeled Barton

as a "high cost" hospital so that we can continue to ensure consistently exceptional care to our community.

Thank you for your time and consideration,

David Young
David R. Young MD
Chief Medical Officer
Director Cardiovascular Services
Barton Health System

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
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April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Barton Health Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members,

Barton Health is located in a rural community with a year-round population of about 40,000. There are not enough licensed clinical employees located in our area, so we must recruit staff from urban areas such as Sacramento.

Housing affordability and lack of workforce housing in South Lake Tahoe has a significant impact on our ability to recruit workers to support hospital operations. The cost of living in South Lake Tahoe is 15.9% higher than Sacramento and 24% higher than the national average. To retain our non-licensed employees, such as patient service representatives, environmental services technicians, food service workers, etal., we need to be competitive our wages to retain employees who pay more for housing than their urban counterparts.

To maintain competitive salaries, employees receive pay increases based on their performance over the past year. Those increases range from 3-5%. As we continue to negotiate our union contract, I am sure our nurses will not agree to a 1.8% spending limit for their salaries and benefits. Employee turnover is an urgent concern that influences the financial efficiency and quality of care in healthcare. A lack of pay raises increases an employee's intention to leave their job and significantly reduces their job satisfaction. Limiting our spending target to 1.8% in 2026 and even lower in future years will not cover the salary increases and incentive programs needed to retain our staff. For Barton Health to render consistently exceptional patient care, a stable workforce is vital.

In conclusion, labor costs, including salaries, wages, benefits, and contract labor account for over 60% of our expenses. With such a large percentage of our total operating costs covering labor costs, restricting our spending growth target this year to 1.8% will likely precipitate the layoff of a significant number of employees and closure of business units, such as Labor and Delivery and Inpatient Pediatrics, to meet those targets.

Please consider changing your target methodology to exclude smaller hospitals.

Sincerely,

Elizabeth Stork
Chief Administrative Officer

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
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April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Barton Health Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members,

My name is Dr. Kandra Yee. I am the Vice President of Hospital Operations at Barton Health in South Lake Tahoe and a practicing emergency physician with 16 years of experience serving this community.

South Lake Tahoe is a geographically isolated, rural community. Our severe winters often cut us off from larger medical centers, making Barton Health a critical lifeline. We are not just a hospital; we are the sole provider of essential healthcare services for thousands.

The recent report from the Center for Healthcare Quality & Payment Reform highlights a devastating trend: rural hospital closures. Nearly 200 rural hospitals have closed in the past two decades, and over 700 more, including a third of all rural hospitals, are at risk.

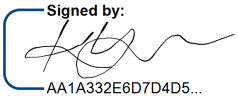
Barton Health faces the same financial pressures outlined in this report. We operate with thin margins, and the costs of providing care in a rural setting far exceed those in urban areas. Implementing the restrictive spending targets proposed by OCHA could add Barton to the list of hospitals at immediate risk of closure.

The consequences of closure for our community would be catastrophic. We are the only emergency room, inpatient care, and often the only source of primary care, laboratory, and imaging services for our residents. Closure would mean:

- **Loss of emergency care:** Residents would face potentially life-threatening delays in accessing critical care, especially during weather-related isolation.
- **Loss of labor and delivery services:** Residents would have heightened pregnancy risks due to travel hardships.
- **Increased travel times:** Patients would endure long, arduous journeys to distant hospitals, exacerbating medical conditions and reducing access to timely care.
- **Economic impact:** Barton Health is a major employer. Its closure would destabilize our local economy by the loss of income to over 1,000 families.
- **Loss of essential services:** the loss of our hospital would mean the loss of the only hospital for workers in other essential industries like tourism and recreation.

We understand the need for healthcare affordability, but we must ensure that affordability does not come at the cost of accessibility. Rural hospitals like Barton Health are not just buildings; they are vital community pillars. We implore the Board to recognize the unique challenges faced by rural hospitals and to take additional time to analyze the impact of the spending targets on all California hospitals.

Sincerely,

Signed by:

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Kandra Yee, MD, FACEP
VP Hospital Operations, Barton Health
Emergency Physician & CEO, Tahoe Emergency Physicians

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
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Kevin Kiley, California State Congressman
Marie Alvardo-Gil, California State Senator

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bartonhealth.org

April 10, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Barton Health Response to OHCA's Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Chair Johnson,

I appreciate the opportunity to provide comments regarding OHCA's Proposed Hospital Sector Spending Target Recommendations.

Our CEO, Dr. Clint Purvance and I were able to meet with OHCA representatives yesterday to further discuss why Barton Memorial Hospital ("Barton"), a small hospital with low volume, should be removed from the Disproportionate High-Cost Hospital list ("the List"), our preliminary recalculations of the metrics that determine a hospital's placement on this list and to present a proforma of the devasting impacts to our financial performance should this net revenue targets be applied against Barton. Presentation slides were shared during this meeting.

Barton Compared to Other Hospitals on the List

Barton is licensed as a 111-bed hospital. Our licensed acute care beds are equal to 63, while our annual Average Daily Census runs 16-18 patients. This is compared to the 2022 average of the 11 hospitals on the List of 186. Our 2022 discharges were 1,711 (a decline of nearly 30% since 2018) compared to the 11-hospital average of 12,231. Our hospital is also 1 of the 2 independent, rural hospitals on this List. The following is a demographic comparison of the 11 hospitals on the List.

Hospital Demographic Comparison

	2022 Data per HCAI AFDR						
	System	Beds	Designation	Trauma Lvl	Other	Discharges	ADC
Barton Memorial Hospital	Independent	63*	Rural	3	DP-SNF	1,711	16
11 High-Cost Hospital Average		309				12,231	186
Community Hospital of the Monterey Peninsula	Independent	240			Psych unit	14,281	196
Doctors Medical Center - Modesto	Tenet	461	Private / Investor	2	Psych unit	23,707	364
Dominican Hospital	Dignity	222				9,649	143
Salinas Valley Memorial Hospital	Independent	263	District		SNF	10,930	118
Stanford Health Care	Stanford	604	Teaching	1	Sep Psych	31,395	608
Goleta Valley Cottage Hospital	Cottage	48				1,013	7
Marshall Medical Center	Independent	111	Rural	3		4,418	51
Northbay Medical Center	2 hosp	204		3		10,157	140
Santa Barbara Cottage Hospital	Cottage	519	Teaching	1	Psych unit	17,439	255
Washington Hospital - Fremont	Independent	415	District			9,838	149

**Barton is licensed as 111-bed that includes 48 bed DP-SNF; Barton staffed beds < 25*

Similar to other small hospitals in rural settings, our inpatient business has been decreasing while our outpatient services are increasing. From 2018 through 2022, our annual Average Daily Census decreased by 10% while our outpatient registrations increased by nearly 20%. Today, our hospital census today was only 15.

Census Trends	2018	2019	2020	2021	2022	5-Year % Change
Average Daily Census	19	17	15	16	17	-10.10%
Discharges	2,380	2,080	1,596	1,581	1,711	-28.11%
Outpatient Registrations (inc Clinics)	215,773	240,656	209,733	242,624	256,103	18.69%

Each year, more and more patient care is provided outside of the hospital's walls in ambulatory clinics. Lower discharges mean less revenue to cover the fixed costs required even for a small hospital.

Metrics Used to Determine Disproportionate High-Cost Hospitals

Upon learning that our hospital was added to the List, we immediately began to analyze the underlying HCAI Annual Financial Disclosure Report ("AFDR") data that was used for metric calculations. Upon comparing source data such our Epic EMR data extracts and CMS PS & R reimbursement reports, we were able to prepare *preliminary* recalculations of the two metrics.

The first metric, the Commercial Inpatient Net Patient Revenue per Case Mix Adjusted Discharge originally reported us at over the 85th percentile for all 5-years under comparison. We determined that our commercial discharges (the denominator of the calculation) were understated on the AFDR for each year. As a result of the preliminary recalculations, we were under the 85th percentile thereby disqualifying us from placement on the List.

	85th%	$ 30,300				
Barton Recalculated	2018	2019	2020	2021	2022	Average
All Other Comparable Hospitals	$ 19,900	$ 19,600	$ 20,000	$ 20,300	$ 21,000	$ 20,160
11 High-Cost Hospital	$ 38,050	$ 38,653	$ 39,136	$ 36,619	$ 36,549	$ 37,802
Barton Memorial Hospital	$ 33,468	$ 29,163	$ 31,405	$ 29,690	$ 28,968	$ 30,539
Previously reported by OHCA based on AFDR data	$ 44,175	$ 37,411	$ 39,998	$ 33,344	$ 34,843	$ 38,400
Community Hospital of the Monterey Peninsula	$ 32,729	$ 41,866	$ 42,292	$ 43,655	$ 38,891	$ 39,887
Doctors Medical Center - Modesto	$ 27,288	$ 40,915	$ 35,947	$ 36,831	$ 39,679	$ 36,132
Dominican Hospital	$ 37,237	$ 33,720	$ 33,201	$ 34,923	$ 33,291	$ 34,474
Salinas Valley Memorial Hospital	$ 46,937	$ 43,061	$ 44,748	$ 50,400	$ 48,784	$ 46,786
Stanford Health Care	$ 47,705	$ 47,374	$ 49,091	$ 53,366	$ 58,873	$ 51,282
Goleta Valley Cottage Hospital	$ 29,669	$ 30,225	$ 31,738	$ 35,619	$ 34,842	$ 32,419
Marshall Medical Center	$ 37,593	$ 37,125	$ 40,612	$ 31,305	$ 29,328	$ 35,193
Northbay Medical Center	$ 56,414	$ 59,246	$ 53,057	$ 24,582	$ 22,062	$ 43,072
Santa Barbara Cottage Hospital	$ 31,185	$ 30,325	$ 36,617	$ 32,636	$ 33,596	$ 32,872
Washington Hospital - Fremont	$ 32,200	$ 33,404	$ 30,929	$ 33,082	$ 35,432	$ 33,009

The second metric, the Commercial to Medicare Payment to Cost Ratio ("PTCR") compares the Commercial payor net revenue to Medicare net revenue and the ratio of how each covers operating expenses. While we feel using Medicare reimbursement as a baseline for covering the cost of hospital expenses is not logical since Medicare does not cover the cost of care, we additionally recalculated this metric as anomalies were noticed beginning 2019. We noticed inconsistencies with net revenue by financial class reported on the AFDR compared to source data. Specifically, Medicare net revenue was underreported by an average of 56% due to various revenue adjustments (pursuant to *FASB ASU 2014-09 Revenue from Contracts with Customers (Topic 606)* not correctly applied by financial class. Although this preliminary recalculation is still above the 85th percentile, the recalculation is consistent year to year.

	85th%	279%				
Barton Recalculated	**2018**	**2019**	**2020**	**2021**	**2022**	**Average**
All Other Comparable Hospitals	202%	199%	200%	190%	197%	198%
11 High-Cost Hospital	345%	405%	408%	381%	396%	387%
Barton Memorial Hospital	406%	379%	390%	405%	403%	397%
Previously reported by OHCA based on AFDR data	409%	888%	981%	776%	942%	773%
Community Hospital of the Monterey Peninsula	239%	436%	352%	362%	369%	352%
Doctors Medical Center - Modesto	325%	371%	341%	324%	371%	346%
Dominican Hospital	355%	313%	336%	315%	333%	330%
Salinas Valley Memorial Hospital	405%	457%	461%	556%	501%	476%
Stanford Health Care	328%	336%	341%	351%	340%	339%
Goleta Valley Cottage Hospital	368%	391%	398%	370%	384%	382%
Marshall Medical Center	266%	302%	306%	297%	267%	288%
Northbay Medical Center	396%	290%	329%	174%	165%	271%
Santa Barbara Cottage Hospital	293%	300%	310%	310%	311%	305%
Washington Hospital - Fremont	349%	394%	353%	329%	364%	358%

Our third-party preparer is currently recalculating our AFDR data through 2023 and will upload revised reports as soon as possible which may result in slightly different values from the above preliminary calculations. We request that the OHCA staff recalculate the metrics based on the corrected AFDR data.

Barton shares the concerns of other hospitals and the California Hospital Association that carving out only hospital services does not give a complete picture of operations. Instead, a look at an entire organization's business provides an accurate picture of the cost of care in addition to routine and infrastructure related capital investments. For instance, Barton invests millions of dollars annually in our Barton Medical Foundation to ensure our community has access to ambulatory care and physicians locally. Without these subsidies, many of these physicians would not remain in our community, forcing our residents to travel for at least an hour over a mountain pass to receive basic care. Barton is additionally investing over $6 million into our Rural Health Center that will expand services to the most economically vulnerable in our community and another $20 million in a medical building that will expand services within our primary service

area. Both projects are planned to begin later this year. If the spending targets are implemented as proposed, we will be forced to reconsider these investments.

Financial Impacts of Proposed Limited Spending Targets

Barton will face devasting financial implications if the proposed spending targets are implemented. The hospital is just a piece of our organization and as such, changes in revenue to the hospital impact on our entire organization. Beginning with 2026's 1.8% spending growth target, Barton will flip from a projected 2025 operating margin of 1.7% to a loss of 1.6%. We modeled this loss will explode to -14.8% for 2029 when the spending target is reduced to 1.6%. Our overall net revenue is projected to grow by an average of 1% while our operating costs will grow by a minimum of 5%. The resulting cumulative losses from 2026-2029 are estimated at $87 million. This projection assumes no changes to service lines, volumes, impacts of tariffs or MediCal funding cuts.

We have no control over the cost growth of many of our operating expenses. For example, since the 2022 expansion of the MICRA cap, our malpractice insurance rates have increased considerably even though our claims have decreased. Our property and liability insurance is increasing by 20-25% this year and we are expecting a 15% increase to our medical and pharmaceutical supply cost due to tariffs. California has the highest healthcare wages in the nation coupled with staffing ratios and as a result, we must offer top wages to recruit and retain staff and physicians.

As an independent, sole community hospital with labor and physician services consisting of 68% of our operating expenses, Barton will not be able to absorb these losses and will be forced to immediately implement service line and staffing reductions. Service lines operating at losses will be evaluated for cuts which will create a healthcare desert in our region. These losses will further restrict our ability to invest the required capital to retrofit or rebuild our aging facility for seismic compliance.

Shared Goals

Barton is a leader in quality and safe healthcare with many accolades that prove our commitment. These services are provided to our community and visitors to the Tahoe region alike without regard to one's ability to pay. We have additionally begun reducing the rate of spend growth independently as well as have a robust financial assistance program providing millions of dollars in free or discounted care per year.

In conclusion, to remain a viable healthcare provider to our community, we implore the OHCA board to remove low-volume hospitals such as Barton from the List. Low-volume hospitals

simply do not have the volume to support the expensive and required infrastructure and fixed costs under restrictive spending target caps. We recommend that the board consider volume data such as average daily census or discharges to evaluate a hospital's inclusion on the List.

We appreciate OHCA's collaboration and are grateful for the opportunities given to meet with staff and participate in board meetings.

Sincerely,

Kelly Neiger, CFO
Barton Health

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
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Rob Bonta, California Attorney General
Dr. Tomas Aragon, Director, California Department of Public Health
Alex Padilla, California US Senator
Adam Schiff, California US Senator
Kevin Kiley, California State Congressman
Marie Alvardo-Gil, California State Senator
Ben Johnson, California Hospital Association

From: benita.herrera@everyactioncustom.com on behalf of Benita Herrera
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 18, 2025 4:46:55 PM

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.

Hello! My name is Benita Herrera. I've worked at the Highlands Inn in Carmel, California, as a housekeeper for 26 years and a Member of UNITE HERE Local 19.

I got shingles and felt so bad that I had to go to the Emergency Room at Monterey Hospital. I was there for two hours and then went home to recover.

Shortly after, my medical bill arrived I owed close to $5,000, and I thought,"Why are they charging me so much for two hours?";

This affected my family emotionally and financially. This is an injustice that hasn't been fixed. I ask that we pay a fair price for health care access.

I hope that you who are in a place of power can help regulate the prices so that we can all go to the hospital for care when we get sick and get well.

Thank you so much for listening, and I hope you can stop hospitals from continuing to increase their pricing.
Thank you
Benita Herrera

¡Hola! Me llamo Benita Herrera. Trabajo en Highlands Inn de Carmel, como housekeeper por 26 años y soy miembro del UNITE HERE Local 19.

Tuve culebrilla y me sentí tan mal que tuve que ir de emergencia a el Hospital de Monterey. Estuve allí dos horas y luego me fui a casa a recuperarme.
Poco después, llegó mi factura médica. Debía casi $5,000, y pensé. "¿Por qué me cobran tanto por dos horas?"

Esto afectó a mi familia emocional y económicamente. Es una injusticia que no se ha solucionado. Pido que paguemos un precio justo por el acceso a la atención médica. Espero que quienes tienen poder puedan ayudar a regular los precios para que todos podamos ir al hospital a recibir atención cuando nos enfermamos y nos recuperamos.

Muchas gracias por escuchar, y espero que puedan evitar que los hospitales sigan subiendo sus precios.
Gracias.
Benita Herrera

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make

health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Benita Herrera
[redacted]

From: benfinke94@everyactioncustom.com on behalf of Benjamin Finke
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Friday, April 11, 2025 7:07:48 PM

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.

High healthcare costs cause our communities to suffer. Through high school and community college, most people I knew would talk about how they were afraid to get sick or hurt, as healthcare costs were so high-it was normal to talk about never calling for an ambulance or doing everything you could without professional help in order to avoid a huge medical bill. Many people I know, including myself, have chosen to live with issues rather than exploring or seeking treatment options. Healthcare should not be something to be afraid of, and it should not be something only for the privileged and wealthy.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Benjamin Finke


From: mcgrane@everyactioncustom.com on behalf of bernard mcgrane
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:17:16 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
bernard mcgrane
[redacted]

From: missbo142857@everyactioncustom.com on behalf of Beverly Stowe
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:51:15 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Beverly Stowe
[redacted]

From: Bill Monning
To: HCAI OHCA
Cc: gavin.newsom@gov.ca.gov; ann.oleary@gov.ca.gov; senator.mcguire@sen.ca.gov; assemblymember.rivas@assembly.ca.gov
Subject: Support for Recommendation on Target Values for High Cost Hospitals
Date: Wednesday, March 19, 2025 5:41:29 PM

Dear Ms. Johnson, Ms. Landsberg and Mr. Pegany,
Below, please find my letter in support of the OHCA recommendation on target values for high cost hospitals.
Thank you for your consideration.

SENATOR BILL MONNING (ret)
California State Senate
Majority Leader Emeritus
Attorney-at-Law, Mediator, Professor
P.O. Box 1385
Monterey, Ca 93942
billmonning@gmail.com

March 18, 2025

TO: Kim Johnson, Secretary California Health and Human Services 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
PLEASE DISTIRBUTE TO FULL BOARD - THANK YOU.

Re: Support for Recommendation on Target Values for High-Cost Hospitals

Dear Ms. Johnson, Ms. Landsberg and Mr. Pegany:

I write to support the recommendation made at the February 25 meeting of the Office of Health Care Access to set lower cost targets for the high-cost hospitals noted in the presentation. While it would be preferable to see even lower cost targets effective even sooner, I understand the Board's desire to move quickly but cautiously.

As members of the UNITE/HERE have testified, the inclusion of the Community Hospital of the Monterey Peninsula, Salinas Valley Health, and Stanford in the list of high-cost hospitals is warranted as members have paid many outsized claims from these hospitals. As members have further testified, when excessive amounts are paid for care at these hospitals, not only do members face staggering out-of-pocket bills but they also forgo money in wages increases.

While it is the hospitals' contention that commercial payers "must" be charged more to make up for alleged shortfalls in payments from Medicare and MediCal as well as to help underwrite deficits in other parts of their systems, these hospitals should find ways to decrease inefficiencies and reduce waste if they're looking for additional funds. Many hospitals have provided examples of projects they plan to undertake to meet the goals OHCA has set.

I would hope that instead of arguing about the merits of the targets, the high-cost outlier hospitals will work to reduce their rates. This would be a real benefit to the communities they serve. Patients, including those with union representation, should not be afraid to go to the hospital because they fear they won't be able to pay their bills.

I greatly appreciate the hard work of the OHCA Board and staff to bring some relief to those hard-working patients including members of UNITE/HERE who do so much to support our communities on so many fronts.

Sincerely,

Bill Monning
SENATOR BILL MONNING (ret)

cc: Members, Health Care Affordability Board
Governor Gavin Newsom
Senate President pro Tempore Mike McGuire
Assembly Speaker Robert Rivas
--

Senator Bill Monning, Ret.
California State Senate
Majority Leader Emeritus
Attorney at Law
he/him/his
P.O. Box 1385
Monterey, Ca 93942-1385

From: barton@everyactioncustom.com on behalf of Bruce Trickel
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:50:03 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Bruce Trickel
[redacted]

From: caephren@everyactioncustom.com on behalf of Caephren McKenna
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 2:22:56 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Caephren McKenna
[redacted]

California Association of Health Plans

1415 L Street, Suite 850
Sacramento, CA 95814
916.552.2910
www.calhealthplans.org

April 11, 2025

Sent via email:
OHCA@hcai.ca.gov

Megan Brubaker
Office of Health Care Affordability
2020 West El Camino Avenue, Suite 1200
Sacramento, CA 95834

Re: OHCA Proposed Hospital Sector Spending Target Recommendations to the Board

Dear Ms. Brubaker and OHCA Staff:

The California Association of Health Plans (CAHP) represents 41 public and private health care service plans (plans) that collectively provide coverage to over 28 million Californians. We write to submit comments in response to the Office of Health Care Affordability's (OHCA) proposed Hospital Sector Spending Target Recommendations to the Board.

CAHP is pleased to see OHCA's continued commitment to addressing high-cost hospitals as a major contributing factor to increasing health care costs in California. Acknowledging that time is of the essence to address the impact of high health care costs in the state, we support the general direction of OHCA's approach, but we also emphasize the importance of a thoughtful, iterative process that can be refined over time. There are several different ways to target these efforts, and as we have observed during recent discussions at the Board and Advisory Committee level, there are many outstanding questions that should be resolved to ensure that OHCA's hospital sector methodology is efficient and effective.

For example, OHCA should consider the potential to examine regional variations in more detail. As noted by Board Member Dr. Carlisle and others at the most recent OHCA meeting, there is more discussion to be had regarding the association between geography and competitive markets, especially with regard to Southern California counties. The existing list of top hospital outliers is heavily focused on Northern California facilities and it may exclude high-cost outliers in other parts of the state which should be included.

The complexity of looking at individual hospitals vs. systems is also a topic that merits further discussion. There will be challenges associated with any proposed approach, but thorough vetting at the front end of the process is more likely to lead to smooth implementation down the road.

Board members and stakeholders have identified legitimate questions that need to be addressed prior to OHCA finalizing its hospital sector methodology. However, with further research and the inclusion of additional data, OHCA's approach to addressing high-cost hospitals holds great promise to be successful.

CAHP and its member health plans are grateful to be participating partners in OHCA's mission to keep health care affordable and accessible.

Thank you for your consideration of our comments.

Sincerely,

Anete Millers
Director of Regulatory Affairs

From: Caitlin Aleru
To: HCAI OHCA
Subject: Cap the price increases for local hospitals in Monterey
Date: Tuesday, March 11, 2025 9:01:43 PM

Good afternoon,
My name is Caitlin and I am an educator in Monterey. I wish to write in support of the board's proposal to further cap the price increases for local hospitals in Monterey. The high healthcare costs in our area deeply affect myself, my colleagues and our community.
Thank you for your time,
Caitlin

CALIFORNIA CHILDREN'S HOSPITAL ASSOCIATION

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April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833
Sent Via email to: OHCA@HCAI.ca.gov

SUBJECT: PROPOSED HOSPITAL SECTOR SPENDING TARGET - OPPOSE

Dear Megan:

I am writing on behalf of the California Children's Hospital Association (CCHA), representing California's eight not-for-profit, freestanding children's hospitals. We thank you for the opportunity to provide feedback on the proposed methodology for identifying high-cost hospitals that would be subject to a lower cost growth target. While none of our member hospitals have been identified as high-cost hospitals under the proposed methodology, we have serious concerns about the underlying approach recommended by the Office of Health Care Affordability (OHCA) and the potential ramifications of moving ahead as proposed.

Critical Role of Children's Hospitals

CCHA's member hospitals offer unparalleled regional expertise to treat the most complex, life-threatening conditions a child can face, including sickle cell disease, pediatric cancers, cystic fibrosis, and congenital heart defects. They disproportionately serve children and youth covered by Medi-Cal, which pays for approximately 63 percent of all children's hospitals claims. They also serve as the largest providers of pediatric specialty care for the State's California Children's Services (CCS) Program, with 68 percent of all CCS claims attributable to our members.

Children's hospitals train 49 percent of California's pediatric residents and provide pediatric rotations for approximately 30 percent of all nurses. In addition, they house 46 percent of all licensed pediatric beds and 58 percent of all PICU beds in the state, and they provide 114,000 inpatient visits and 2.3 million outpatient visits each year. The well-being of children in the state is directly connected to the well-being of its children's hospitals.

Unique Operational and Financial Challenges

Children's hospitals face distinct challenges that affect their cost structures and ability to adapt to spending constraints:

Higher Acuity and Specialty Care: Our members treat the most medically complex pediatric patients, often receiving transfers from hospitals across California and beyond when those patients require specialized (and often costly) care unavailable in their local communities.

Disproportionate Dependence on Medi-Cal: As mentioned above, two-thirds of our patients receive coverage through Medi-Cal, which has historically under-reimbursed for care. Over the

past decade, our members have already implemented extensive efficiency measures to compensate for flat or reduced reimbursement rates.

Impact of New Therapies: Children's hospitals disproportionately provide access to new, life-saving therapies like gene and cell therapy cures for conditions like sickle cell disease, transfusion-dependent beta thalassemia, and spinal muscular atrophy. One member hospital reports that providing these curative therapies to all eligible children could increase their pharmacy spending by over 60 percent in a single year.

Increasing Pediatric Service Consolidation: Community hospitals across the state are continuing to scale back or eliminate pediatric services because these programs are financially unsustainable to maintain. This growing trend is leading to regional gaps in access, particularly in rural and underserved communities. As a result, children's hospitals are being asked to absorb a greater share of high-acuity patients, creating what is effectively an adverse risk pool.

Implementation Concerns and Timing

CCHA has consistently advocated for a more measured approach to OHCA's implementation timeline. Most recently, in our January 18, 2025 letter, we expressed concern about the speed with which OHCA is considering the creation of hospital-specific sectors and the establishment of sector-specific targets.

While OHCA staff are correct that the statute doesn't prohibit the board from establishing sectors and sector targets sooner than the statutory deadline, moving quickly is not necessarily prudent. This process should proceed cautiously, with full consideration of how the statewide target is affecting all stakeholders, including families, providers, insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others.

All stakeholders would benefit from a comprehensive analysis of spending across various segments of the health care system, identification of areas with high spending growth, and meaningful assessment of spending drivers to determine whether differences in spending are appropriate. Without this analysis, we question how this proposal meets OHCA's statutory requirement to "minimize fragmentation and potential cost shifting and encourage cooperation in meeting statewide and geographic region targets."

Advancing to the next step in this process without sufficient data on the previous step's impact could undermine system stability and access for children and families.

Methodological Concerns

Children's hospitals clearly recognize the financial pressures that rising health care costs place on families, employers, and the state. We fully support the Office of Health Care Affordability's mission to make health care more affordable and equitable. However, we have significant concerns about the proposed methodology for identifying high-cost hospitals and establishing a lower cost growth target for them.

As currently designed, the approach appears overly simplistic and raises important questions about its potential downstream impact on hospital operations and, most critically, on the patients and

families these institutions serve. The current proposal does not fully address key statutory requirements, namely, how spending targets will safeguard access to care, promote equity, or prevent cost-shifting.

Instead, it focuses narrowly on inpatient costs, and the ratio of commercial costs to Medicare costs, metrics that, while useful, can overlook legitimate structural cost drivers. These include payer-mix, average daily census, local wages, and the financial health of each institution. For example, the current list of high-cost hospitals includes one with a very low average daily census and another with fewer than 20 days of cash on hand. These factors suggest the methodology may be targeting hospitals whose elevated commercial rates reflect operational necessity rather than inefficiency.

While children's hospitals are not currently included in the high-cost group identified by OHCA, we are deeply concerned about the precedent these targets set, particularly given the unique financial and operational challenges pediatric institutions face. Children's hospitals often rely on specialized staff, equipment, and medications that are especially vulnerable to supply chain disruptions and price increases. If future targets are applied without fully accounting for these factors, the impact on pediatric care access and quality could be substantial.

Financial Feasibility Concerns

We are also concerned about the financial viability of the proposed spending targets for hospitals designated as high-cost. The growth caps, starting at 1.8 percent in 2026 and declining to 1.6 percent by 2029, fall well below projected inflation (estimated at 2.6 percent) and well below the actual rate of cost growth for hospitals. Labor expenses alone are rising by approximately 6 percent annually, while drug and supply costs are increasing by 10 percent and 8 percent, respectively. These are real, compounding pressures that hospitals must manage every year. Asking hospitals to absorb these increases while simultaneously restricting spending growth could significantly affect their ability to maintain staffing levels, invest in infrastructure, and sustain critical services—particularly in high-need areas such as pediatric care, trauma response, and behavioral health.

Additionally, the current U.S. tariff environment introduces further financial uncertainty. Ongoing and proposed tariffs on medical equipment, pharmaceuticals, construction materials, and electronic components, many of which are essential to hospital operations, threaten to drive supply and capital costs even higher. Hospitals have limited ability to mitigate these externally imposed cost surges, and they disproportionately affect institutions already operating with thin margins or serving complex, high-cost patient populations.

California’s hospitals are already under considerable financial strain. Imposing tight cost growth limits without mechanisms to account for shifting economic conditions, policy changes, or trade-related cost shocks may unintentionally jeopardize access to care for vulnerable populations. We encourage OHCA to incorporate safeguards and flexibility into the methodology to ensure spending targets reflect operational realities and protect essential services.

Conclusion

We respectfully urge OHCA to reconsider implementation of its current methodology for establishing high-cost hospital designations and associated spending targets. A more balanced and inclusive process, grounded in rigorous data, comprehensive system-wide analysis, and a shared

commitment to both fiscal responsibility and equitable access to care, is essential. We remain eager to work collaboratively with OHCA and other stakeholders to build a path forward that demonstrates thoughtfulness and sustainability and centers the needs of patients and communities.

If you have any questions or would like additional information, please contact me at (916) 203-0488 or mmorton@ccha.org.

Sincerely,

Mira Morton
Vice President of Government Affairs
mmorton@ccha.org

Cc: Members of the Health Care Affordability Board:

- Dr. Sandra Hernández
- Kim Johnson
- Dr. Richard Kronick
- Ian Lewis
- Elizabeth Mitchell
- Donald B. Moulds, Ph.D.
- Dr. Richard Pan

Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom

Dignity Health.
California Hospital
Medical Center

1401 South Grand Avenue
Los Angeles, CA 90015
direct 213.748.2411

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W. El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: Dignity Health-California Hospital Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Dignity Health-California Hospital Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and California Hospital Medical Center remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

California Hospital Medical Center is located in the urban core of Los Angeles, blocks from skid row—the epicenter of a large, unhoused population in the city. California Hospital is a long-standing safety net/DSH facility with the vast majority of patients insured by government-sponsored programs—Medicaid/MediCal or Medicare. Emergency department visits exceed 70,000 while over 2,500 babies are delivered per year. In the California Hospital service area, 30% live in households less than 100% of the federal poverty level with 38% of families with food insecurities.

California Hospital provides numerous programs to address the needs of area patients including Early Head Start, Welcome Baby, supportive housing for chronically homeless services, behavioral health clinic, and substance abuse navigation services.

If these factors are ignored, California Hospital Medical Center will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. Maternity care, Pediatrics, and Neonatal Intensive Care are essential services for South Los Angeles community members yet will be at risk of closure if sufficient funds are not available.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

Less than 10% of gross charges come from commercial payers; that means that more than 90% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 9 out of 10 patients who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 92% of patients having government-sponsored health plans where reimbursement falls far short of covering our costs. For California Hospital Medical Center, this dynamic resulted in over $19 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list, and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

California Hospital Medical Center is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Jill Welton
Market President, Southern California
Dignity Health-California Hospital Medical Center

CALIFORNIA ASSOCIATION OF PUBLIC HOSPITALS & HEALTH SYSTEMS

April 10, 2025

Megan Brubaker
Engagement and Governance Manager
Department of Health Care Access and Information
Office of Health Care Affordability
2020 W El Camino Ave.
Sacramento, CA 95833

Subject: Concerns with High-Cost Hospital Sector Target Proposal and Request for Time-Limited Public Health Care System Exclusion

Dear Ms. Brubaker,

On behalf of the members of the California Association of Public Hospitals and Health Systems, I am writing to express concerns with the Office of Health Care Affordability's (OHCA's) proposed methodology to identify high-cost hospitals and set separate target values for these facilities and to **urge that public health care systems (PHS) be excluded from the high-cost hospital sector target(s) until concerns around the metrics and underlying data that disproportionately impact PHS are resolved.**

California's 17 PHS, which include county-operated and -affiliated facilities and the five University of California health systems, are the core of the state's health care safety net. PHS have a mission and mandate to deliver high-quality care to all, regardless of ability to pay or insurance status, across a comprehensive range of services. Despite representing only 6% of all hospitals statewide, PHS provide 35% of all Medi-Cal and uninsured hospital care. They contribute over $4 billion annually to the Medi-Cal program, in place of the state's share, with many of their payments uniquely tied to quality and performance improvements. Additionally, these systems train a diverse and inclusive workforce, including nearly half of all new doctors in hospitals across the state.

We share the goals of OHCA and the Health Care Affordability Board to improve affordability for patients and slow the growth of health care spending. However, we have concerns with the high-cost hospital metrics and the underlying data being used to measure performance. We have conveyed a number of these concerns to OHCA and the Department of Health Care Access and Information (HCAI) leadership, and we appreciate their engagement with us.

While OHCA has acknowledged many of our concerns and is working to explore solutions for some or gain a deeper understanding of others, several issues remain unresolved. We are concerned that these will not be addressed in time for the final adoption of the methodology for determining high-cost hospitals and setting sub-sector target(s).

We therefore urge OHCA and the Board to avoid any adverse impacts to our systems by adopting a temporary exclusion for PHS from the high-cost hospital target(s). We commit to continuing to work with OHCA and HCAI leadership to resolve these issues and inform the

development of a more meaningful methodology for determining high-cost hospitals in the state. Our specific concerns are detailed below.

Concerns with High-Cost Hospital Metrics and PHS Considerations
Since December 2024, OHCA has considered a number of metrics to identify and measure "disproportionately high-cost hospitals." Several PHS have appeared in prior high-cost hospital lists created by OHCA. We are concerned that some of the metrics being considered to identify high-cost hospitals and the underlying data being used to measure performance do not account or adjust for several attributes that are unique to PHS' financing and care delivery, including the following issues:

- PHS' Medi-Cal self-financed payments and HCAI hospital reporting: PHS play an enormous role in the Medi-Cal program. They do so not just as providers, but also as a source of financing, in which most of their Medi-Cal revenues are reimbursed through self-financed payments, meaning that PHS themselves – not the State – provide the non-federal share of the payment. For these Medi-Cal payments, PHS only receive as revenue the federally matched portion, or the net amount of the payment. It is only this portion that helps PHS cover the costs of the care. However, many PHS report the gross amount of the payment – both the non-federal share they provide and the federal match – in the Hospital Annual Financial Disclosure Reports (the data source being used to pull revenue information), which is different from how private hospitals report supplemental funding from the Hospital Quality Assurance Fee Program. Using this reported data drastically, and inaccurately, inflates PHS' revenues. For example, several PHS have a payer mix of more than 60% Medi-Cal, for which they are self-financing the majority of the payments. Using gross data for these payments significantly increases the inpatient net patient revenue (NPR) per case mix adjusted discharge (CMAD) results for these systems, leading to inaccurate outcomes in their performance on the metric.

  OHCA's enabling statute further points to the need for additional considerations of this issue, stating that "with respect to Medi-Cal, the methodology shall consider provision of nonfederal share … associated with Medi-Cal payments, such as expenditures by providers … that serve as the nonfederal share associated with Medi-Cal reimbursement."[1]

  If Medi-Cal revenues are used in any way to determine which hospitals should be identified as high-cost (e.g., such as the all-payer inpatient NPR per CMAD metric previously considered), or in determining PHS' performance against spending target(s), issues around self-financed payments and how they are reported or treated must be resolved for OHCA's analysis to be meaningful and valid.

  We appreciate several prior conversations with OHCA to discuss this issue in more detail and look forward to partnering on a solution.

- Most county-affiliated PHS do not have commercial contracts: Most county-operated and/or -affiliated PHS primarily serve Medi-Cal and uninsured patients, and do not have commercial contracts with health plans due to challenges with contracting. However, PHS are major providers of intensive, high-cost services like trauma and burn care – services that are not provided by other hospitals in the community. Patients in need of this care (regardless of their type of coverage) are often served by one of our systems.

[1] CA Health and Safety Code § 127502 (2022).

Consequently, the revenue for the services provided by county-affiliated PHS in the commercial market is likely for very expensive and highly acute services for a relatively small patient population. This heavily skews PHS' performance on metrics like the commercial inpatient NPR per CMAD measure and contributed to some county-affiliated PHS appearing in OHCA's prior high-cost hospital lists.

We look forward to having conversations with OHCA on this specific issue and how it can be resolved or accounted for in the high-cost hospital methodology.

- <u>PHS facility attributes/services:</u> PHS are integrated systems of care. Several PHS that appeared in OHCA's prior high-cost hospitals' lists have other types of facilities, service lines, and/or facility attributes that impact their revenues and performance on the metrics when compared to standalone or community hospitals. For example:
    - One PHS previously identified by OHCA as a potential high-cost hospital has three other hospitals on its license that are captured in the reporting and metric performance but that provide significantly different services, including psychiatric care, subacute care, and long-term care. These types of services and the associated data must be evaluated separately or reconciled in OHCA's analysis of high-cost hospitals to accurately make comparisons across hospitals for the metrics under consideration.
    - Nearly all PHS are major providers of very high intensity services. For example, eight of the 13 burn centers in California are operated by a PHS. All the University of California (UC) academic health centers operate a burn center and provide many other types of extremely high-cost quaternary and tertiary care, such as major organ transplants. They also care for rare conditions like sickle cell disease and hemophilia. The case mix index (CMI) adjustment in the current proposed methodology does not adequately account for the revenues needed to support these services and the variation in services across the hospital sector.

  In recent conversations, OHCA has acknowledged the need for continued engagement to inform how it will account for specific facility attributes and its measurement of health systems, and we look forward to partnering on solutions.

- <u>Coding challenges, CMI adjustment issues, and need for outlier adjustments:</u>
    - *Impacts due to limited coding abilities:* We appreciate OHCA's efforts to adjust for patient acuity in its analysis. However, the methodology OHCA is using benefits hospitals with better coding abilities. PHS are not paid according to a diagnosis-related group (DRG) methodology for their Medi-Cal inpatient stays. Consequently, most county-affiliated PHS have more limited coding abilities and resources. County PHS have reported having a lower CMI compared to other similar hospitals, which resulted in questionable performance outcomes.

    - *Need for Outlier Adjustments:* PHS serve some of the highest-risk and complex patients (e.g., for burn, transplant, and trauma care, etc.) that require longer lengths of stay when compared to other acute hospitals. This distorts PHS' performance on the metrics under consideration. While we appreciate that OHCA has tried to normalize the data using Medicare Severity DRGs (MS-DRGs), this methodology alone does not factor for longer lengths of stays typically seen with higher acuity patients.

We recommend OHCA consider additional adjustments for these outlier lengths of stay. Specifically, we suggest OHCA:

1) Exclude services that have longer lengths of stay like rehabilitation, subacute care and skilled nursing. OHCA should remove facilities that solely provide these services altogether from its analysis. OHCA should also exclude these services when provided by acute care hospitals as identified by their DRG or place of service and remove any of the associated data from its analysis; and
2) Exclude highly specialized services like transplants, burn, and trauma, associated with longer lengths of stay, by removing data associated with these services from the analysis as identified by their DRG/International Classification of Diseases, Tenth Revision (ICD-10) diagnoses.

Without such adjustments, a comparison across hospitals would not be appropriate and unfairly penalizes PHS for providing these services and the patient populations they serve.

- *Need for Adjustment for Children's Services:* Several PHS also provide high-intensity services like trauma and neonatal intensive care to children. The UC academic health centers that have appeared on prior high-cost hospital lists have children's hospitals embedded within their systems and often receive referrals from other nearby children's hospitals. The MS-DRG methodology in the current measurement approach does not adequately adjust for children's services, which is an issue that has been acknowledged by OHCA and the Board for children's hospitals. This issue also impacts some PHS and results in skewed performance in OHCA's analysis.

We appreciate OHCA's attention to these issues and its openness to work towards resolving them. OHCA staff have expressed an interest in learning more about PHS' payment methodology and how this impacts coding abilities and performance outcomes, potential adjustments for outlier stays, and conveyed that it is looking at a tool to better adjust for children's services. We look forward to OHCA's feedback about our recommendations related to outlier adjustments. We also recognize there are limitations with the data sources OHCA is considering, and there may be a need for OHCA to consider additional data. CAPH remains committed to working with OHCA to resolve these concerns.

In addition to the concerns described above that are unique to PHS, we also encourage OHCA and the Board to consider broader challenges with the measurement methodology:

- <u>Discrepancies with OHCA's methodology re: revenues:</u> For some payers, OHCA must estimate the allocation of inpatient NPR vs. outpatient NPR based on billed charges. Several PHS have found OHCA's estimates to be significantly different when compared to actual inpatient and outpatient NPR amounts. Further, some PHS have unique payment methods that could further skew performance. For example, one county-PHS is uniquely paid via an all-inclusive bundled charge methodology rather than through itemized billing. From their analysis, the split between inpatient and outpatient using gross charges (OHCA's approach) is skewed heavily to inpatient, inflating the proportion of NPR to inpatient. These nuances must be considered as OHCA works to identify which hospitals should be considered "high cost."

We understand OHCA does not anticipate making any changes to its estimate of inpatient NPR. We remain concerned about this approach for the reasons described above and would encourage further consideration so that OHCA's analysis is valid and meaningful.

- Measurement of health systems: OHCA's proposed methodology to measure health system revenues and performance based on the HCAI hospital reporting, which is done according to how the system/facilities are licensed, may not align health system financing.

  As described, PHS are systems of care and have integrated financing across their systems. And some PHS have multiple hospitals within their systems that are separately licensed facilities. This creates challenges with accurate measurement of health systems under OHCA's approach as some revenue allocations to individual facilities can be somewhat arbitrarily reported or there could be a higher likelihood of revenue shifts between facilities from year to year depending on individual facilities' financial circumstances, impacting performance on the measures. Other PHS have consolidated licenses, with multiple hospitals on one license, and are measured together as a system. OHCA's measurement approach should be disconnected from the licensing structure of health systems to create more meaningful and accurate results.

  Further, PHS operate over 150 clinics across their systems, with many that are off the hospital license and that are not captured in the HCAI hospital reporting. Focusing only on inpatient revenues to determine high-cost hospitals and measure performance does not account for the entire financial circumstances of health systems, where inpatient revenues are often used to support outpatient service delivery.

- Need to account for capitated arrangements: Some hospitals and health systems (including some PHS) are fully capitated for the patients they serve, responsible for providing and managing all of the care provided to their patients, as well as the financial risk. This means that they must also make payments to other providers for any out-of-network care delivered to the patient population they are capitated for. Although there is variation in reporting, some systems report the gross amount of the capitated payment in the HCAI hospital reports without removing the out-of-network expenses. This inflates the net patient revenues and could significantly skew performance on a metric like inpatient NPR per CMAD. For example, one PHS reported that nearly half of all their capitated revenues go towards covering out-of-network expenses but this is not adjusted for in the net patient revenues reported to HCAI. OHCA must also consider these arrangements and how they are accounted for in the data as it could lead to significant impacts to performance on the measures being considered.

We Urge the Board to Adopt a Temporary Exclusion for PHS from the High-Cost Hospital Sector Targets

For all of the reasons described above and given OHCA and the Board's rapid timeline to adopt high-cost hospital sector target(s), we urge OHCA and the Board to temporarily exclude PHS. More time is needed to carefully consider and work through these concerns. We appreciate the dialogue and engagement with OHCA and HCAI staff and are hopeful we can continue working towards solutions.

Thank you for your consideration and partnership to support California's health care safety net.

Sincerely,

Erica B. Murray
President and CEO

cc: Members of the Health Care Affordability Board:
Secretary and Board Chair, Kim Johnson
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Dr. Donald Moulds
Dr. Richard Pan
Elizabeth Landsberg, Director, HCAI
Vishaal Pegany, Deputy Director, OHCA
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Michelle Baass, Director, Department of Health Care Services

From: cledesma@everyactioncustom.com on behalf of Carol Ledesma
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Monday, March 10, 2025 12:33:18 PM

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.

I live in a more rural area and our local hospital charges generally double what I can spend on the same services in the next community, about 45 minutes away. That trade off costs me more of my precious sick time. And I'm lucky. I have sick time and reliable transportation. There are many in my community who have neither and must bear the outrageous local costs. I have Medicare. Even with that, Medicare does not cover everything so my reasonable deductible can more than double or triple for those items not covered. Drug costs are high. Again, I am insured, but everything I take tends to be Tier 3, the most expensive. High health care expenses have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Carol Ledesma


From: storyspice@everyactioncustom.com on behalf of casee maxfield
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 5:16:58 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
casee maxfield


April 9, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **OHCA's Cost Cutting Measures Hurt Patients Like Me**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Ms. Brubaker:

Thank you for the opportunity to share my story. As a Californian who relies on care from Stanford Hospital. I'm concerned that the Office of Health Care Affordability's attempts to cut health care costs will cause me to lose the care we need.

My late husband survived a traumatic brain injury without long-lasting handicaps thanks to excellent care at Stanford. He later was rushed to Stanford after suffering a stroke. Again, his care was excellent and he was able to be discharged home. I have used the emergency room several times and gotten good care and two friends have been hospitalized there and were very pleased with the outcomes.

In addition to caring for my husband, Stanford helped me. Nurses and doctors spent time with me discussing outcomes and supporting me with information and moral support as I made medical decisions about his care. During most of his time in ICU and special stroke wards I felt I was treated as part of the medical team caring for him. They listened to me and gave me information so I could contribute to his care.

Unfortunately, he suffered another fall and ultimately died of a second traumatic brain injury, but I remain grateful for the extra time we spent together thanks largely to his care at Stanford. I feel so strongly about hospital that I have volunteered for nearly 10 years to help give voice to the needs and experiences of family members and caregivers. I have experienced hospital managers listening to my concerns and making changes to improve patient care based on those concerns.

In this time when research and healthcare seem to be under attack from all sides. Stanford is an institution that cares deeply for patients and their families while contributing to the world's understanding of many types of injury and disease. I would hate to see changes that could peel away resources and force change that could lessen the quality of that care.

Sincerely,

Cathy Castillo
Castillo.cathy@ymail.com

From: iambasque@everyactioncustom.com on behalf of Cathy Foxhoven
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:59:03 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Cathy Foxhoven
[redacted]

From: Celina Perez
To: HCAI OHCA
Cc: laura.edwards@asm.ca.gov; Nick Buro
Subject: OHCA's Cost Cutting Hurts Hospitals and NorthBay Health's Patient
Date: Friday, April 11, 2025 10:31:28 AM

Dear Office of Health Care Affordability,

My name is Celina Perez, Executive Director of First Chance Vallejo, a nonprofit that provides essential resources and opportunities to underserved youth in Vallejo. I also serve as a Juvenile Justice Commissioner for Solano County and Chaplain for VFW Post 1123, where I support our veterans and their families.

I'm writing to express serious concerns about OHCA's proposed 3.5% spending cap on hospitals and the inclusion of NorthBay Health on a list of so-called "high-cost" providers. This proposal poses a direct threat to the health and well-being of our community, especially the most vulnerable among us.

NorthBay Health is an independent, nonprofit hospital system that delivers high-quality care to all Solano County residents—including a high percentage of Medicare and Medi-Cal patients, as well as area veterans and families from Travis Air Force Base. The services NorthBay provides are not only unmatched in our region—they are lifesaving.

The proposed cap is well below inflation and does not account for soaring costs in staffing, medicine, and supplies—now estimated between 6% and 10%. If implemented, this cap would severely restrict NorthBay's ability to maintain its top-rated care, let alone follow through on its $250 million investment to help close our region's primary care gap over the next six years.

Labeling NorthBay as "high cost" is misleading and unfair, especially when 76% of its patients receive Medi-Cal and Medicare support. It punishes efficient, community-based systems that are doing the hard work of caring for vulnerable populations.

Our community depends on NorthBay—not only for emergency and preventive care, but for the services no other local provider offers. Limiting their ability to deliver care will mean longer wait times, potential layoffs, and worsening health outcomes—particularly for our seniors and those who served our country.

I urge OHCA and state leaders to reconsider this misguided cap and protect access to care in Solano County and across California.

Thank you for your consideration.

Sincerely,

--

Ms. Celina Perez, Executive Director

(707) 652-9925

www.FirstChanceVallejo.org

First Chance Vallejo 501(c)(3) children's charity dedicated to closing the gaps for our youth.

CFT A Union of Educators & Classified Professionals

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Sacramento, CA 95814

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cft.org
CFT
CFTunion

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
Department of Health Care Access and Information
2020 West El Camino Ave., Ste. 1200
Sacramento, CA 95834

Proposed Hospital Sector Spending Target Recommendations to the Health Care Affordability Board: SUPPORT

Dear Ms. Brubaker:

The undersigned union locals represent education workers of all kinds, from teachers to instructional aides, custodians to maintenance workers, office administrators to kitchen staff and more. While our jobs are very different, our basic needs are the same: the fair wages, quality benefits, and safe working conditions necessary to live decent lives with our families. However, in recent years, the skyrocketing cost of healthcare has threatened to derail all three.

More and more of our needed pay increases are lost to cover out-of-control healthcare costs, efforts to expand benefits often fail in the face of relentlessly expensive healthcare coverage, and costs are so great that care becomes inaccessible, and we must simply suffer through illness and injury while trying to do our already difficult jobs. Add to this the stress of explaining to our children that times are tight and a given expenditure must be forgone because health care costs take more and more, and we are in a dire situation that demands immediate attention.

That's why we have joined together to support the proposed hospital sector spending target values that would set lower cost growth targets for a small number of extraordinarily high-cost hospitals. These highest cost hospitals in California are paid much more than the average California hospital and lie at the heart of our current cost crisis.

For example, out of a total of 439 hospitals, 11 were found to be the highest cost hospitals in California. These 11 hospitals are literally twice as expensive as the average, costing $40,000 per hospital visit as opposed to $20,000 at the average hospital, after adjusting for severity of condition requiring care. Employer coverage and individual consumers pay these hospitals 4-5 times—or even 7-8 times—as much as what Medicare pays as a proportion of costs. Californians simply cannot afford these exorbitant costs; we must allow the Office of Health Care Affordability to achieve your legislatively mandated charge and set a lower cost target for these indefensibly expensive hospitals.

Setting a lower cost growth target for these hospitals would force their relentless price hikes to slow over time, bringing much needed relief to Californians, to our health care system, and to our families. We urge you to support this critically important proposed regulation.

CFT A Union of Educators & Classified Professionals

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CFT
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Jim Mahler
President
AFT Guild, Local 1931

Pamela Ford
President
Antelope Valley College Federation of Classified Employees Local 4683

Matt Meyer
President
Berkeley Federation of Teachers 1078

J. Hotchner
President
CAUSE, CFT #2216

Kati Bassler
President
Salinas Valley Federation of Teachers

Cheryl Coney
Executive Director
United Teachers Los Angeles Local 1021

Daniel Dodge
Executive Director
Cabrillo College Federation of Teachers AFT 4400

Jamie Crowder
Union Assistant
Coast Federation of Classified Professionals Local 4794

Christopher Freeman
Secretary
Coast Federation of Classified Employees Local 4794

Lynn Wang
Local President
Cerritos College Faculty Federation, AFT 6215

Skyler Petersen
President
Lompoc Federation of Teachers, AFT Local 3151

Andrew Deaso
President
Coast Federation of Classified Professionals Local 4794

Bryan Dauterive
Member
CFCP Local 4794 / CA800057187

Kelsey Iino
President
El Camino College Federation of Teachers AFT 1388

Ray Long
President
Culver City Federation of Teachers, AFT Local 1343, AFL-CIO

John Fawcett
Instructional Coordinator, Professional Classified Staff
California Federation of Classified Professionals, Local 4794

Regina Chagolla
Vice President
Berkeley Federation of Teachers 1078

Marlo Smith
President
Adjunct Faculty United, AFT 6106

Rosalie Malang
President
United Child Care Education of San Francisco, Local 6361

Ann Killebrew
Chair, AFT 2121 Retiree Chapter
San Francisco Community College District, AFT 2121

Robert Schneiderman
Union President
AFT 1911 - Coast Federation of Educators

Bill Zeman
President
CCAFF Local 6352

Monica Casey
President
Jefferson AFT Local 1481

Dennis Cox
President, Council of Retired Members Division
ABCFT-R, AFT 2317

Julie Van Winkle
AFT Vice President
United Teachers Los Angeles, AFT 1021

Jody Kropholler
Co-President
Greater Santa Cruz Federation of Teachers Local 2030

Sandra Baringer
President, UC-AFT Retiree Chapter
UCAFT-R Local 1474R

Sally Willson Weimer
Retiree, Sociology Librarian (UCSB)
UC-AFT Local 1474R

Morgan Agnew
President
San Rafael Federation of Teachers, AFT Local 1077

Erica Williams
Field Representative
CFT 8004

California Hospital Association

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave.
Sacramento, CA 95833

Subject: **CHA Requests Withdrawal of Proposed Hospital Sector Spending Target Recommendations to the Board**
(Submitted via Email to Megan Brubaker)

Dear Ms. Brubaker:

California's hospitals are committed to improving affordability, access, quality, and equity in California's health care system. However, they represent just one slice of the health care industry. Statewide, $2 out of every $3 of health care spending goes to providers and payers other than hospitals. Moreover, National Health Expenditure data show a significant gap between hospitals' efficiency and that of the health care field at large. Despite the state's high cost of living, per capita spending for all health care services ranks in the middle of the pack, at 29th lowest nationally. However, when narrowed to only per capita **hospital** spending, California's rank improves 11 places — landing at 18th lowest nationally. Accounting for California's nation-leading cost of living shows that hospitals are even more efficient, outpacing most of the nation in delivering cost-effective care to patients.

Unfortunately, the Office of Health Care Affordability (OHCA) continues to ignore these and other key facts. Its February 2025 proposal to establish reduced spending targets for hospitals determined to be "high cost" is deeply flawed. It unfairly targets a single class of providers, comes before OHCA has done the necessary groundwork, relies on unsound methodologies and anomalous data, is inconsistent with key aspects of state law, and would endanger access to health care in communities across California. **For these reasons, the California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, asks OHCA to withdraw its proposal until the office has addressed these issues and conducted a far more balanced consideration of sector targets under all relevant statutory factors.**

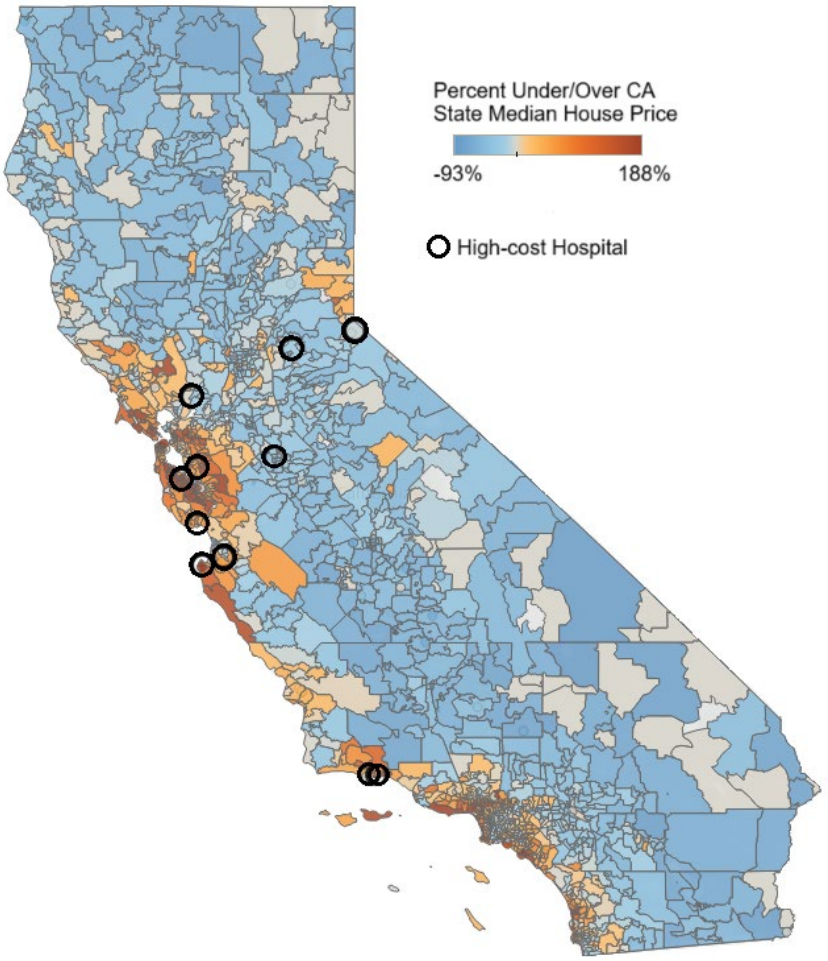
Flawed Approach for Identifying High-Cost Hospitals Leads to Illogical Results

OHCA proposes to designate hospitals as high cost if, for three out of five years between 2018 and 2022, they fell in the top 15% on two financial measures. The first measure reflects commercial inpatient reimbursement per case mix-adjusted discharge, while the second measure compares the relative cost coverage between hospitals' commercial and Medicare payers. Neither measure accounts for factors beyond hospitals' control that significantly influence their measured scores, and together generate an arbitrary list of hospitals that bear little relation to one another — other than the fact that they just happen to be high on two narrow measures that do not fully reflect the myriad factors influencing

hospital costs. Even at this late stage of the process, the office has yet to address questions about the underlying data's quality and appropriateness. Ultimately, these shortcomings are a result of OHCA moving too fast and neglecting legislatively mandated due diligence. That critical work must be completed prior to adopting policies that will profoundly impact millions of patients and workers who rely on hospitals. More detailed comments on the proposed methodologies are provided below.

Commercial Reimbursement Measure Penalizes Hospitals for Operating in High-Cost Areas and Paying Their Workers Accordingly. California is home to four of the 10 highest cost-of-living metropolitan areas in the entire country. The Bay Area and Central Coast are extraordinarily expensive places to live, even by California standards. Predictably, OHCA's commercial reimbursement measure disproportionately identifies hospitals operating in high-cost areas, with eight of the 11 listed hospitals located in just these two regions of the state. The figure to the right shows just how expensive the cost of living is in the areas containing hospitals designated as high cost. To offer competitive wages in their communities, the 11 high-cost hospitals paid nonsupervisory workers an average salary of $111,350 in 2022 — 21% higher than the $91,883 average salary paid to comparable workers at other hospitals. Adequate compensation is critical to ensuring a strong, stable workforce. To avoid penalizing hospitals simply for negotiating commercial rates that allow them to pay their workers fairly, OHCA must evaluate and incorporate adjustments that account for differences in hospitals' operating costs due to cost-of-living factors beyond their control.

OHCA's High-Cost Hospitals Are Overwhelmingly Located in Regions with the Highest Cost of Living

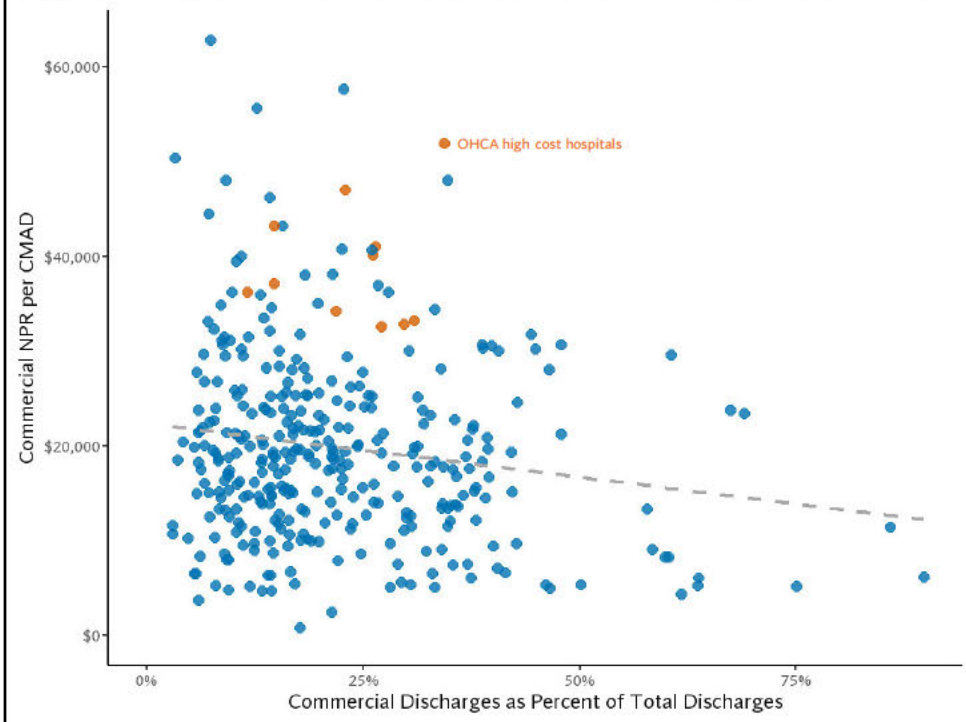


Source: American Community Survey 5-year average ending in 2023

Commercial Reimbursement Measure Myopically Focuses on a Small Subset of Patients and Services. Shortfalls in reimbursement from government payers — Medicare and Medi-Cal — force hospitals to rely on commercial payers to cover their costs. By looking only at hospitals' commercial reimbursement, the measure fails to control for the fact that some hospitals have more financially favorable payer mixes than others; hospitals without this distinct financial advantage need more revenue

per commercial patient to cover their costs. As the figure below shows, hospitals with higher commercial inpatient revenue per case mix-adjusted discharge have disproportionately small commercial payer mixes. By using this measure without any control for differences among hospitals in their payer mixes, OHCA risks penalizing hospitals for treating disproportionate shares of low-income Medi-Cal patients and elderly Medicare patients and making up their payment shortfalls the only way they can — through higher commercial payments. If hospitals were not able to recoup shortfalls in this way, the number operating at a loss (currently more than half of hospitals in California) would undoubtedly skyrocket, further eroding patients' access to care.

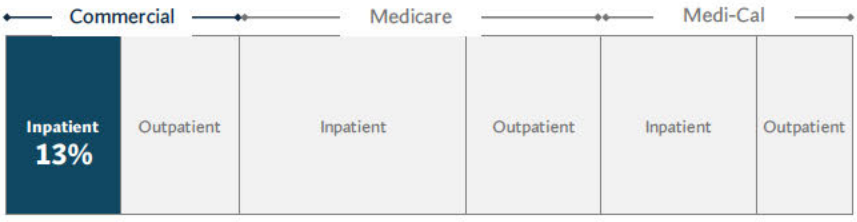
Hospitals with Higher Commercial Reimbursement Have Lower Commercial Patient Volumes



Note: Data reflect averages from the years 2018-2022 and include all hospitals not excluded from OHCA's analysis for its February 2025 high-cost hospital sector target proposal. NPR per CMAD means net patient revenue per case mix-adjusted discharge.

On top of overlooking reimbursement for 75% of the patients a typical hospital sees, OHCA's commercial reimbursement measure disregards 40% of the care hospitals provide: outpatient services. These services include emergency care, outpatient surgeries, specialty drug infusions, and other hospital services that do not require an admission. As the figure below shows, by ignoring government payers and outpatient services under this measure, OHCA is poised to determine hospitals' financial futures based on payments received for just 13% of the services provided. What's more, these payment data don't even reflect actual reported revenues, but rather an estimate (by OHCA's parent department, the Department of Health Care Access and Information) of the breakdown between hospitals' commercial revenues on the inpatient versus outpatient sides.

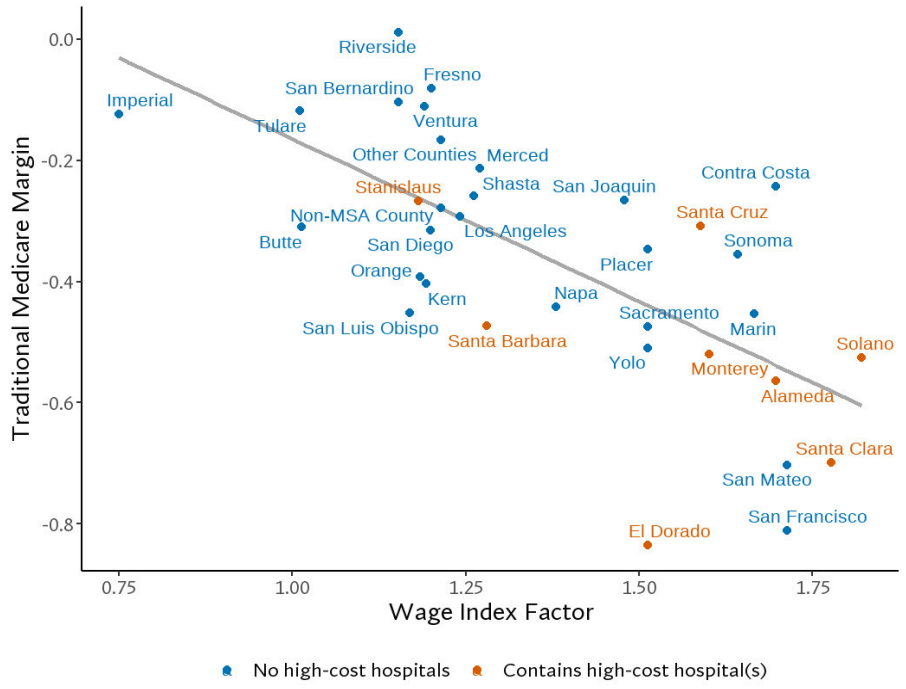
OHCA's Commercial Inpatient Revenue Measure Overlooks Reimbursement for All But 13% of the Services Hospitals Provide



Note: Reflects proportional breakdown of 2023 statewide gross patient revenue by payer and service type.

Medicare Payments Are an Inappropriate Benchmark for OHCA Target Setting. OHCA's second measure for identifying high-cost hospitals singles out those whose commercial payments cover their costs better than Medicare does. The foundational assumption is that Medicare hospital payment policies are sound and equitable — but that is not the case. Distortions and idiosyncrasies in Medicare payment policies significantly and variably

Medicare Payments Disproportionately Fail to Cover Costs in Higher-Cost Areas, as Indicated by the Area Wage Index



Note: Wage Index Factor reflects the area wage index averaged by county, weighted by traditional Medicare gross patient revenue. The margins are from pooled net patient revenues and expenses from the years 2018-2022. The methodology is based on that used in Gaudette É, Bhattacharya J. California Hospitals' Rapidly Declining Traditional Medicare Operating Margins. Forum Health Econ Policy. 2023 Mar 7;26(1):1-12. doi: 10.1515/fhep-2022-0038. PMID: 36880485.

reduce hospitals' Medicare reimbursement, often as a result of budget neutrality requirements in federal law that have the effect of redistributing funding from some hospitals to others. The figure to the left illustrates how far Medicare payments have diverged from what it costs to operate hospitals in different parts of the state. It shows the degree to which Medicare's area wage index, used to adjust hospital payments based on regional differences in hospitals' labor costs, fails to appropriately adjust payments based on underlying regional differences in the operating costs. Were the area wage index working properly, hospital margins on the traditional Medicare book of business would not have a consistent trend with the area wage index, since the area wage index-related payment adjustments would offset differences in regional costs. But there is a starkly negative trend, clearly indicating that the area wage index fails to fully compensate for the higher costs at hospitals located in more expensive areas. Differences in average salaries for nonsupervisory workers between OHCA's high-cost and other hospitals bear this out. While high-cost hospitals pay their nonsupervisory workers 21% more, their area wage index scores are just 8% higher, revealing wholly inadequate and inequitable cost coverage from Medicare payments.

A Handful of Payment Policies Cause a Significant Portion of the Medicare Funding Losses Incurred by Hospitals. A small set of distortions reduces Medicare payments to California hospitals by more than $1.3 billion annually, including:

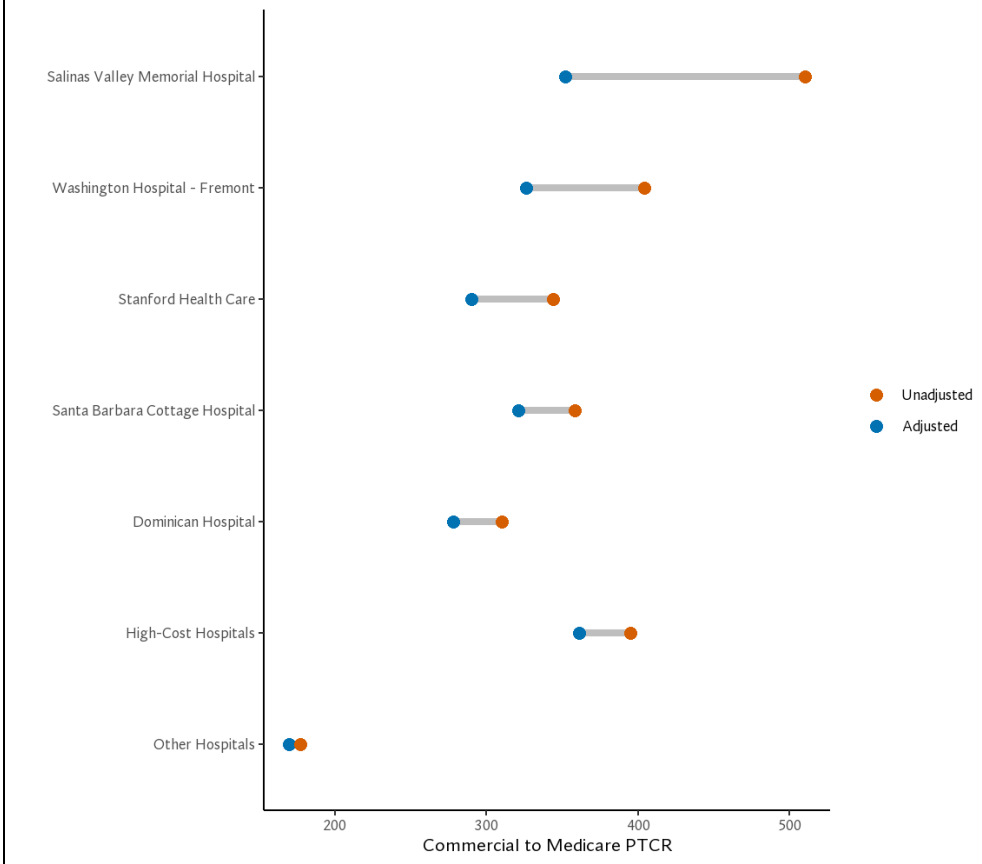
- **Occupational Mix Adjustment.** Due to nurse-staffing ratios, California hospitals employ a higher number of nurses relative to other professionals than hospitals nationally. However, for the purpose of estimating hospitals' area wage index scores, the federal government reverts the occupational mix of California's hospitals to the national average. This reduces California hospitals' Medicare payments by $435 million, with OHCA's high-cost hospitals bearing two to three times the losses of other hospitals, again distorting how hospitals score on OHCA's commercial-to-Medicare payment-to-cost ratio measure.
- **Graduate Medical Education Caps.** Medicare pays hospitals for providing graduate medical education, but the funding is generally capped at 1996 levels. As a result, California hospitals train more than 3,000 residents annually without any financial support from Medicare. One California

hospital on OHCA's high-cost list bears more than 25% of the $430 million in losses in Medicare funding due to the cap artificially boosting its commercial-to-Medicare payment-to-cost ratio score.

- **Rural Floor Adjustment.** Medicare imposes a floor on urban hospitals' wage index scores equal to the statewide rural area wage index score. In California, this policy redistributes more than $100 million in Medicare payments away from hospitals in the Bay Area, Central Coast, and greater Sacramento region to other hospitals throughout the state. Predictably, hospitals in these three regions dominate OHCA's high-cost hospital list, in part due to this redistributive component of Medicare hospital financing.

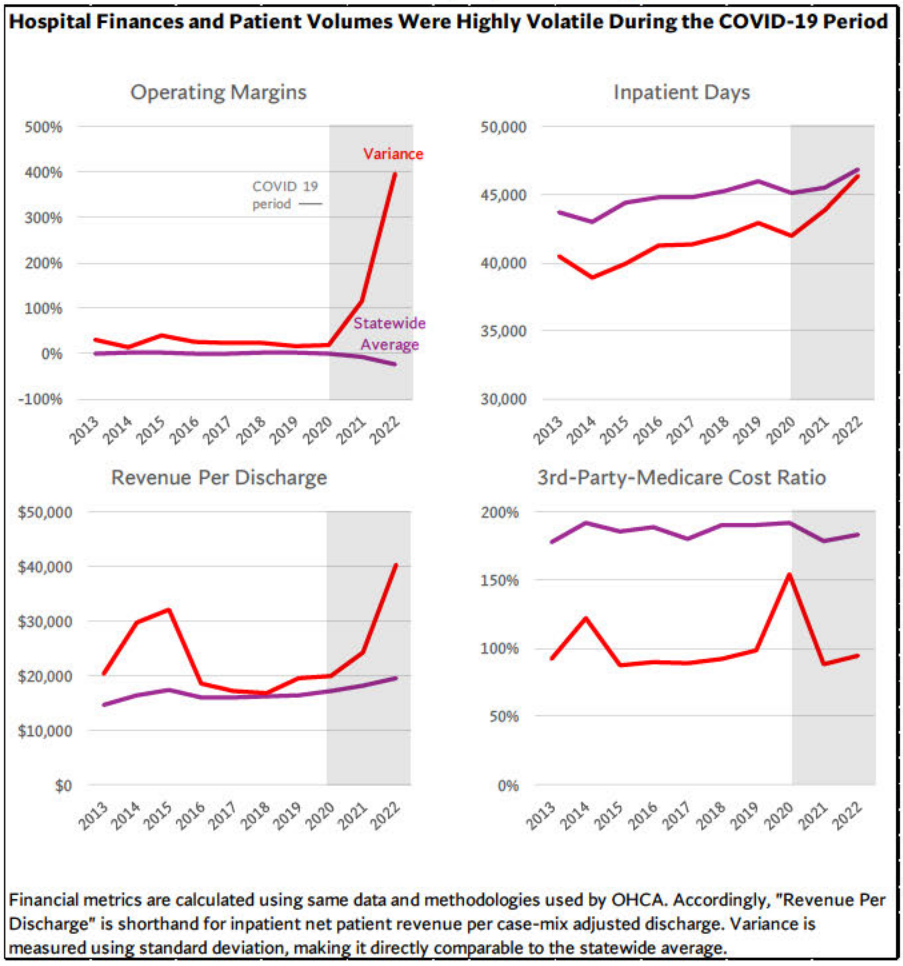
Commercial-to-Medicare Payment-to-Cost Ratio Penalizes Hospitals with Worse Medicare Reimbursement. The $1.3 billion in Medicare funding losses are not borne equitably by all California hospitals. The 11 hospitals identified by OHCA as high cost represent a mere 3% of all hospitals in the state, but collectively bear nearly $300 million (21%) of the statewide losses from these distortions in Medicare payment policies. This artificially reduces their Medicare payment-to-cost ratio (the denominator in OHCA's measure), biasing their overall score on OHCA's commercial-to-Medicare payment-to-cost ratio upward. The figure to the right shows the effects these adjustments have on several high-cost hospitals' 2022 commercial-to-Medicare payment-to-cost ratios, while also showing the disproportionate effect on OHCA's high-cost hospitals. OHCA's spending targets must account for these inequities, not compound them by imposing harsher spending targets on hospitals with the greatest reductions in Medicare payments.

Correcting for Major Distortions in Medicare Payment Policies Substantially Reduces OHCA's High-Cost Hospitals' Scores on the Commercial-to-Medicare Payment-to-Cost Ratio (PTCR)



Note: Five Medicare payment policies artificially reduce hospitals' Medicare payments, depressing their Medicare payment-to-cost ratios, and inflating their scores on OHCA's relative cost measure. These reductions are not born equitably among hospitals. Instead, OHCA's high-cost hospitals bear a disproportionate burden. The five Medicare payment policies are: (1) the rural floor on the area wage index, (2) an adjustment to the area wage index to revert California's occupational mix to the national average, (3) caps on graduate medical education funding, (4) Medicare disproportionate share hospital funding reductions, and (5) limits on payments for bad debt.

Identifying Hospitals as High Cost Based on Financial Performance During the Pandemic Runs Counter to State Law. OHCA has proposed using data from 2018 through 2022 to determine which hospitals are high cost, completely disregarding the fact that the worst pandemic in a century hit in March 2020. In addition to upending people's lives and livelihoods, COVID-19 severely tested health care providers' finances and operations. Routine services were canceled, patients came to hospitals with greater health needs, costs exploded, and health care workers experienced unprecedented levels of burnout. As the figure to the left shows, these anomalies show up in the financial data OHCA is using to determine which hospitals are high cost.



Recognizing the abnormalities in COVID-19 years and their potential to distort historical trends, state lawmakers required that OHCA's spending target methodology *"shall provide differential treatment of the 2020 and 2021 calendar years due to the impacts of COVID-19 on health care spending and health care entities"* (Health and Safety Code Section (HSC §) 127502(d)(3)).

Identifying "high cost" hospitals by measuring hospital performance **without differentiating for those years** ignores an important and express legal requirement to appropriately account for the impacts of COVID-19 on hospital and other health care providers' financing and operations. This disregard for the statutory requirement has a material effect — four hospitals on OHCA's high-cost list only meet the qualifying criteria based on their performance in 2020 and 2021, the two years lawmakers required to receive differential treatment.

Data Anomalies Show Analysis and Adjustments Are Needed. The data OHCA is using to determine which hospitals are high cost were neither designed nor have been used for OHCA's intended administrative purpose. Unsurprisingly, even a high-level review of the data has revealed anomalies and inconsistencies both over time and across hospitals. For example:

- **Abrupt Shifts in Commercial Reimbursement.** Two hospitals' commercial inpatient reimbursement per case mix-adjusted discharge measures fell precipitously during the period

under review, reflecting commercial reimbursement rate cuts of roughly 25% and 50% or, alternatively, the correction of previously faulty data.

- **Sudden Change in Medicare Cost Coverage.** One hospital saw its commercial-to-Medicare payment-to-cost ratio more than double in a one-year period due to its Medicare payment-to-cost ratio suddenly falling in a single year from roughly 0.6 (in line with the average for the other designated high-cost hospitals) to around 0.2 (64% lower than the average for those hospitals).
- **Differences in Reported Revenues Across Hospitals.** One hospital has a unique reporting structure that requires it to combine its professional and facility revenues in reporting its patient revenue; other hospitals only report their facility revenues. This difference in reporting increases the hospital's reported revenues by an estimated 10%, biasing its scores on OHCA's measures upwards.
- **Payments from Other Payers Are Wrongly Designated as Hospital Commercial Revenues.** Hospitals' financial reports did not separate out the payments they received from commercial payers during the five-year period used by OHCA to designate high-cost hospitals. Rather, these payments are lumped together with others, including those for government programs overseen by the Department of Health Care Services (DHCS) like California Children's Services, the Child Health Disability Prevention program, the Genetically Handicapped Persons Program, and the Short-Doyle program. Including funding from these programs distorts hospitals' measured performance on at least one of OHCA's measures.

OHCA must conduct further analysis and make appropriate changes to its proposal to ensure it is based on the best possible data before taking actions that endanger the financial and operational futures of the affected hospitals. For example, OHCA must provide hospitals with the opportunity to submit updated filings to correct clear errors, as is common with other state agencies that oversee hospital finances and reporting, like the DHCS. It also must properly separate out hospitals' commercial revenue from other sources given its intent to determine which hospitals are high cost based on their commercial reimbursement levels.

OHCA's Approach Yields an Incoherent Set of Hospitals. OHCA has set out to identify the highest cost hospitals in the state that substantially contribute to high health care costs broadly. The list generated, however, obviously does not match. It includes:

- Two Medicaid disproportionate share hospitals, which serve large numbers of Medi-Cal patients — California's most vulnerable seniors, children, and low-income individuals
- Six independent hospitals, which have little to no influence on the broader health care marketplace
- Two rural hospitals, which serve crucial roles in providing care to patients who have fewer options than those in urban areas
- Three small hospitals that discharge fewer than three commercial patients per day
- Four hospitals that lost money on their operations in 2022 and three that lost money in 2023 (with 6 of the 11 hospitals having unsustainable operating margins of less than 3%)

What's more, looking beyond commercial payers to Medi-Cal, Medicare, and other payers, 9 of the 11 hospitals were below the top 20% in all-payer reimbursement per case mix-adjusted discharge in 2022. In fact, one hospital's all-payer reimbursement was in the bottom 40% of all comparable hospitals and another's was in the bottom 60%, in both cases due to their low commercial volumes and poor reimbursement from government payers. What these hospitals do have in common is a tireless

dedication to serving their communities and providing accessible, high-quality, and affordable care, including for Californians who can least afford it.

Proposed Targets for High-Cost Hospitals Are Inconsistent with State Law and Would Jeopardize Access to Quality Care and Workforce Stability

OHCA Lacks Authority to Adjust Sector Targets as Proposed. State law establishes several authorities under which OHCA may impose spending targets on one or more health care entities. These include:

- **The statewide target**, applicable to all regulated health care entities (HSC § 127502(a))
- **Sector targets**, specific targets by health care sector, which may include fully integrated delivery systems, geographic regions, and individual health care entities (HSC § 127502(b)(1))
- **Targets adjusted by sector** (HSC § 127502(b)(2))
- **Adjusted targets for high- and low-quality providers**, targets adjusted downward "for health care entities that deliver high-cost care that is not commensurate with improvements in care," and vice versa (HSC § 127502(d)(6)(A))
- **Labor cost-adjusted targets**, accounting for actual or projected nonsupervisory employee organized labor costs (HSC § 127502(d)(7))
- **Individual entity sector targets**, based on an entity's status as a high-cost outlier (HSC § 127502(e)(1)).

In January 2025, OHCA's board assented to staff's recommendation to (1) define all hospitals as a single sector and (2) adjust the target for all or a specified subset of hospitals within the hospital sector. OHCA cited HSC § 127502(b)(2) as its legal authority to proceed as recommended. This provision states:

> *"The board may adjust cost targets **by** health care sector, including fully integrated delivery systems, geographic regions, and individual health care entities, as appropriate, when warranted to account for the baseline costs in comparison to other health care entities in the health care sector and geographic region." **(emphasis added)***

While OHCA's cited legal authority allows it to adjust targets **by** sector, it has proposed to adjust targets and apply differential standards **within** a single prospective sector. Related provisions in the enabling statute all conform with the above language, only allowing OHCA to establish or adjust targets **by** sector. While there are arguably exceptions under specified conditions where OHCA has authority to impose different targets within the same sector (see, HSC § 127502[d][6][A],allowing adjustment of targets upward or downward based on the level of quality improvement, and HSC § 127502[d][7], requiring target adjustments to account for nonsupervisory employee organized labor costs), neither of those scenarios are applicable to the immediate high-cost hospital proposal.

Instead, when setting a target for a high-cost entity that is different from the statewide or sector target that would otherwise apply, HSC § 127502(e) contemplates accomplishing that only through adoption of a sector definition comprised of that individual health care entity, to which uniquely established or adjusted targets could be applied based on the entity's status as a high-cost outlier or to encourage the entity to serve populations with greater health risks. The requisite use of one target per defined sector, outside the potential exceptions noted above, is further supported by HSC § 127502(*l*)(2)(D), which requires OHCA to "specify which single sector target is applicable if a health care entity falls within two or more sectors." **As a result of exceeding its statutory authority, OHCA must withdraw its hospital sector target proposal and return with an alternative consistent with its enabling statute.**

OHCA's Proposed Sector Target Value for 2026 Doesn't Align with Methodology, Potentially Due to Premature Rounding. OHCA's method for determining high-cost hospitals' sector target values is to derive a relativity score based on how much more costly this set of hospitals is on OHCA's two measures, compared to other hospitals. Then, OHCA divides the statewide spending target by this relativity score. This approach lacks a sound foundation by misapplying a within-year measure of hospital costliness to an across-year measure of hospitals' cost growth over time. In addition, as described later, it fails to consider whether the resulting target values are attainable, sustainable, and protective of access to care. On top of all these shortcomings, the starting value of the sector target is a full decimal point lower than expected according to the data and methodology presented at the February 2025 board meeting. Rather than resulting in a 1.8% value, CHA's replication of OHCA's presented methodology returns a 1.9% value — a seemingly small difference, but with major financial implications. OHCA's lower-than-expected value is likely due to premature rounding of the relativity scores, rather than waiting until the final calculation to round to the desired, single decimal point.

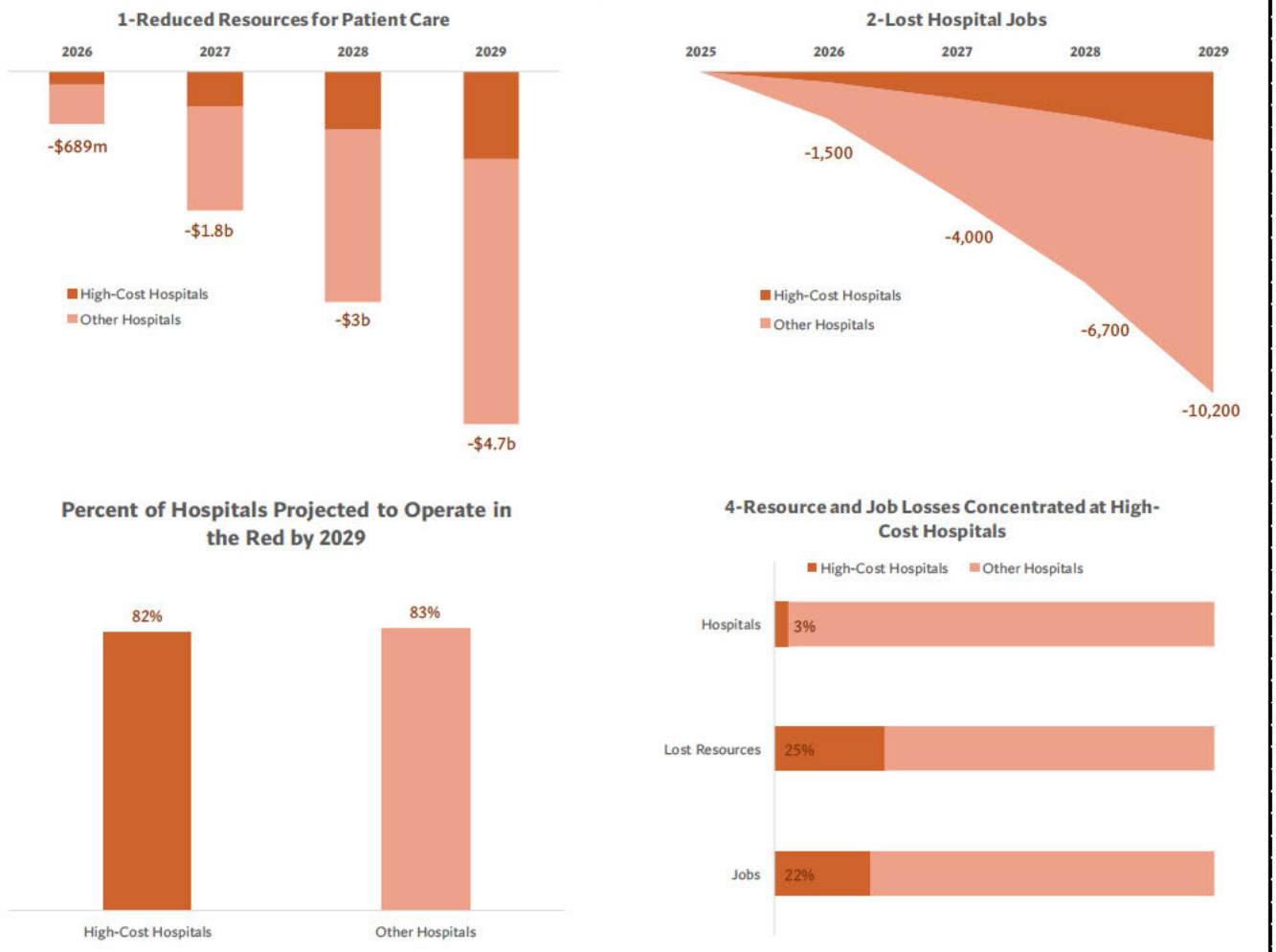
On Their Own, Proposed Sector Target Values Would Decimate Access to High-Quality, Equitable Care and Workforce Stability. OHCA has proposed sector targets of between 1.6% and 1.8% annually on hospitals designated as high cost. Such targets are 35% below projected inflation for all goods and services — even before factoring in the impact new tariffs will have on pricing for medical devices, pharmaceuticals, and other supplies hospitals need. This means real, inflation-adjusted cuts in hospital resources are coming, with real consequences for patients and health care workers.

What's worse, this understates the true magnitude of the proposed cuts given the current extraordinary cost growth pressure hospitals are facing. According to Kaufman Hall, western states' hospital costs are currently growing at 6% for labor, 8% for supplies like personal protective equipment, and 10% for drugs. The proposed high-cost hospital sector targets are 70% to 80% lower than the recent cost growth for these essential inputs. Such targets could only be met with draconian cuts to the affected hospitals' workforces and service lines, as well as the abandonment of investments to expand access to high-quality care.

The figure on the next page drives home the catastrophic effects of OHCA's proposed high-cost hospital sector target, in combination with the statewide target, on hospital care in the current inflationary environment. The figure compares projected revenue under the spending targets (starting at 1.8% for hospitals designated as high cost and 3.5% for other hospitals) and what is expected given recent trends. **The end result: nearly $5 billion diverted from patient care by 2029, more than 10,000 lost jobs, and 83% of California's hospitals operating in the red.** These consequences would overwhelmingly fall on the high-cost hospitals; despite the proposed 11 hospitals representing just 3% of statewide hospitals, they would bear 25% of the losses in resources and 22% of the resulting job eliminations. Hospitals would be forced to take drastic actions to reduce services and workforce, or risk closing entirely. This would devastate the health and well-being of local communities.

Hospital Sector Targets Would Endanger Hospital Care in California, Especially in Areas with Hospitals Designated as High Cost

Projected Impact of the Statewide and Proposed Sector Targets on Hospital Resources, Jobs, Financial Sustainability



Notes:

Panel 1: Hospital resources are defined as net patient revenue. Lost resources reflect the difference between recent historical growth in net patient revenue and growth allowed under the spending targets.

Panel 2: Job losses are projected based on the expectation that hospitals scale down their workforces proportionate to their lost revenues.

Panel 3: Hospital operating margins are projected as the difference between allowable revenue growth under the spending targets and projected expense growth using recent historical trends.

Panel 4: Uses the definitions and terms defined above to show that despite making up a small portion (3%) of all hospitals in the state, OHCA's high-cost hospitals would bear enormously disproportionate negative consequences due to their reduced targets.

Negative Impacts of Proposed Targets Would Not Be Nullified by Selective Enforcement on the Back End. OHCA staff have promised to practice discretion and not aggressively enforce the sector targets in circumstances where excess growth is beyond the hospital's control. Unfortunately, the mere possibility of being forgiven at a later date for excess spending growth does not offer the security needed to avoid the devastating consequences of the sector targets under discussion. First, the designated hospitals would face major reputational consequences, causing patients — including those on Medicare and Medi-Cal — to seek care elsewhere. Second, health insurance companies would immediately pressure hospitals to accept rate increases at the insufficient sector target level. Hospitals would be left with no good options: those that accept the insufficient rate increases would inevitably be forced to make real cuts in patient care, while those that cannot accept the offered rates would undoubtedly face contract

terminations (this recently played out in San Diego, where thousands of patients lost their usual source of care because of an insurer's efforts to push inadequate rates on a local hospital). Third, the targets would stifle investment aimed at improving access to high-quality care, as affected hospitals will have no assurance that the increased revenues funding these investments will not be taken away on the back end due to violation of the aggressive targets.

Combining Proposed Sector Targets and Looming Federal and State Funding Cuts Would Unnecessarily Imperil Care. Federal policymakers are currently considering proposals to drastically cut funding for vital health care programs, potentially by tens of billions of dollars annually. Meanwhile, the state's already precarious budget situation on its own could necessitate significant cuts to health care programs and unquestionably forestalls the state's ability to backfill lost federal funding. Medi-Cal and Covered California are uniquely at risk. Millions of Californians could lose coverage, causing newly uninsured Californians to seek care in hospital emergency departments in droves; benefits and provider rates are similarly exposed to potential cuts. This would turn an already challenging financial environment, wherein more than half of California's hospitals operate in the red, into a full-blown crisis. Compounding federal funding threats and potential state budget solutions with unconscionably low sector targets would all but guarantee the dire consequences the Legislature sought to avoid when it initially created OHCA: cuts in hospital services, if not outright closures; chilling effect on investments; jobs lost; and reduced access to care for millions of Californians. Highly consequential decisions on sector spending targets must consider these potentially catastrophic policy changes for government health care programs. Finalizing a proposal before state and federal decisions are made would demonstrate a troubling disregard for OHCA's statutory mission to sustain and promote access to high-quality, equitable care. OHCA must take stock of the looming cuts to federal and state health care program funding before imposing even more aggressive targets than the statewide target currently in place.

OHCA Has Provided No Assurance That Patients Would Benefit from Sector Targets. OHCA has yet to propose a plan to ensure that the reduced spending targets imposed on hospitals would be passed to consumers in the form of lower premiums and cost sharing, rather than simply being retained by payers as higher profits. While payers contracting with the high-cost hospitals would benefit from limiting the growth of payments in 2026 to 1.8%, these payers' targets would remain at the statewide level, generating a margin for payers to use as they see fit, including for administration and profits. A comprehensive approach to sector targets could take this into account and ensure that commensurate adjustments are applied to payer targets to ensure that Californians actually benefit from differentiated provider targets OHCA is imposing.

Sector Target Proposal Is Inconsistent with the Letter and Spirit of State Law in Failing to Consider All Relevant Statutory Factors. In creating OHCA, state lawmakers clearly sought to prevent pure cost cutting at the expense of other goals for the state's health care system. Instead, they mandated OHCA proceed in a balanced fashion to

> *"improve the affordability, quality, equity, efficiency, access, and value of health care service delivery"* (HSC § 127500(c)).

Aside from the legislative intent, the spending target provisions in statute provide the same direction, requiring that all spending targets

> *"promote the goal of improved affordability for consumers and purchasers of health care, while maintaining quality and equitable care, including consideration of the impact on persons with disabilities and chronic illness"* (HSC § 127502(c)(5)).

This requirement to balance affordability with other equally important factors is specifically imported to the adoption of sector targets, stating they

> *"shall be informed by… consideration of access, quality, equity, and health care workforce stability and quality jobs"* (HSC § 127502(b)(3)).

Further, the enabling statute requires consideration of other factors in addition to or supplementing these overarching goals, including:

- HSC § 127502(c)(5): Targets must promote the stability of the health care workforce, both present and in the future
- HSC § 127502(d)(3): Target methodology must provide differential treatment of COVID years
- HSC § 127502(d)(4): Target methodology must allow for consideration of a host of factors impacting costs including but not limited to health care employment cost index, provider payer mix, state or local mandates, and federal/state policy changes
- HSC § 127502(d)(5): Target methodology must consider the level of hospital self-financing associated with Medi-Cal payments
- HSC § 127502(e): Target methodology for an individual health care entity sector must allow for treatment as a high-cost outlier while encouraging the entity to service populations with greater health risks taking into account patient mix and geographic costs
- HSC § 127502(*l*)(2)(C): Sector targets must be developed in a manner that minimizes fragmentation and potential cost shifting, and that encourages cooperation in meeting targets

Despite the clear requirements in state law that these various goals for California's health care system be protected and meaningfully considered in the setting of spending targets, OHCA has performed no analysis or review of the potential consequences of its hospital sector proposal on access, quality, equity, or workforce stability. Similarly, OHCA has ignored or given merely cursory attention to these other legislatively mandated considerations in rushing to finalize its flawed proposal. Thus, OHCA has fallen short in its duty to adequately consider all the relevant statutory factors and demonstrate a rational connection between those and the targets embodied in its proposal. Most alarmingly, OHCA has provided no assurance that the exact consequences the Legislature sought to avoid would not inevitably follow the strict cost-cutting nature of the proposed sector targets. In light of recent hospital expense growth, alongside further imminent cost increases due to tariffs, other economic challenges, and looming federal/state budget actions, it is essential for OHCA to perform its due diligence to ensure that access to high-quality, equitable care is protected under its spending targets.

California's Hospitals Ask OHCA to Withdraw Its Proposal and Maintain the Statewide Spending Target for All Regulated Entities

OHCA's proposed hospital sector targets are three years ahead of the statutory timeline, are inconsistent with various requirements in state law, are based on data and methodologies with known shortcomings, and would jeopardize access to hospital care in communities across the state. The proposal has come before OHCA has given consideration to any other sector, evaluated the sustainability of the statewide spending target, or done the necessary groundwork to assure California's patients that its sector targets will maintain access to care, quality, and workforce stability. For these reasons, California's hospitals respectfully ask OHCA to withdraw its proposal and defer action until the above antecedent steps can be completed.

Sincerely,

Ben Johnson
Group Vice President, Financial Policy

cc: Members of the Health Care Affordability Board:
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Kim Johnson
Elizabeth Mitchell
Donald B. Moulds, PhD
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency

From: ckoubek9@everyactioncustom.com on behalf of Char Koubek
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:27:37 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Char Koubek


CHILDREN'S Specialty Care Coalition
Putting California's Children First

Children's Hospital Los Angeles
Medical Group

California Association
of Neonatologists

ChildNet/Specialty Medical Group
Valley Children's Hospital,
Madera

Sutter Children's Center
Sutter Medical Center, Sacramento

Children First Medical Group,
Emeryville

Rady Children's Specialists of
San Diego

Department of Pediatrics
California Pacific Medical Center
San Francisco

UCLA Mattel Children's Hospital
David Geffen School
of Medicine at UCLA

Department of Pediatrics
UC San Diego School of Medicine

Stanford Children's Health
Stanford University School
of Medicine

Department of Pediatrics
UC Davis Children's Hospital

Department of Pediatrics
UCSF Benioff Children's Hospital
UC San Francisco School of Medicine

Department of Pediatrics
UC Irvine Medical Center

Department of Pediatrics
Loma Linda University Faculty
Medical Group, Inc.

Miller Children's and Women's
Hospital Long Beach

CHOC Children's Specialists, Orange
County

Cottage Children's Medical Center -
Santa Barbara

Shriners Hospitals for Children -
Northern California

Community Regional Medical Center,
Fresno

Cedars-Sinai Guerin Children's

April 9, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

Submitted Via Email: OHCA@hcai.ca.gov

Re: Proposed High-Cost Hospital Spending Target – CONCERNS for pediatric services

Dear Chair Johnson,

On behalf of the Children's Specialty Care Coalition (CSCC), I am writing to express our concerns regarding the speed with which the Office of Health Care Affordability (OHCA) is considering hospital sector-specific spending growth targets. We urge OHCA to consider the impacts these targets could have on patient care, particularly at a time when there are looming cuts to Medicaid that could be devastating to California, and have detailed our concerns specific to access to pediatric specialty care below.

CSCC represents the pediatric specialty physicians affiliated with children's hospitals and other tertiary care centers throughout the state, including Cottage Children's Medical Center in Santa Barbara and Stanford Medicine Children's Health in the Bay Area. We previously submitted a letter of concern about the unintended consequences on patient access to care as a result of the overall spending target that went into effect this year and will drop down to 3% by 2027. The even more restrictive cap being proposed for certain hospitals that have been deemed "high cost," including our two aforementioned members, will have downstream effects on their ability to provide pediatric specialty care services, as well as training programs for pediatric residents.

The pediatric specialty care workforce is facing a growing crisis, and children and youth with medical complexity already struggle to receive timely care.[1] One-third of families of children with special health care needs in California are waiting over three months for a new specialty care appointment.[2]

Moreover, there are concerning trends related to the pipeline of pediatric specialists, with an increasing number of non-procedural based subspecialty fellowship slots going unfilled.[3] These trends largely stem from low and stagnant Medi-Cal reimbursement rates, which are slowly eroding providers' ability to recruit and retain a sufficient workforce to meet the current demand. Given the high percentage of Medi-Cal patients that pediatric specialists serve, 62% and 43% respectively at Cottage and Stanford, commercial reimbursement is a necessary lifeline to subsidize inadequate public payer rates.

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[1] Fact Sheet: California's Children Need Access to Pediatric Subspecialists - https://childrens-coalition.org/wp-content/uploads/2023/04/5.-Access-to-Care-Infographic.pdf
[2] Fact Sheet: Access to Care in California The CYSHCN Family Experience - https://cepc.ucsf.edu/sites/cepc.ucsf.edu/files/Impacts-of-Delays-in-Care-Factsheet-24-0208.pdf
[3] Match Results Statistics Medicine and Pediatric Specialties – 2023 - https://www.nrmp.org/wp-content/uploads/2023/11/2023-MPSM-Match-Results-Statistics-Report.pdf

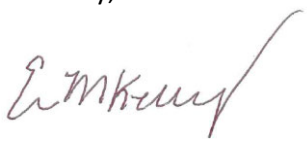
Both institutions also train pediatric residents. In fact, despite the uncompensated costs, Cottage just established their pediatric residency program three years ago. It is well-known that residents often stay to practice where they train, however, a 1.8% cost target would make it extremely challenging, if not impossible, to sustain this vital program. Also on this point, the authorizing statute requires OHCA to develop cost targets that "promote the stability of the health care workforce including the development of the future workforce, such as graduate medical education teaching, training, apprenticeships and research," (Health & Safety Code § 127502(a)(6)). Adopting sector targets that do not consider the costs of graduate medical education programs does not further the statutory goals.

Further, OHCA has not yet finalized its method for measuring hospital spending. OHCA has a legal prerogative to inform the creation of sector targets with historical cost data. However, the lack of a finalized methodology means the relevant historical cost data has not been reviewed and leaves hospitals in the dark as to how to comply with the target. **Establishing hospital-specific sector(s) and corresponding spending targets is premature.**

We respectfully request that OHCA devote additional time for analysis and discussion before finalizing sectors or corresponding targets. We remain committed to achieving our shared goals of affordable, high-quality care, and we ask that you proceed with a keen eye toward ensuring care is not diminished in the pursuit of lower costs.

CSCC represents over 3,000 pediatric subspecialty care physicians throughout California, and our mission is to ensure that children and youth with complex health care needs have access to equitable, timely and high quality care, provided by pediatric specialists who are able to thrive in California's health care environment, through strong leadership, education and advocacy. Thank you for considering our concerns.

Sincerely,



Erin M. Kelly, MPH
Executive Director
Children's Specialty Care Coalition

CC: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency

From: cborje@everyactioncustom.com on behalf of christine Borje
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:25:11 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
christine Borje
[redacted]

City of Hope™

Harlan Levine, MD
President, Health Innovation & Policy

1500 East Duarte Road
Duarte, CA 91010-3000
Phone 626-218-7178

April 9th, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

Subject: City of Hope Comments on OHCA Sector Targets
(Submitted via Email to Megan Brubaker)

Dear Chair Johnson,

We appreciate the opportunity to provide input on the state's approach to addressing rising healthcare costs. We commend OHCA's commitment to developing a thoughtful, data-driven framework to improve healthcare affordability while promoting transparency, accountability, and high-value care across California's healthcare system.

City of Hope (COH) is one of America's largest and most advanced cancer research and treatment organizations and is also a leading research center for diabetes and other life-threatening illnesses. Founded in 1913, City of Hope is an independent, National Cancer Institute-designated comprehensive cancer center that is ranked in the top 5 in the nation for cancer care by *U.S. News & World Report*. Our growing national system includes our Los Angeles campus, with extensive facilities for patient care, research, and academic training; a network of clinical care locations across Southern California; a new cancer center in Orange County, California; and cancer treatment centers and outpatient facilities in the Atlanta, Chicago, and Phoenix areas. The Arizona-based Translational Genomics Research Institute, a world-renowned genomics research institute, is also part of the COH organization.

COH's mission is to make hope a reality for all touched by cancer and diabetes. More than 86 million people now live in communities with local access to a COH location. Last year, our organization treated close to 160,000 patients. As a leading independent biomedical research institution and cancer treatment center, COH is dedicated to leveraging cutting-edge technologies to improve cancer care and expand access to lifesaving treatments.

I. Limitations of OHCA's Methodology for Identifying Disproportionately High-Cost Hospitals

COH appreciates OHCA's goal of establishing a data-driven, standardized approach for identifying disproportionately high-cost hospitals. However, we believe that the current methodology—specifically the use of Case Mix Adjusted Discharge (CMAD) and the Commercial-to-Medicare Payment-to-Cost-Ratio (PTCR)—does not fully capture the clinical realities of high-acuity care providers like COH. Without appropriate recognition of the complexity and resource intensity of this

care, there is a risk that institutions like ours may face reimbursement constraints that could ultimately limit patient access to life-saving treatments.

Limitation of the Unit Price Measure (CMAD-Based NPR)

While CMAD is a valuable tool for adjusting for patient complexity, it does not fully account for the higher costs associated with the advanced treatments provided at specialty hospitals. In particular, the measure fails to reflect:

1. Ultra-high-cost therapies: Treatments such as CAR-T cell therapy, bone marrow transplants, and precision medicine are not only more intensive but also carry significantly higher drug, technology, research, innovation and administration costs. These therapies are essential to patient outcomes but disproportionately impact revenue and cost calculations because they are not reimbursed at rates that cover the added costs.
2. Specialized workforce needs: Cancer care requires highly trained personnel—including oncologists, geneticists, and clinical researchers—who command higher salaries due to their expertise. CMAD does not account for the labor intensity or cost differential of staffing advanced cancer teams.
3. Complex care delivery models: Multidisciplinary teams, prolonged inpatient stays, and intensive post-treatment follow-up are standard in cancer care and represent substantial added cost. For example, patients receiving quaternary care may remain hospitalized for 30 days or longer due to complications associated with aggressive treatments. These extended stays are not adequately reflected in CMAD metrics.

Limitations of the Relative Price Measure (Commercial-to-Medicare PTCR)

While the PTCR may serve as a useful comparison tool at a broad system level, it is not a reliable indicator for high-acuity specialty hospitals. Several factors distort the ratio for institutions like COH:

1. Higher Medicare reimbursement: institutions that treat complex, high-risk patients—often academic or specialty centers—tend to receive higher Medicare rates due to teaching status, patient acuity, and care complexity. This artificially lowers the PTCR, making commercial reimbursement appear disproportionately high.
2. Higher baseline treatment costs: Advanced therapies and complex interventions carry inherent cost burdens that are not captured in the PTCR framework. This includes treatments, like CAR T-cells, described above.
3. Cross-subsidization: Specialty hospitals often rely on commercial reimbursement to subsidize underfunded services, such as clinical trials or high-cost procedures with limited Medicare and Medi-Cal reimbursement. This dynamic is essential to maintaining access to care for high-need populations but is not reflected in the PTCR calculation.

Taken together, the CMAD and PTCR metrics do not fully reflect the financial and clinical complexity of hospitals that provide advanced, high-acuity care such as cancer hospitals. While COH may not currently be classified as a high-cost outlier under the proposed methodology, we remain concerned that the current approach does not adequately account for the cost structures of

specialty hospitals. Without further refinement, the methodology risks misclassifying institutions that deliver complex, life-saving treatments to some of California's sickest and most underserved patients.

II. Ensuring Sustainable Reimbursement for High-Acuity Specialty Care

Cost containment discussions must consider the unique financial and clinical realities of high-acuity specialty hospitals like COH. Institutions such as ours are not general acute care hospitals; they are dedicated to developing and delivering advanced, resource-intensive treatments and cures to some of the most complex and vulnerable patient populations in the state. As a non-profit comprehensive cancer center focused on innovating lifesaving treatments and delivering the highest value care, COH navigates a complex, fast-moving space for the benefit of our patients. Our work ensures families impacted by cancer have a path forward – even if their diagnosis requires we invent that path.

COH, as a result, provides care models and services that differ significantly in both cost and complexity from the average hospital. Our programs include:

- The largest blood and marrow transplant program in the country, with 20,000 transplants performed to date.
- One of the nation's largest CAR T-cell therapy programs, which has delivered more than 3,000 treatments.
- More than 500 active therapeutic interventional clinical trials, spanning phases I, II, and III.
- Approximately 6,000 discharges annually, with over 95% of patients in 2022 presenting with a cancer diagnosis.

These treatments are often paired with longer hospital stays, intensive monitoring, and multidisciplinary care teams, driving higher per-patient costs that are directly tied to clinical complexity and improved outcomes—not costs due to inefficiencies or excess. Additionally, many of these therapies require cutting-edge pharmaceuticals, specialized infrastructure, and highly trained personnel, further contributing to the cost profile of care at institutions like COH.

A truly patient-centered approach to cost containment must ensure that hospitals are not penalized for treating the most complex cases or for delivering complex treatments that improve patient outcomes. Narrowly applied cost metrics, if not adequately adjusted for the nature of high-acuity care, risk creating perverse incentives—discouraging hospitals from accepting referrals for the sickest patients or shifting care to settings that lack the expertise or capacity to manage these conditions safely and effectively.

A more effective framework would account for the unique cost drivers associated with specialty hospitals, particularly those focused on cancer and other life-threatening conditions. COH urges OHCA to consider establishing a carve-out for institutions that operate as stand-alone cancer centers, such as National Cancer Institute (NCI)-designated comprehensive cancer centers. These hospitals differ fundamentally from general acute care providers in that they treat a concentrated, high-acuity patient population and deliver care that is significantly more resource intensive, research-driven, and technologically advanced. We ask that OHCA consider:

- The inherent costs of high-acuity care differ substantially from those at general acute care hospitals.
- The development and delivery of new and emerging technologies, such as gene therapy for sickle cell disease and CAR T-cell treatment, offer transformative potential for patients with few alternatives, but also require significant upfront investment.
- The critical role of specialty hospitals in serving underserved populations, ensuring that complex, cutting-edge care is not limited to those with the means or proximity to access it.
- The necessity of investing in research, innovation, and clinical trials, which directly benefit patients but often fall outside traditional reimbursement structures.

Sustainable reimbursement for high-acuity care is essential to maintaining patient access to advanced treatment options and fostering continued innovation in areas such as gene therapy, genomics, and immunotherapy. As a national leader in advancing the standard of care, COH often bears the financial burden of implementing breakthrough treatments well before they are widely adopted. Cost containment strategies should be designed to support, rather than disincentivize, institutions that push the field forward and provide transformative therapies to patients with the most complex needs and limited treatment options.

III. The Broader Healthcare Cost Equation

Any sustainable policy must also acknowledge that hospitals are only one part of the healthcare cost equation. Overall affordability is also shaped by:

- Commercial payer reimbursement practices, which influence provider behavior and access to care.
- Pharmaceutical pricing, especially for specialty drugs that are essential in oncology and other high-acuity fields.
- Administrative burdens placed on providers, including complex billing systems, prior authorization requirements and delays, and claims denials, which add cost and divert resources away from patient care.

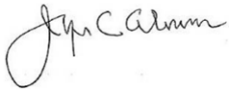
A holistic strategy—one that addresses the entire cost structure rather than isolating hospitals—will result in more meaningful, long-term solutions for California's patients, providers, and health systems. We urge OHCA to pursue date-driven, equity-oriented policies that preserve access to advanced care while promoting shared accountability across the healthcare sector.

Conclusion

COH appreciates the opportunity to provide feedback on OHCA's proposed methodology and commends the agency's broader mission to advance healthcare affordability, transparency, and accountability. As a high-acuity hospital, we strongly support the development of a nuanced, data-informed framework that promotes cost sustainability without compromising patient access to complex, life-saving care. We encourage OHCA to continue refining its approach in a way that recognizes the distinct role of institutions like COH in driving innovation, advancing standards of care, and treating the most medically challenging cases. We welcome the opportunity to remain a collaborative partner in this work and to help shape policies that support both fiscal responsibility and equitable access to advanced cancer treatment.

Sincerely,

Harlan Levine, MD
President, Health Innovation and Policy



Joseph Alvarnas, MD
Professor, Division of Leukemia, Department of Hematology
Vice-President, Government Affairs

CC: Elizabeth Landsberg, Director, Department of Healthcare Access and Information
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan

From: msctstewart04@everyactioncustom.com on behalf of Clarence Thomas
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 2:18:39 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Clarence Thomas
[redacted]

CALIFORNIA MEDICAL ASSOCIATION

April 11, 2025

Secretary Kim Johnson
Chair, Office of Health Care Affordability Board
Department of Health Access and Information
2020 West El Camino Avenue
Sacramento, CA 95833

Submitted via: OHCA@hcai.ca.gov

RE: Proposed Hospital Spending Target Methodology and Value

Dear Secretary Johnson:

On behalf of our more than 50,000 physician and medical student members, the California Medical Association (CMA) appreciates the opportunity to comment on the Office of Health Care Affordability (OHCA)'s proposed high-cost hospital spending methodology and target values. We appreciate the public discussions and the meetings with some hospitals that have taken place over the last several months about the potential of speeding up the timeline envisioned in the statute relating to setting sector specific cost targets. Those discussions have demonstrated that OHCA does yet have the information it needs to define high-cost outliers without capturing some hospitals for which setting a lower cost target in 2026 could negatively impact the delivery of care by those hospitals. CMA encourages the board to consider the following issues to ensure that decisions by OHCA minimize any negative impact on access, quality, equity, and workforce stability.

Setting High-Cost Hospital Sector Targets Is Premature

California's statewide health care spending targets just went into effect in January of this year. 2025 is a reporting year prior to the enforcement of the health care spending targets. It is not until 2026, after data for 2025 is submitted and analyzed, that the OHCA Board will have a sense of how various health care entities performed against the 3.5% spending target and the factors that cause some health care entities to be unable to meet the statewide target. While we appreciate the urgency to slow the rate of health care spending, it is premature to place an even lower spending target (slightly more than half of the current 3.5% spending target) on hospitals OHCA has identified as high cost. The cost of labor, medical supplies and drugs are all increasing annually at well above 3.5%, and a state requirement to lower health care spending growth to 1.8% or lower could push hospitals to lay off staff, reduce service lines, or scale back community investments. We continue to be concerned that the 3.5% health care

spending target is too low for some health care entities to meet given inflation, the cost of providing care and increasing costs of labor, medical supplies, drugs, and those costs associated with new tariffs. Cutting the statewide spending target in half for this list of hospitals, at this time, will be incredibly difficult to meet and may lead to negative consequences for patients and quality, equity, and access to care.

The list OHCA developed of high-cost outliers appears to include multiple rural hospitals, multiple safety net hospitals, multiple hospitals that are located in high cost geographic regions of the state where labor, real estate and other costs are higher than average, at least two hospitals with Level 1 Trauma Centers, some that appear on HCAI's Maternity Care Honor Role (at a time when other hospitals have shut down labor and deliver services all together) and some hospitals that are financially distressed. Our sincere worry is that if you act now, rather than waiting to learn from the 2025 reporting year experience, the patients who need care at these hospitals will suffer access to care and quality of care issues brought about by setting artificially low-cost targets or applying those cost targets to the wrong list of health care facilities.

California is not Massachusetts, which has a dozen years of experience with their Health Policy Commission that was established in 2012 to address health care spending growth; we are just starting out and even Massachusetts hasn't gone down the path of setting a hospital sector target yet.

CMA has the following comments regarding the high-cost hospital target methodology:

Measuring Hospital Spending

CMA encourages OHCA to finalize a methodology that captures how both inpatient and outpatient hospital spending will be measured and provide guidance on enforcement prior to identifying and establishing a spending target for high-cost hospitals. It is crucial that this methodology is sound and accurately captures both inpatient and outpatient spending before moving forward with establishing high-cost hospital sector targets.

Unit Price Repeat Outlier

OHCA's recommendation to measure unit price based on Commercial Inpatient Net Revenue per Case Mix Adjusted Discharge has some challenges because this measure is only based on a hospital's inpatient services. By excluding outpatient services, the current methodology excludes a significant portion of hospital services. Additionally, excluding charity care from this calculation does not provide OHCA a complete picture of the level of services provided, or consider the cost of charity care provided at some hospitals.

Relative Price Repeat Outlier

OHCA staff recommend measuring the relative price base on the Commercial to Medicare Payment to Cost Ratio which is Medicare and Commercial net patient revenue divided by Medicare are Commercial costs. This measure aims to show the amount a commercial payer pays for a medical service versus what Medicare's standard rate is for that service. Comparing costs against Medicare rates is problematic as the amount Medicare pays for a service can vary patient to patient. In addition, with the uncertainty at the federal level and proposals to cut billions of dollars in health care funding from the federal budget to implement President Trump's agenda, Medicare rates could drop in the near future. Further, Medicare rates are an imperfect measure of the cost of patient care. For five consecutive years, physicians including those working in hospitals have experienced a Medicare rate cut, including a 2.8% cut in 2025. After adjusting for inflation in practice costs, since 2001, Medicare payments to physician practices have decreased by 33%, while the cost of providing care has increased substantially. CMA encourages OHCA to continue to explore other evaluation measures.

Payer Mix Threshold Is Too Low

OHCA staff recommend excluding hospitals that have less than 5% gross patient revenue from Medicare or Commercial payers from being considered on the high-cost hospital target value list. This payer mix threshold of 5% seems incredibly low. It appears that many of the hospitals identified on OHCA's high-cost hospital list serve populations that are disproportionately Medi-Cal, with upwards of 70 to 75% of their patients enrolled in Medi-Cal. These hospitals provide critical health care services to underserved communities, and hospitals argue that Medi-Cal rates do not cover the cost of care. CMA urges OHCA to consider the potential negative impact a 1.8% health care spending target would have on hospitals providing primarily essential health care services to low-income patients. The passage of Proposition 35 with 68% of the vote last November and recent public opinion polls, as the federal government is considering significant cuts to Medicaid funding, demonstrate that improving access to care for Medicaid enrollees is important to the overwhelming majority of Californians, regardless of political affiliation. Any state policy that pressures safety net hospitals to reduce access to care, the range of health care services available in a particular community, staffing, or service hours is highly problematic. From the testimony at the OHCA Board meetings, it is clear there is worry that the proposal before you could result in the closure of one or more hospitals on your current list. As such, CMA recommends that OHCA reconsider the proposed payer mix threshold.

Exclude Small Hospitals

CMA appreciates the conversation OHCA Board members had at the March 2025 meeting regarding the need to potentially exclude small hospitals from consideration from the high-cost

hospital target list. CMA strongly encourages the OHCA Board to consider this exclusion. Moving forward now and setting a 1.8% target, is too risky if you run the risk of reducing access to care. Many of the hospitals on OHCA's high-cost hospital list are in more remote/rural areas where there are few or no other hospitals or medical services. A hospital closure would have disastrous effects on the community. Several hospitals on the list had fewer than 125 beds and have a large service area. OHCA should also consider the daily census of a hospital. A hospital may be licensed for 100 beds, but many could be offline due to staffing constraints or other issues. As such, CMA encourages OHCA to further analyze this issue and exclude small hospitals from consideration for the high-cost list.

Overall Impact of the High-Cost Hospitals Methodology and Target

The practical effect of the proposed high-cost hospital methodology and spending targets is that it disproportionately impacts smaller, rural, and critical access hospitals that are mostly independent hospitals. Most of these hospitals are not a part of a system in which costs might be absorbed among multiple sites or benefit from being able to purchase medical supplies or medications at scale.

There is nothing in law that requires or encourages you to set a hospital sector target before health care entities have submitted the 2025 cost target data and OHCA has the chance to analyze that data.

CMA urges the OHCA Board to move cautiously, make decisions based on sound data, and consider the impact the Board's decisions will have on hospitals, the communities they serve and access to care.

Thank you for the opportunity to comment. We look forward to continuing the dialogue and collaboration on the high-cost hospitals methodology and targets and other key issues before the Board.

Sincerely,

Janice M. Rocco

Janice Rocco
Chief of Staff

cc: Members of the Health Care Affordability Board
Elizabeth Landsberg, Director, HCAI
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Asst. Secretary, CA Health & Human Services Agency
Richard Figueroa, Cabinet Secretary

From: conorjobrien90@everyactioncustom.com on behalf of Conor OBrien
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Friday, April 11, 2025 10:41:54 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. I have, as a result of an increase in premiums, seen my paycheck decrease this year despite a modest raise. This has made it all the more difficult to afford living in Santa Cruz, which has for the third year in a row won the dubious title of most expensive region to live in the country. Insurance costs are a primary reason that Santa Cruz is as unaffordable as it is.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Conor OBrien


Cottage Health
GOLETA VALLEY | SANTA BARBARA | SANTA YNEZ VALLEY

Post Office Box 689
400 West Pueblo Street
Santa Barbara, CA 93102-0689
p: 805-682-7111
w: CottageHealth.org

April 11, 2025

Kim Johnson
Chair, Health Care Affordability Board
c/o Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Cottage Health, Santa Barbara Cottage Hospital and Goleta Valley Cottage Hospital Oppose Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Chair Johnson,

Thank you for the opportunity to provide comments to the proposed Hospital Sector Spending Target pending before the Office of Health Care Affordability ("OHCA") Board (the "Target"). We appreciate OHCA's efforts to make healthcare more affordable. We also appreciated the opportunity to meet with OHCA staff on March 19, 2025 to share how the proposed target would impact Santa Barbara Cottage Hospital ("SBCH") and Goleta Valley Cottage Hospital ("GVCH"), which are currently identified as "high cost hospitals" under the proposed Hospital Sector Spending Target.

As we discussed at our March 19 meeting, GVCH and SBCH are part of Cottage Health, a non-profit health system serving California's Central Coast. Both hospitals are essential community providers with more than 26% of patients coming from out of area. These hospitals offer more than 55 specialties, including essential community services which are under-reimbursed such as psychiatry, pediatrics and labor and delivery. These are low acuity, high intensity services that dilute SBCH's case mix index. If the Target is implemented and Cottage Health is forced to limit revenue growth to between 1.6-1.8%, it will be very difficult to maintain the breadth of services, educational programs and community support programs that are currently provided. Likewise, Cottage Health would need to evaluate the staffing complement, including graduate medical education programs to determine whether these are sustainable in the face of reduced funding.

Accordingly, we are concerned about the impact of the proposed Target on to our community. SBCH and GVCH are operating with narrow to non-existent operating margins and costs of drugs, supplies, insurance and staffing continue to rise each year, with no end in sight. In fact, costs are anticipated to rise significantly due to new tariffs, looming Medicaid cuts and other economic policies being pursued in Washington. (See attached article, "Is More Inflation Ahead for Hospitals?" *Becker's Hospital Review* (April 9, 2025). Without the ability to raise revenue to meet these cost increases, we will be forced to make tough choices that will impact the communities we serve.

For many reasons, we believe the current proposal is not the right approach to address healthcare costs. Specifically, the proposal does not consider all factors required by the statute (e.g., quality, workforce, payer mix and geography and does not differentiate the COVID years as required by the statute. Therefore, we urge OHCA to revisit its methodology and delay implementation of the Hospital Sector Spending Target to ensure that the methodology and data accurately reflect the costs of providing care in our community.

OHCA's Proposal Does Not Consider All Factors Required by Statute: Hospital Quality, Workforce and Medical Education, Payer Mix and Geography Must be Considered

We are concerned that the proposed Hospital Sector Spending Targets do not address all of the factors required by the authorizing statute, California *Health & Safety Code* § 127500, et seq. This statute enumerates specific factors that must be considered and incorporated by the Board in setting cost targets. The Legislature acknowledged that developing cost targets for healthcare providers should include consideration of quality of care provided, equity, payer mix, geography and workforce. These factors are notably absent from the Hospital Sector Cost Target.

1. Quality

Health & Safety Code Section 127500(l) is clear that cost targets must take into account a health care provider's quality. This section states, [i]t is the intent of the Legislature in enacting this chapter that the setting of health care cost targets distinguish between health care entities that deliver cost-efficient, high quality care and those that deliver high-cost care without commensurate improvements in overall quality. *Id.* As to the Sector targets, Section 127502(c)(5) states that health care cost targets ***shall***, "promote the goal of improved affordability for consumers and purchasers of health care, *while maintaining quality* and equitable care, including consideration of the impact on persons with disabilities and chronic illness."

Santa Barbara Cottage Hospital and Goleta Valley Cottage Hospital have been awarded "5 Stars" by the Centers for Medicare and Medicaid Services for 6 of the past 8 years. Both have "A" grades in patient safety from Leapfrog and have received countless quality accreditations, awards and recognition by agencies, such as The Joint Commission and third party payers. (See attached). These measures place SBCH and GVCH in the top decile of all hospitals nationwide for quality. These outcomes are the result of significant investments in staffing, training, and quality infrastructure. As the Legislature acknowledged, quality has a cost and that should be reflected in the methodology used to set the Targets. The proposed Hospital Sector Spending Targets were set using financial metrics of net patient revenue and Commercial to Medicare ratios. Neither of these measures differentiate hospitals based on quality, as required by statute.

2. Workforce and Medical Education

The Legislature also acknowledged that affordability should not come at the cost of healthcare workers and charged OHCA with developing targets that promote stability in the workforce. (*See, e.g., Health & Safety Code* § 127500(g). As to the sector targets, the Legislature specifically requires that the "health care cost targets shall" promote the stability of the health care workforce, including the development of the future workforce, such as graduate medical education teaching, training, apprenticeships, and research. *Health & Safety Code* Section 127502(c)(6). The proposed Target does not address workforce training or graduate medical education and, in fact, will reduce funding for these essential programs.

As discussed in our March 19, 2025 meeting with OHCA staff, SBCH is a teaching hospital with more than 90 residents in four different programs. **Medicare pays for only 46 of these resident positions, the remaining positions are funded by SBCH resulting in a Medicare shortfall of $12 million per year for graduate medical education.** Without revenue to support these positions, SBCH will have to reevaluate its teaching programs. Rough estimates indicate that the Target would pull more than $13 million out of operations in year one, which eclipses SBCH's subsidy of this program. To meet its statutory mandate and promote workforce and GME stability, OHCA should revise its methodology and include an adjustment for teaching hospitals.

3. Payer Mix, Mandated Capital Improvements and Geography

Health & Safety Code Section 127502(d)(4) requires OHCA to adjust the methodology to take into account provider payer mix, state and local mandates for capital improvements and other government mandates impacting cost and reimbursement. This section states:

> "[t]he methodology shall review potential factors to adjust future cost targets, including, but not limited to, the health care employment cost index, labor costs, the consumer price index for urban wage earners and clerical workers, impacts due to known emerging diseases, trends in the

> price of health care technologies, provider payer mix, state or local mandates such as required capital improvement projects, and any relevant state and federal policy changes impacting covered benefits, provider reimbursement, and costs."[1]

None of these factors have been incorporated into the proposed Hospital Sector Spending Target.

a. Payer Mix

Hospitals with a higher-than-average commercial payment to cost ratio may have a large Medicare population, and therefore need to cover Medicare losses through commercial payments to a greater extent than other hospitals. Government payers are the largest payors of SBCH and GVCH. Approximately 78% of SBCH's revenue is derived from government payors, with nearly 20% of revenue coming from Medi-Cal. Government payers are approximately 72% of GVCH's revenue, with 15% of revenue coming from Medi-Cal. As discussed elsewhere, **Medicare reimbursement covers 65% of the costs** of delivering care, and **Medi-Cal covers just 38% of costs**. Each year, SBCH's costs of delivering services to Medicare beneficiaries exceed its Medicare reimbursement by **$150 million** or more and GVCH losses on Medicare are approaching **$20 million annually**. Without commercial reimbursement to fill the gaps, it is not possible for SBCH and GVCH to provide a broad spectrum of high-quality services to the community.

The proposed Hospital Sector Spending Targets do not account for hospital payer mix. OHCA should revisit its methodology and ensure that Targets are adjusted to reflect hospitals' payer mix as required by the statute.

b. Mandated Capital Improvements

Each year, the California Legislature enacts new laws that impose mandates on hospitals to upgrade facilities. The most notable of these is California's hospital seismic compliance and safety statute, SB 1953, codified at Sections 130000-120070 of the *Health & Safety Code*. Over the past twenty years, SBCH spent more than $1 billion to bring the hospital into substantial compliance with seismic requirements. These improvements were made without any state funding.

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[1] The Legislature intended these factors to be included in all targets. To the extent this section is interpreted to apply only to *future* targets, OHCA adopted the Statewide Spending Target in April 2024 (codified in regulation at section 97447, Article 2 of Chapter 11.5 of Division 7 of Title 22, California Code of Regulations, effective June 27, 2024). Therefore, the Hospital Sector Spending Target is also a "future target" subject to Section 127502(d)(4).

While seismic compliance is the most extreme of these government mandates, there are countless examples of other unfunded mandates that are imposed each year that carry additional operating costs. For example, last session's weapons detection law requires installation of a weapons detection system (and staffing) at most hospital entrances. For SBCH and GVCH this carries an annual cost of $6 million, without any additional revenue. As the Legislature observed, these regulatory mandates must be considered in evaluating hospital costs.

c. Geographic, Patient Mix, Labor And Other Costs Of Doing Business

Likewise, the Legislature gave specific direction to OHCA for setting ***sector*** targets—specifically requiring OHCA to include adjustments for increased costs associated with patient mix, equity, labor costs and geographic differences. *Health & Safety Code* Section 127502 (e) states:

The methodology for setting a sector target for an individual health care entity shall be developed taking into account the following:

(1) Allow for the setting of cost targets based on the entity's status as a high-cost outlier.

(2) Allow for the setting of cost targets that encourage an individual health care entity to serve populations with greater health care risks by incorporating all of the following:

(A) A risk factor adjustment reflecting the health status of the entity's patient mix, consistent with risk adjustment methodology developed under subdivision (f).
(B) An equity adjustment accounting for the social determinants of health and other factors related to health equity for the entity's patient mix, consistent with subdivision (g).
(C) A geographic cost adjustment reflecting the relative cost of doing business, including labor costs in the communities the entity operates.

The proposed Hospital Sector Spending Target does not include an equity adjustment or geographic adjustment. Santa Barbara Cottage Hospital spends approximately **$7.7 million** each year on Population Health programs targeting patients who are at risk for homelessness, need social support such as food, housing and transportation, and who experience health inequities due to factors such as: income, age, race, general and/or sexual orientation. The proposed Hospital Sector Target does not consider the costs of health equity programs like those provided by SBCH.

Nor does the proposed Hospital Sector Spending Target include a geographic adjustment, as required by the statute. According to the Economic Research Institute, Santa Barbara is ranked #36 out of 6,011 cities of the most expensive cities in the United States; it is the 26th most expensive state out of 446 cities in California. https://www.erieri.com/cost-of-living/united-states/california/santa-barbara It is the 16th most expensive labor market out of 400 metropolitan areas nationwide. The median home price in Santa Barbara in 2023 was

$2.25 million and $1.57 million in Goleta. None of these metrics are accounted for in the proposed Hospital Sector Spending Target. OHCA should revisit the methodology and incorporate a geographic adjustment to reflect the higher costs of delivering care in different metropolitan service areas in the state.

The Methodology Must Differentiate for the COVID Years of 2020 and 2021

We appreciate that OHCA's proposal includes a consideration of many years of data to identify outliers rather than a single year's data, however, the periods used are necessarily problematic as they included periods of the COVID pandemic. Hospitals throughout the state incurred extraordinary costs, sometimes spending as much as $200-300 per hour for temporary nursing staff, were subject to supplier price gouging for PPE, all while reducing elective and other revenue generating services. The COVID Years were an extraordinary time in healthcare (and were of course atypical) and therefore skew cost data significantly.

The Legislature acknowledged this and specifically directed OHCA to treat 2020 and 2021 differently. *Health & Safety Code* Sections 127502(d)(3) specifically states that:

> [t]he methodology shall review historical trends in costs for Medi-Cal, Medicare, and commercial health care coverage. ***The methodology shall provide differential treatment of the 2020 and 2021 calendar years*** due to the impacts of COVID-19 on health care spending and health care entities.

OHCA's methodology incorporates multi-year data from the 2018-2022 period, but it does not adjust or otherwise differentiate the "COVID Years." The statute clearly requires more. Given that the statute does not require that OHCA establish sectors until 10/1/2027, OHCA should revisit its methodology and include an adjustment to address the increased costs and reduced reimbursement providers incurred during the COVID Years.

Impact of the Hospital Sector Target

Cottage Health is reviewing its operations to determine how it would respond if the Target is implemented. There is no doubt that changes would need to be made to service mix, quality, access and workforce if revenue growth is capped between 1.6-1.8% annually. Rough math indicates that the Target would pull more than $13 million out of operations. At an average cost of FTE of $174,200, a reduction of $13 million would equate to 77 FTEs. We simply could not continue to operate in the same way with revenue that is less than the costs of providing care.

Cottage Health, on behalf of its Santa Barbara Cottage Hospital and Goleta Valley Cottage Hospital, hereby requests OHCA to revisit its methodology for calculating the Hospital Sector Spending Target to incorporate the factors required by the statute. OHCA should delay implementation of the Target until it is revised and a thorough analysis of the impact on patient care can be conducted.

Sincerely,

Stacy Bratcher
Senior Vice President & Chief Legal Officer
Cottage Health

Encls.

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Senator Monique Lìmon
Assemblymember Gregg Hart

Cottage Health

A not-for-profit health system, providing care on California's Central Coast since 1891.

Vision Statement

Cottage Health is a trusted partner for those who seek and deliver care, recognized as the destination for exceptional healthcare.

Mission Statement

To provide superior health care for and improve the health of our communities through a commitment to our core values of excellence, integrity, and compassion.

Cottage Health

2024 Cottage Health Quick Facts

5 Hospitals and Medical Centers

Santa Barbara Cottage Hospital, including:

- Cottage Children's Medical Center
- Cottage Rehabilitation Hospital

Goleta Valley Cottage Hospital

Santa Ynez Valley Cottage Hospital

55 Specialties

- **Heart & Vascular Center** Blue Distinction Center® from Blue Cross Blue Shield
- **Center for Orthopedics** Advanced Certification for Total Hip and Total Knee Replacement from The Joint Commission
- Advanced Certification for **Comprehensive Stroke Centers** from The Joint Commission

47 Specialty Care Clinics and Services

2,005 Babies Born

Designated Baby-Friendly® hospital by Baby-Friendly USA Inc.

578 Licensed Beds

20,733 Patients admitted

103,415 Days of inpatient care

13,892 Surgeries

91,649 Emergency department visits

- 3 Emergency Departments, Level 1 Adult Trauma Center, Level II Pediatric Trauma Center
- Designated STEMI Receiving Center

155,073 Outpatient Visits

3,725 Employees (Full-Time Equivalent)

450+ Volunteers

700+ Medical Staff Physicians

4 Physician Residency Programs

- Internal Medicine
- Diagnostic Radiology
- Surgery
- Pediatrics

2023-25 Awards and Designations

UPDATED MARCH 2025

Cottage Health

- Recipient of 2024 **Great Place To Work Certification™** for a sixth time
- Designated a **Digital Health Most Wired organization:** Acute Level 7 and Ambulatory Level 7
- Named a **2024 Seramount 100 Best Companies for working parents**

Heart & Vascular Center

- Named one of **America's Best Cardiac Hospitals** 2024 by Newsweek
- **Blue Distinction Center®** from Blue Cross Blue Shield
- Designated **STEMI Receiving Center**

Center for Orthopedics

- **Advanced Certification for Total Hip and Total Knee Replacement** from The Joint Commission
- **Blue Distinction Center®—Knee and Hip Replacement** from Blue Cross Blue Shield

Neuroscience Institute

- **Advanced Certification for Comprehensive Stroke Centers** from The Joint Commission
- **Joint Commission Brain Tumor Certification**, one of six in the United States

Center for Advanced Imaging

- **American College of Radiology accredited** for CT, MRI, Ultrasound, Mammography, and Lung Cancer Screening

Goleta Valley Cottage Hospital

- **5-star CMS rating** for Overall Quality & Safety
- **4-star CMS rating** for Patient Satisfaction
- **"A" Leapfrog Hospital Safety Grade**, Fall 2024
- **Advanced Certification for Total Hip and Total Knee Replacement** from The Joint Commission
- **Silver Level Geriatric Emergency Department Accreditation** (GEDA) from the American College of Emergency Physicians (ACEP)
- California Department of Public Health (CDPH) Healthcare-Associated Infections (HAI) **Antimicrobial Stewardship Honor Roll** – SILVER status

Santa Barbara Cottage Hospital

- **5-star CMS rating** for Overall Quality & Safety
- **4-star CMS rating** for Patient Survey
- **"A" Leapfrog Hospital Safety Grade**, Fall 2024
- **Get With The Guidelines® - Stroke Gold Plus Achievement with Stroke Honor Roll Elite recognition** by the American Heart Association and American Stroke Association, 2024
- **Target: Type 2 Diabetes Honor Roll** by the American Heart Association, 2024
- **Get With The Guidelines® - Coronary Artery Disease Hospital Recognition**: NSTEMI: Silver, 2024
- Recognized as one of the **World's Best Hospitals 2024** by Newsweek
- Recognized as a global leader for **Patient Satisfaction** by Newsweek
- Named one of **U.S. News & World Report's Best Hospitals**
- Surgical Intensive Care Unit honored with **Silver-Level Beacon Award for Excellence** by the American Association of Critical-Care Nurses (AACN)
- **Certified Advanced Comprehensive Stroke Center** by The Joint Commission
- **Certified for Sepsis Care** by The Joint Commission
- **Accredited Echocardiography facility** for Adult Transthoracic and Adult Transesophageal services by Intersocietal Accreditation Commission (IAC)
- **Accredited Comprehensive Center with Adolescent Care,** recognized by the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program (MBSAQIP)
- **Blue Distinction Center® —Bariatric Surgery** by Blue Cross Blue Shield
- Cottage Epilepsy Center, accredited as a **Level 3 Adult Epilepsy Center** by the National Association of Epilepsy Centers (NAEC)
- **Designated Baby-Friendly® hospital** by Baby-Friendly USA Inc.
- **Silver Level Geriatric Emergency Department Accreditation** (GEDA) from the American College of Emergency Physicians (ACEP)
- GOLD Status on the California Department of **Public Health Antimicrobial Stewardship Honor Roll** under the Healthcare-Associated Infections Program

Santa Ynez Valley Cottage Hospital

- **Accredited Critical Access Hospital** by The Joint Commission
- **Certified Acute Stroke Ready** by The Joint Commission
- **Get With The Guidelines® - Stroke Rural** Bronze recognition
- **Silver Level Geriatric Emergency Department Accreditation** (GEDA) from the American College of Emergency Physicians (ACEP)
- SILVER Status on the **California Department of Public Health Antimicrobial Stewardship Honor Roll** under the Healthcare-Associated Infections Program

Cottage Rehabilitation Hospital

- Newsweek **America's Best Physical Rehab Centers** 2024
- Accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) in **Brain Injury Specialty Programs, Spinal Cord Injury Specialty, Comprehensive Integrated Inpatient Rehabilitation Programs and Stroke Specialty Programs**

Ridley-Tree Center for Wound Care Management

- **Joint Commission Gold Seal of Approval** for Wound Care and Treatment Center of Distinction Award

Financial Management

Is more inflation ahead for hospitals?

By: **Laura Dyrda** 2 days ago

President Donald Trump imposed and then temporarily paused a variety of tariffs against other countries over the last few weeks. The action includes a 145% tariff on Chinese imports announced April 10, according to *Bloomberg*.

"The prospect of 104% tariffs against China is deepening traders' concerns about the path ahead for U.S. inflation," wrote Matt Grossman in *The Wall Street Journal*. "Trades in derivatives markets now reflect expected inflation of nearly 3.5% over the next 12 months. That's a brisk rise from [April 7] and up from forward inflation expectations of about 2.4% at the start of the year."

Mr. Trump also said April 8 he's planning additional tariffs on pharmaceuticals made internationally "very shortly," according to The Journal, in an attempt to drive more pharmaceutical companies to produce their products in the U.S. Hospitals may see a spike in already high drug and supply expenses as a result.

"Tariffs are basically a tax, and ultimately we all as consumers will be paying it. What it amounts to is more inflationary pressures and puts pressure on our supply chain," said Jeffrey Cohen, MD, executive vice president and chief clinical operating officer at Harford HealthCare, in an episode of the "Becker's Healthcare Podcast." "We are continually looking at how to minimize that, how to look for places that will avoid those tariffs, or, if not avoid

them, minimize them. That's a huge focus at this point. In addition to that, we have rising costs for all types of medications, pharmaceuticals that are separate even from the inflationary pressures of the tariffs."

Drug expenses rocketed during the last inflationary period following the pandemic and were up 9% year over year in February, according to Kaufman Hall's "National Hospital Flash Report" released April 8. Compared to 2022 year to date, drug expenses per calendar day grew 15%.

What are hospital leaders doing differently in the face of more inflation?

Some are hitting the breaks on mergers and acquisitions, and other big spending projects. M&A deals dropped significantly in the first quarter, which had just five deals compared to 20 last year, according to Kaufman Hall. Four of the five deals included financially struggling hospitals with few other options to keep their doors open.

"Hospital and health system merger and acquisition activity in Q1 2025 reflected the overall market volatility and economic uncertainty surrounding tariffs and potential policy changes from the new administration, affecting healthcare with a chill on decision-making," according to the Kaufman Hall report. "This low level of activity reflected broader malaise in M&A markets across industries, both globally and in the U.S."

During periods of high inflation after the pandemic, hospitals and health systems cut spending where they could, identified savings and tightened budgets. Some hospitals had workforce reductions while others cut services. Further inflation could squeeze hospitals even more.

"There's a rising cost of care delivery, including inflation in medical supplies, labor expenses and now tariffs, which is straining healthcare organization budgets," said Zafar Chaudhry, MD, senior vice president and chief digital, AI and information officer at Seattle Children's. "We're also seeing reimbursement challenges from payers, including potential cuts and increased denials that will add to financial difficulty. We are mid-sized, but we have to be good financial stewards moving forward."

Chicago-based CommonSpirit Health's CFO Daniel Morissette also recently told Becker's he's focused on addressing payer denials, downgrades and underpayments as inflation increases. The system is working to improve quality and patient satisfaction, but that's not enough.

“The gap between revenue growth and expense increases is unsustainable,” he said on an episode of the “Becker’s Healthcare Podcast.” “Given that we operate in 24 different states, some markets are even more challenging due to higher inflation rates. In certain states, inflation has been so severe that it’s difficult to see a viable path forward without increases in peer-patient reimbursement rates.”

CommonSpirit is standardizing contract language and designing more administratively efficient processes for payers to combat denials and downgrades to services. The system is also leveraging its 2,200 sites of care by conducting system-level negotiations, to mixed results.

“At the end of the day, it’s an uphill battle,” said Mr. Morrisette. “We’re doing everything we can to make our case to payers, emphasizing the value we bring, but it’s a difficult environment with no immediate resolution in sight.”

Challenging and uncertain times require strong leadership committed to the organization’s mission. Dr. Cohen espoused the importance of leading from the font and inspiring others to follow.

“Optimism is really important, even in challenging times, but acknowledging those difficult times that’s really important as well,” he said. “It doesn’t help to blindly say everything’s fine when people know it’s not. And we have to be honest [and transparent].”

More In:
Becker’s Hospital Review

CMS limits Medicaid funding for some state programs: 4 notes

Physician congressman reintroduces prior authorization reform bill

Bristol Health to cut 60 jobs

Next Up in Financial Management

SANTA CLARA VALLEY HEALTHCARE

Administration
751 S. Bascom Avenue San Jose, CA 95128

(408) 885-4010
www.SCVH.org

April 10, 2025

Megan Brubaker
Engagement and Governance Manager
Department of Health Care Access and Information
Office of Health Care Affordability
2020 West El Camino Ave., Suite 1200
Sacramento, CA 95824
OHCA@hcai.ca.gov

Subject: Proposed Hospital Sector Spending Target

Dear Ms. Brubaker,

The County of Santa Clara and its healthcare operations division, Santa Clara Valley Healthcare, appreciate the opportunity to comment on the Office of Health Care Affordability's proposed hospital sector spending target.

Santa Clara Valley Healthcare operates the largest public healthcare system in Northern California, serving 460,000 unique patients every two years through our four (4) hospitals and 15 Health Centers and is expecting utilization to increase with the addition of our fourth hospital on April 1, 2025. Our integrated healthcare delivery system provides a comprehensive array of primary, specialty and tertiary care, including:

- Over 60 adult and pediatric specialties and subspecialties,
- Level 1 and 2 adult trauma and Level 2 pediatric trauma services,
- Regional Burn Center,
- The Sobrato Cancer Center, and
- A renowned Rehabilitation Center ranked best in the West and #6 nationally by U.S. News and World Report.

Our system has grown significantly over the decade as the County purchased O'Connor Hospital and St. Louise Regional Medical Center out of bankruptcy in 2019 and in 2025 purchased Regional Medical Center from the Hospital Corporation of America after it closed its maternity and trauma services and downgraded stroke and STEMI-services. Furthermore, over the past three (3) years, our County Health System opened four (4) new Health Centers, offering primary, specialty and urgent care, to meet the growing demand for services, particularly in previously underserved areas of Santa Clara County.

Santa Clara Valley Healthcare is the predominant provider of care to patients who rely on Medi-Cal for health coverage. Before fully taking over operations of Regional Medical Center on April 1, 2025, our Health System provided 40% of all Medi-Cal hospital days across the county and continues to serve as the safety net for Medicare and Medi-Cal patients requiring specialty services.

Santa Clara Valley Healthcare takes seriously our mission to provide high-quality, compassionate care to all residents regardless of socio-economic status or ability to pay. We share the goals of the Office of Health Care Affordability (OHCA) to improve affordability for patients and slow the growth of health care spending. As our community increasingly relies on our system, it is critical that our County Health System secures sufficient resources to maintain the services our community needs; thus, we offer the following comments:

- Santa Clara Valley Healthcare is one of California's 17 public health systems. We are concerned that OHCA's predetermined metrics and underlying data do not account for the way the non-federal portion of Medicaid supplemental payments are funded by public healthcare systems. Public systems like ours assume the responsibility and burden of providing the non-federal share of Medicaid supplemental payments -- meaning public healthcare systems put up the matching funds, not the State Our unique financing arrangement must be taken into account as the methodologies are developed and implemented. If Medi-Cal revenues are used to determine which hospitals should be identified as high-cost, or in determining public health systems' performance against spending targets (including the statewide target), this issue must be resolved for OHCA's analysis to be meaningful and valid.
- Santa Clara Valley Healthcare provides a wide-array of high-intensity services to patients with complex healthcare needs. Many of these services have been eliminated by other providers in our community due to low reimbursement and/or high operating costs. These services include:
    - Burn Care
    - Trauma Care
    - Neonatal Intensive Care
    - Labor and Delivery Services
    - Acute Psychiatric Services
    - Spinal Cord, Stroke and Traumatic Brain Injury Rehabilitation Services.

  The proposed methodology for high-cost hospitals does not adequately account for the revenues necessary to support these high-intensity and high-cost services, which many public healthcare systems continue to offer – in many instances because certain patient populations would have no access to these services if not offered by public systems.
- As with other public healthcare systems, Santa Clara Valley Healthcare receives capitated payment for many of our patients and thus has responsibility for paying outside medical expenses. There are times when we must send patients to other providers and pay higher rates to secure access. OHCA's methodology for high-cost hospitals should deduct "outside costs" from gross capitation revenue for an accurate representation of costs actually incurred by a particular provider or system.

In addition, we would be remiss in not calling attention to the current debate at the federal level regarding the Budget Reconciliation and the potential for as much as $880 billion in cuts to the Medicaid program. These efforts could dramatically reduce federal Medicaid eligibility and/or financing which, completely independent of actions OCHA may take, would have a devastating impact to California's public healthcare systems, which provide 35% of all care for Medicaid patients, a disproportionate rate considering [the small number of public healthcare systems in the State. OCHA moving forward with setting cost targets without proper and fair analysis will only exacerbate the impact of federal Medicaid cuts.

Given these concerns and the changing landscape, Santa Clara requests a delay in setting the methodology until the impact of federal Medicaid changes are known and consideration of the financing structure for public healthcare systems in that methodology when it is determined.

Sincerely,

DocuSigned by:
Paul Lorenz
47ECE3A78343489...

Paul E. Lorenz
Chief Executive Officer
Santa Clara Valley Healthcare

From: charsoldest@everyactioncustom.com on behalf of D.J. Diebold
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:55:57 AM

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.

I have veterans administration health benefits, or I will be in serious troube. Luckily, my health is excellent because I know how to do it. I also have very good genes which certainly help.

Whether I am a veteran or not, every American should have health benefits as good as any! If I didn't have veterans benefits, I would be in serious trouble.This is disgusting to the highest degree. We can do something about this. I highly support this effort.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
D.J. Diebold


From: oliviatrick@everyactioncustom.com on behalf of Dana Trick
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 3:07:24 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Dana Trick
[redacted]

From: daniellebratissmith@everyactioncustom.com on behalf of Danielle Bratis-Smith
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:42:19 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Danielle Bratis-Smith
[redacted]

From: dsneft@everyactioncustom.com on behalf of Darrell Neft
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:11:00 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Darrell Neft
[redacted]

From: fishinbaja11@everyactioncustom.com on behalf of Dave Van Voorhis
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 1:45:36 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.Patient focused car shouldn't be compromised by corporate profit seeking greed. Safe staffing saves lives!

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Dave Van Voorhis


From: msldill@everyactioncustom.com on behalf of Ddd Llll
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Monday, March 10, 2025 1:31:22 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ddd Llll
ABC JACKSON Berkeley, CA 94709
[redacted]

From: shinegirl310@everyactioncustom.com on behalf of Deborah Grace
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:59:52 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Deborah Grace


From: debbietenenbaum@everyactioncustom.com on behalf of Deborah Tenenbaum
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:29:56 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Deborah Tenenbaum
[redacted]

From: shwark@everyactioncustom.com on behalf of Dena Schwimmer
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:04:50 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Dena Schwimmer
[redacted]

From: dblawat@everyactioncustom.com on behalf of Dennis Blawat
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:11:47 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Dennis Blawat
[redacted]

DESERT CARE NETWORK | DESERT REGIONAL MEDICAL CENTER
HI-DESERT MEDICAL CENTER
JFK MEMORIAL HOSPITAL

HEALTH BLOOMS

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

RE: Opposition to Proposed Hospital Sector Spending Target Recommendations
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Ms. Brubaker:

The Desert Care Network (DCN) shares the goals and objectives set forth for the Office of Health Care Affordability (OHCA) to slow the rate of growth of healthcare spending while at the same time protecting and expanding access, enhancing quality and equity and ensuring a sufficient workforce to care for all Californians.

DCN, consists of Desert Regional Medical Center, John F. Kennedy Memorial Hospital and Hi-Desert Medical Center and related facilities. Together, we serve as the primary safety net and system of care for the Coachella Valley and Morongo Basin, and collectively we provide a disproportionate share of care to Medi-Cal, uninsured and underinsured residents across the region.

We are deeply concerned with both the Office of Health Care Affordability's (OHCA's) imposition of a statewide target of 3.5% (moving down to 3% by 2027) as well as OHCA's more recent proposal for an even lower target for hospitals arbitrarily defined as "high cost" by your agency.

Importantly, neither of these proposed spending target frameworks cover inflationary increases for critical supplies and pharmaceuticals, nor do they accurately include other key drivers of required and mandated spending, such as salaries and wages or capital investments and outlays such as those required to meet 2030 seismic retrofitting standards. The methodologies are also flawed because they fail to account for the high degree of Medi-Cal volume that safety net networks like DCN care for on a historical and continuous basis.

As a result, we strongly oppose the present proposed hospital section spending target recommendations due to the severe long-term consequences on the healthcare safety net ecosystem across our region.

DCN Plays a Critical Role in the Safety Net Ecosystem

DCN provides critical trauma and other tertiary services across the Inland Empire:

- Over 40% of our patients are Medi-Cal enrollees – contrasted with each hospital having under 20% in commercial patient volume.
- DCN provides over $150M annually in charity and uncompensated care.
- Our emergency departments visits exceed 140,000 annually.
- We deliver over 3600 babies annually.
- Our Level I trauma center receives transfers from across the region and Arizona.
- We operate physician training programs in family medicine, emergency medicine, surgical critical care and general surgery (and adding an internal medicine program this summer).

OHCA's Spending Target Frameworks Will Force Premature Operational, Financial and Investment Decisions Impacting Underserved Communities

Operating a major regional safety net hospital does not occur in a vacuum and requires a long-term perspective, resulting in a dynamic, ongoing series of commitments. OHCA's proposed spending targets will force DCN to make decisions that will immediately impact investment in our operations, our service lines, workforce and physicians, as well as our capital investment. In many cases, these decisions will have downstream effects that cannot be easily undone or reversed.

OCHA's proposed target framework will immediately increase pressure on other needed hospital investment and spending, including tens of millions in anticipated seismic retrofitting costs that are not reflected in any OHCA analysis of hospital spending. DCN also invests heavily in physician recruitment and retention (and GME) as the Inland Empire remains woefully short of both primary care and specialist physicians.

These pressures will extend to DCN's continued investment in critical trauma, NICU, stroke and other high cost services that we currently provide and the highly trained physicians, nurses and other clinicians who staff them. OHCA's spending targets will result in DCN needing to evaluate which services are sustainable and will force reductions in staffed capacity at our hospitals. We are genuinely concerned whether DCN can continue to invest in key community providers and to preserve vital services for our community.

The State's Medi-Cal Program is Facing Immediate and Historic Challenges

Safety net hospitals, physicians, clinics and other providers caring for Medi-Cal enrollees must absorb the ongoing burden as the program continues to fall far short of reimbursing the cost of care. Yet the outlook for Medi-Cal is an ominous one. Governor Newsom recently announced a general fund loan coupled with a supplemental funding request (together totaling over $6 billion) to fund the program through the FY24-25 fiscal year.

This emergency funding underscores the escalating costs to care for 15 million residents and a clear signal to state policymakers and governmental agencies that the program is at an inflection point. Moreover, this new Medi-Cal fiscal emergency does not reflect any potential programmatic or supplemental payment program changes that may be imposed by the Congress or new Administration in Washington, DC.

OHCA Should Pause and Refocus to Preserve the Healthcare Safety Net

In recognition of these historical uncertainties that will surely impact the healthcare of at least one-third of California residents, it would be wise for OHCA to pause and reject implementation of its sector spending target and revert to its statutorily mandated timetable, moving the establishment of sector targets to June of 2028.

We urge the Board to work with safety net hospitals and their community partners to effectively implement OCHA's already-adopted statewide targets to ensure they accurately reflect all healthcare costs and spending and do not negatively impact OCHA's mandated core directives of access, quality, equity, and workforce.

Specifically, we firmly believe OHCA must accurately analyze (and prospectively incorporate) these data sets into its current statewide spending targets:

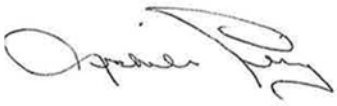
- Each hospital's entire payer mix to ensure all hospitals are equitably profiled.
- State/federal supplemental program payments that by their very nature seek to stabilize and preserve access to quality care and the state's underserved populations.

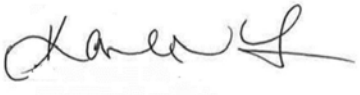
Finally, OHCA should also consider developing additional, specific safeguards and exemptions for hospitals and other safety net providers who shoulder a disproportionate burden of providing care to Medi-Cal and other underserved patients. The absence of sustained increases in Medi-Cal funding also continues to drive the historical cost-shift to commercial patients for safety net hospitals serving high volumes of such government-sponsored care.

On behalf of the tens of thousands of patients we serve, our Desert Care Network urges you to take additional time for analysis and discussion before finalizing sectors or corresponding targets because they must not cause irreversible impacts and consequences for our ability to provide affordable, high-quality care to the communities we serve.

Thank you for considering our views on these important and timely issues.

Sincerely,





Michele Finney, CEO
Desert Regional Medical Center
Desert Care Network

Karen Faulis, CEO
JFK Memorial Hospital
Hi Desert Medical Center

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom

From: dpatel50488@everyactioncustom.com on behalf of DHAVAL PATEL
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:20:39 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
DHAVAL PATEL


DISTRICT HOSPITAL
LEADERSHIP FORUM

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833
Email: OHCA@hcai.ca.gov

Subject: DHLF Opposes Proposed Hospital Sector Spending Target Recommendations

Dear Ms. Brubaker:

On behalf of California's 33 district and municipal hospitals, the District Hospital Leadership Forum (DHLF) appreciates the opportunity to provide comments on the Office of Health Care Affordability (OHCA) staff's proposed hospital sector spending target recommendations. **OHCA staff's recommendation is being proposed on an accelerated timeframe bypassing data collection efforts and necessary analytical work, which will be viewed as arbitrary and capricious, jeopardizing the credibility of important work to improve affordability at the expense of California's patients. If the Board adopts the proposed staff recommendation, the result will be significant reductions of essential health care services across the state leading to increased health disparities and inequities for low-income Californians.**

District and municipal hospitals, with publicly elected Boards of Directors, are proud to be local governments responsible for providing the health care needs of their communities. Over two-thirds are considered rural, and more than half have a critical access hospital (CAH) designation. On an annual basis, approximately 50% of their inpatient days are for services provided to Medi-Cal beneficiaries, collectively they deliver 20,000 babies, and provide over 3.5 million outpatient visits. Today, district and municipal hospitals represent only 8% of the hospitals statewide and they serve as safety-net providers in their communities with few alternatives—providing health care services to significant levels of uninsured and Medi-Cal patients.

In 2023, more than 30% of district hospitals qualified for loans through the Distressed Hospital Loan Program (DHLP) cooperatively administered by the California Health Facilities Financing Authority and the Department of Health Care Access and Information. ***In total, they received more than 50% of the available funds in the program.*** Qualifying for this level of support with short-term loans should provide a clear snapshot of the financial status for these providers and the inherent risk of access to health care in the communities they serve.

Over the past two decades, many of California's district hospitals have struggled to stay afloat amidst ongoing financial challenges. As a result, the state has witnessed a growing number of these public hospitals being forced to close, declare bankruptcy, or be acquired by larger health care systems—often as a last resort for survival. In 2005, there were 56 independent, public,

district hospitals operating across California. By the end of this year, that number is expected to drop to just 32 or 31, signaling a steady and troubling decline. Given this stark reality, district hospitals cannot afford to adopt a "*wait and see*" approach while the OHCA staff collects data and evaluates the long-term effects of its proposed policy changes. Some simply will not survive long enough to find out whether the OHCA hypothesis proves true or false.

The proposed hospital sector spending target methodology fails to account for critical factors that are statutorily required and completely ignores the impact from the Medi-Cal program.

The proposed methodology includes a methodology that will designate hospitals based on their historical data (2018-2022), if they are within the top 15% of two financial measures:

1) Commercial inpatient reimbursement per case mix-adjusted discharge,
2) Commercial to Medicare Payment to Cost Ratio (PTCR).

As discussed during the March OHCA Board meeting, the recommendation fails to acknowledge or account for the allocation of inpatient and outpatient net patient revenue. Instead, by only focusing on inpatient services it fails to recognize the important outpatient care that is effectively lowering the cost of delivering health care in the communities that hospitals serve. This is a critical flaw in the methodology, especially for district hospitals who tend to be in rural or remote locations and are the sole community providers of health care providing a significant portion of routine services in the outpatient settings that are typically served in clinic facilities in larger communities with more health care options.

The proposed recommendation also fails to acknowledge any of the health care cost drivers. This is particularly problematic, as has been shared during the OHCA Board meetings to date by many hospitals but is especially problematic for district hospitals. These hospitals are not supported by large systems and as OHCA staff acknowledged during the March Board meeting where they must *"survive on their own operations and currently have negative margin. Have had to engage in cost saving measures, such as closing service lines and early retirements."* There is no room for error and applying just a "*wait and see*" attitude to reviewing these factors through enforcement. This is something that was contemplated during the enactment of the legislation (Health and Safety Code (HSC) 127502(d)).

> *(d)(4)—Factors, including, but not limited to: health care employment cost index, labor costs, consumer price index for urban wage earners and clerical workers, impacts due to known emerging diseases, trends in the price of health care technologies, provider payer mix, state or local mandates such as required capital improvement projects, and any relevant state and federal policy changes impacting covered benefits, provider reimbursement, and costs.*

Another critical and missing element from the methodology is the impact from the Medi-Cal program. This is particularly an issue in a couple ways:

First, for most district hospitals, the Medi-Cal program has become one of the largest payers. That number has been steadily climbing ever since the Affordable Care Act expanded Medicaid coverage, and the "Healthy California for All" initiatives. For hospitals like Kaweah Health, located

in Tulare County which has 62% of the residents of the county enrolled on Medi-Cal, the hospital's Medi-Cal payer mix is 44%.

Second, like our larger public hospital colleagues (Designated Public Hospitals and University of California Health), district hospitals are uniquely positioned as governmental entities to step in and help finance the Medi-Cal program. In some programs, they physically transfer public funding via an intergovernmental transfer (IGT) to the Department of Health Care Services (DHCS) to support their Medi-Cal reimbursement, and in other programs they certify the expenditures on behalf of DHCS to receive only the federally matched portion. Both methods are allowable under federal law, and over the past 20 years, they've been the primary area of growth in Medi-Cal reimbursement. This unique "*self-financing*" structure is not new—this is why it was specifically contemplated in the authorizing statute (Health and Safety Code (HSC) 127502(d)), where OHCA must consider the provisions summarized below:

> *(d)(5)(A)—Medi-Cal: the provision of nonfederal share associated with Medi-Cal payments.*
>
> *(d)(5)(B)(i)—Medi-Cal: supplemental payments for Medi-Cal services and underinsured patients.*
>
> *(d)(5)(B)(ii)—Medi-Cal: nonfederal share and fees (e.g., Hospital Tax 24% Fee for Children's Coverage, 20% Administrative Fees on Intergovernmental Transfers).*
>
> *(d)(5)(B)(iii)—Medi-Cal: health care-related taxes (e.g., MCO Tax, Hospital Tax)*
>
> *(d)(5)(C)—Medi-Cal: Methodology that cannot jeopardize federal requirements for federal financial participation (e.g., actuarial soundness requirements when developing Medi-Cal capitations).*

Unfortunately, the OHCA staff's recommendation fails to capture the importance of providing outpatient care, growing cost pressures for hospitals, and the statutory requirements to consider the Medi-Cal program and the "*self-financing*" aspects of the program. By doing so, the proposed methodology narrowly omits one of the largest payers and effectively shrinks the revenue applicable in the calculations to a subset of payers, over a small subset of inpatient services, without taking into consideration the cost to provide care.

Rushing to implement the proposed hospital sector spending target methodology without completing the policy work will tarnish OHCA's credibility and jeopardize the work to improve affordability.

As leaders from Massachusetts and Oregon presented during the March OHCA Board meeting, both states were very intentional in their respective efforts to implement the health care spending targets. In Massachusetts, the efforts started in 2006 when "Romney Care" was implemented ensuring all residents had health insurance coverage, and in the same year, they created their All-Payer Claims Database (APCD). After extensive public and private stakeholder engagement processes that involved legislative liaison gathering information and generating buy-in from the state's largest payers and providers, it wasn't until 2012 before Massachusetts moved to enact the cost growth target benchmark for 2013-2017. Prior to the 2012 Legislation, they had more than 6-year period to review and analyze data, including issuing multiple reports, with actionable recommendations. In Oregon, they established their APCD in 2009 and had 10-years of experience with a landmark Medicaid waiver limiting Medicaid spending to 3.4% annual cost

growth benchmark. In 2019, nearly 10 years after they began collecting and analyzing data, they moved forward with their Massachusetts-like program.

Both states (who are model states for California) shared with the OHCA Board in March they did not rush to implement spending targets before any of the policy and analytical work had been completed. Their collaborative efforts and transparency led to high credibility and buy-in from industry. As many hospitals testified in March, there is confusion around how some hospitals were even identified, clearly noted and discussed errors in the fundamental data (e.g., NorthBay Health), and many who could not replicate the calculations performed by OHCA staff. Bottom line, moving forward without the transparency necessary, will permanently jeopardize the credibility of the Office.

As several OHCA Board members raised during the March OHCA Board meeting, while we're having these discussions in California the backdrop of facing significant federal funding cuts is being discussed in Washington D.C. If the experience from Massachusetts and Oregon is not enough to underscore the importance that California should first collect, analyze, and understand the data before rushing to implementing the proposed hospital sector spending targets, we should absolutely understand what the impact to the health care delivery system will be if we lose more than $10-20 billion[1] in federal funding for the Medi-Cal program. Unless the state General Fund backfills the loss in federal funding, we should all expect to see cuts in coverage, a reduction in access to services, and a loss of providers (e.g., district hospital closures).

A premature and discretionary decision will only harm patient care, especially those in underserved communities that district hospitals proudly serve.

Maintaining access to essential health care in many underserved communities across California relies heavily on public providers like district hospitals. In most communities, they are the safety-net providers that provide more than just life-saving care. While it may appear that many hospitals/health systems have recovered from the COVID-19 pandemic—some large health systems even acquiring other hospitals—unfortunately, district hospitals are not in that same position. Simply put, most are experiencing significant workforce challenges, and their current financial state is not sustainable as evident by the high proportion needing DHLP loans. As recently as March 27th at CHFFA's monthly board meeting, it was reported that eight hospitals have applied for DHLP Loan Modifications for extensions to the repayment of their loans due to continued financial distress. Of the three granted extensions due to financial distress, two are district hospitals (El Centro Regional Medical Center and Pioneers Memorial Healthcare District).

Implementing the OHCA staff's recommendation before any of the policy work has been completed, assumes that health care spending occurring today is in all the right places. It assumes everyone is on a level playing field, doesn't factor in geographic differences or underserved communities that are struggling. If we continue to blindly move forward with this assumption and not spend the time analyzing the data together so that we can make informed decisions, then we will see the unintended consequences of these actions. This will force hospital leaders to make

[1] Why California has a lot to lose if Trump cuts Medicaid- CalMatters

difficult decisions around which services can be maintained and what costs will need to be cut to continue their operations at the expense of California's patient population.

We appreciate the opportunity to provide our comments and look forward to working together to promote a high-quality, accessible, and affordable health care system in California.

Sincerely,

Ryan Witz
Executive Director

Cc:
Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan

Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom

DISTRICT HOSPITAL LEADERSHIP FORUM

The District Hospital Leadership Forum (DHLF) represents the 33 district and municipal hospitals throughout California.

District/municipal hospitals, with publicly elected Boards of Directors, are local governments responsible for providing for the healthcare needs of their communities. California's public district/municipal hospitals provide significant levels of care to Medi-Cal and low-income Californians.

Two-thirds of California district/municipal hospitals are rural and 18 have a critical access hospital (CAH) designation. Many of these rural facilities also maintain rural health clinics (RHCs).

District hospitals are very diverse in size and services offered. For example, some hospitals have as few as four acute beds while other have more than 600.

Similarly, the services provided are diverse ranging from emergency services coupled with an acute medical unit, a distinct-part nursing facility and RHCs providing an array of outpatient services, to the larger facilities providing tertiary and/or trauma services.

33
INDEPENDENT PUBLIC HOSPITALS

18 Critical Access Hospitals (CAH)

Over **2/3** are Rural

4,423 Licensed Beds	**936,215** Emergency Room Visits
72,375 Surgeries	**21,842** Babies Delivered
63,583 Medi-Cal Inpatient Stays	**1,128,223** Medi-Cal Outpatient Stays
46% Medi-Cal Payer Mix	**25,175** # of Workers (FTE)

Based on FY2022 HCAI data

DISTRICT HOSPITAL LEADERSHIP FORUM

All District/Municipal Hospital Counties

Indicates Locations of District/Municipal Hospitals

Antelope Valley Hospital, Landcaster
Bear Valley Community Hospital, Big Bear Lake
Eastern Plumas HealthCare, Portola
El Camino Hospital, Mountain View
El Centro Regional Medical Center, El Centro
Hazel Hawkins Memorial Hospital, Hollister
Jerold Phelps Community Hospital, Garberville
John C. Fremont Healthcare District, Mariposa
Kaweah Health Medical Center, Visalia
Kern Valley Healthcare District, Lake Isabella
Lompoc Valley Medical Center, Lompoc
Mammoth Hospital, Mammoth Lakes
MarinHealth Medical Center, Greenbrae
Mayers Memorial Hospital, Fall River Mills
Modoc Medical Center, Alturas
Northern Inyo Hospital, Bishop
Oak Valley Hospital, Oakdale
Palo Verde Hospital, Blythe
Palomar Health, Escondido
Pioneers Memorial Hospital, Brawley
Plumas District Hospital, Quincy
Salinas Valley Health, Salinas
Mountains Community Hospital, San Bernardino (Lake Arrowhead)
San Gorgonio Memorial Hospital, Banning
Seneca Hospital, Chester
Sierra View Medical Center, Porterville
Sonoma Valley Hospital, Sonoma
Southern Inyo Hospital, Lone Pine
Surprise Valley Hospital, Cedarville
Tahoe Forest Hospital District, Truckee
Tri-City Medical Center, Oceanside
Trinity Hospital, Weaverville
Washington Hospital, Fremont

Central Valley DOCTORS Health System
Doctors Medical Center

April 8, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 West El Camino Ave.
Sacramento, CA 95833

RE: Opposition to "High Cost" Hospital Target Proposal
(Submitted via Email to Megan Brubaker)

Dear Chair Johnson:

On behalf of the Central Valley Doctors Healthcare System and more specifically, Doctors Medical Center (DMC), Modesto, we are writing in opposition to the Office of Health Care Affordability's (OHCA's) proposal to establish reduced spending targets for hospitals determined to be "high cost."

We urge the Board to reject this premature proposal for several reasons, most critically the long-term consequences on the healthcare safety net ecosystem across the Central Valley, the largest medically underserved region of the state and which features a markedly higher percentage of residents on the state's Medi-Cal program. We strongly believe the proposed methodology is flawed as it fails to account for the high degree of Medi-Cal volume that safety net hospitals like DMC care for on a historical and continuous basis.

DMC's Plays a Critical Role in the Safety Net of the Central Valley's Healthcare Ecosystem

DMC is a 394-bed general acute hospital that is the de facto safety net hospital for Stanislaus County and is the tertiary center for the entire Central Valley. DMC also operates a 67-bed free-standing inpatient psychiatric facility. DMC is the only hospital in the Central Valley which provides trauma, comprehensive stroke, NICU and STEMI (heart attack) services. DMC is also the largest teaching hospital between Sacramento and Fresno.

DMC's safety net profile is truly regional:

- 88% of patients are either uninsured or have Medi-Cal or Medicare coverage.
- DMC provides over $200 million annually in uncompensated and charity care, far above the statewide average.
- Our emergency Department volume has 92,000 visits annually.
- Our trauma center is the Regional Transfer Center for Trauma and high acuity specialty surgeries and serves eight Central Valley counties (Tuolumne, Calaveras, San Joaquin, Mariposa, Madera, Merced, Stanislaus and Tulare).
- DMC is the only Joint Commission Certified Comprehensive Stroke Center in the region, receiving patients from as far North as Lodi, East to Mariposa, West to Tracy, and South to Madera.
- DMC has the only Level III NICU, caring for newborns from Stanislaus, Merced, Mariposa, Tuolumne, and Calaveras counties.
- DMC is a STEMI (heart attack) receiving center.

OHCA's Proposed High Cost Hospital Spending Target Framework Will Force Premature Operational, Financial and Investment Decisions Impacting Underserved Communities

Operating a major regional safety net hospital does not occur in a vacuum and requires the ability to take a long-term perspective resulting in a dynamic, ongoing series of commitments. OHCA's proposed high cost hospital spending target will force DMC to make decisions that will immediately impact investment in our operations, our service lines, workforce and physicians, as well as our capital investment. In many cases, these decisions will have downstream effects that cannot be easily undone or reversed.

DMC has invested in the communities we serve in a variety of ways. Most recently, DMC absorbed $2+ million in new obstetrical/labor and delivery costs when Golden Valley Health Centers (our primary FQHC network partner) was unable to continue to do so. DMC also invests heavily in physicians, helping to support a significant number of physician groups across the region.

The Central Valley's ongoing shortage of medical care providers constitutes its own health care emergency and reducing these investments will have devastating consequences for the region. Further, these investments will be counterproductive to other stated OHCA priorities, such as the primary care investment benchmark spending.

As shared with OHCA staff, over 80% of DMC's 2500 employees are represented via collective bargaining agreements, commitments that cannot be undone. In turn, OCHA's proposed high cost hospital spending target framework will immediately increase pressure on other needed hospital investment and spending, including millions in anticipated seismic retrofitting costs that is not reflected in any OHCA analysis of hospital spending. DMC also invests heavily in physician recruitment and retention (and GME) as the Central Valley remains woefully short of both primary care and specialist physicians.

These pressures will extend to DMC's continued investment in the critical trauma, NICU, stroke and other high cost services we currently provide and the highly trained physicians, nurses and other clinicians who staff them. OHCA's spending targets will result in DMC needing to evaluate which services are sustainable and will force reduction in staffed capacity at our hospital. It is very unlikely that DMC will be able to continue to invest in key community providers and to otherwise preserve vital services for our community.

OHCA Pause Needed with Medi-Cal Program at Inflection Point

In 1966, 1 in 15 Californians were enrolled in Medi-Cal. Today, one-third of Californians receive care under the program, a transformational shift with attendant obligations borne by safety net hospitals like DMC and other providers as Medi-Cal continues to fall far short of reimbursing the cost of care.

More recently, Governor Newsom announced a general fund loan coupled with a supplemental funding request (together totaling over $6 billion) to fund the program through the FY24-25 fiscal year. This emergency funding underscores the escalating costs to care for 15 million residents and a clear signal to state policymakers and governmental agencies the program is at an inflection point.

Importantly, this new Medi-Cal fiscal emergency does not reflect any potential programmatic or supplemental payment program changes that may occur by the Congress or new Administration in Washington, DC.

In recognition of these historical uncertainties impacting the healthcare of at least one-third of California residents, we believe OHCA should reject implementation of its sector spending target and revert to its statutorily mandated timetable, moving the establishment of sector targets to June of 2028.

The Board Should Reject High Cost Hospital Spending Target Recommendations

We urge the Board to reject the high cost targets and instead work with safety net hospitals and their community partners to effectively implement OCHA's already-adopted statewide targets to ensure they accurately reflect all healthcare costs and spending and do not negatively impact OCHA's mandated core directives relative to access, quality, equity, and workforce.

Specifically, we strongly believe OHCA must accurately analyze (and prospectively incorporate) these data sets into its current statewide spending targets:

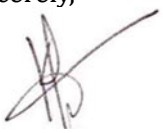
- Each hospital's entire payer mix to ensure all hospitals are equitably profiled.
- State/federal supplemental program payments that by their very nature seek to stabilize and preserve access to quality care and the state's underserved populations.

Moreover, OHCA should also consider developing additional, specific safeguards and exemptions for hospitals and other safety net providers who shoulder a disproportionate burden of providing care to Medi-Cal and other underserved patients. The absence of sustained increases in Medi-Cal funding also continues to drive the historical cost-shift to commercial patients for safety net hospitals serving high volumes of such government-sponsored care.

A series of slides follows our written comments that illustrate the important observations and conclusions we believe OHCA should consider, embrace, and adopt (including the dramatically underserved nature of the Central Valley region served by DMC).

I want to reiterate that Doctors Medical Center stands ready to work with OHCA going forward in a collaborative fashion to reduce healthcare costs to all parties involved, whether government, providers and most importantly, California residents. Thank you for considering our views on these critical and timely issues.

Sincerely,



Jay Krishnaswamy, CEO
Doctors Medical Center

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Richard Pan, MD
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency

Central Valley
DOCTORS
Health System
Doctors Medical Center

Doctors Medical Center:
California's Central Valley Safety Net Hospital

Submitted to Office of Health Care Affordability

April 8, 2025

Overview of Doctors Medical Center

For over 60 years, Doctors Medical Center Modesto has provided high-quality care for the greater Central Valley community including:

- Access to the highest levels of care in the region including Level II Trauma Center, Level III NICU, and Comprehensive Stroke Center (the only center between Sacramento, the Bay, and down to LA)
- DMC is only facility that provides higher acuity inpatient behavioral health services in Stanislaus County.
- DMC serves a highly critically-ill population that is 10% sicker than the average CA hospital[1]
- DMC serves the underprivileged, providing care for 87,000+ Medi-Cal and 6000+ self pay/uninsured patient visits annually

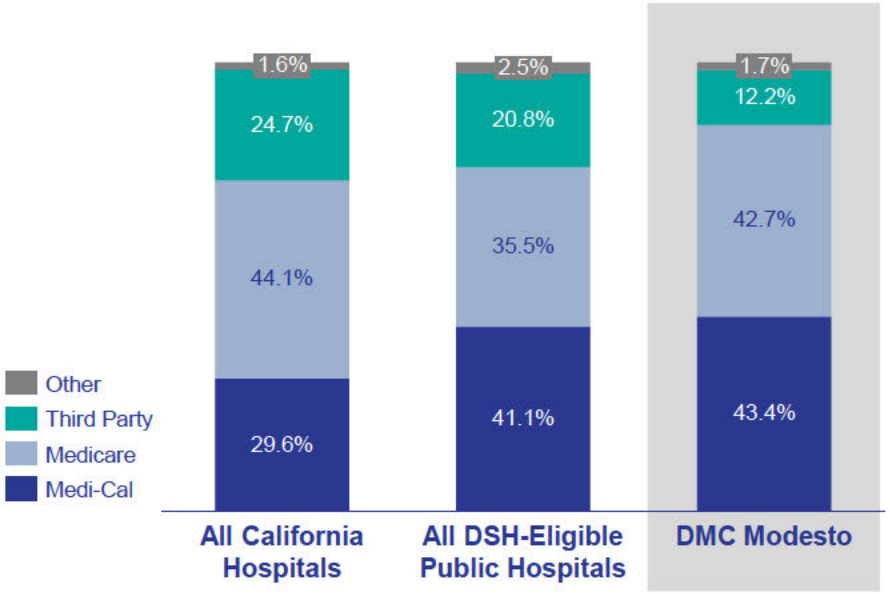
Doctors Medical Center is the higher level of care facility for the region.

- DMC includes sister facilities Emanuel Medical Center and Doctors Hospital of Manteca, which together comprise the Central Valley Doctors Health System
- Our health system receives over 5,000 transfers annually from surrounding hospitals for patients needing higher levels of care

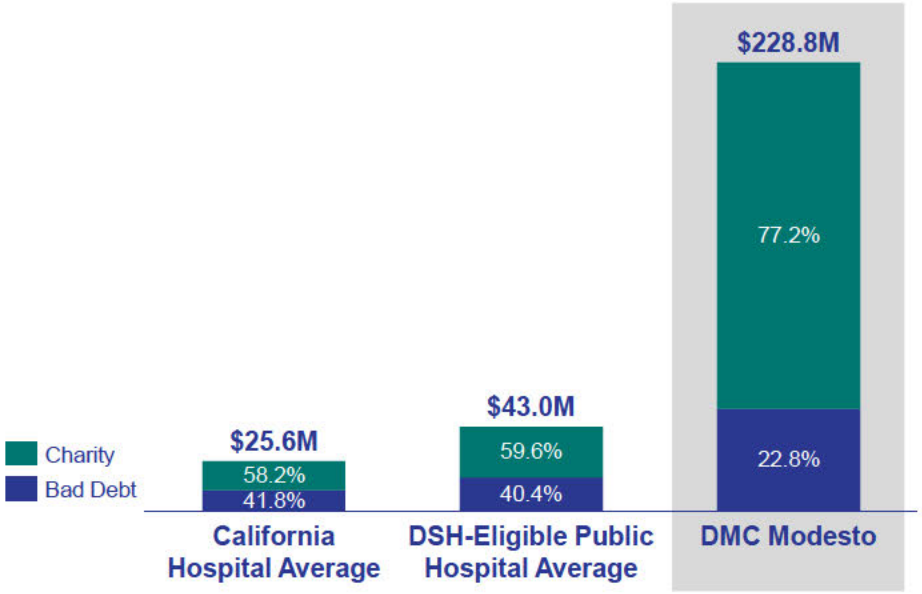
1. DMC – Modesto's case-mix-index was calculated to be 1.7; Medicare and self/pay/uninured patients had a case-mix-index of 2.1
Source: CA State IP Data
Time frame: 2022

Doctors Medical Center Proudly Serves as a Safety Net Hospital

Our payor mix by gross revenue is 43.4% Medi-Cal, which is greater than average CA hospital and public hospitals



We provide ~$229M in uncompensated[1] and charity care[2] annually, nearly 800% of an average CA hospital

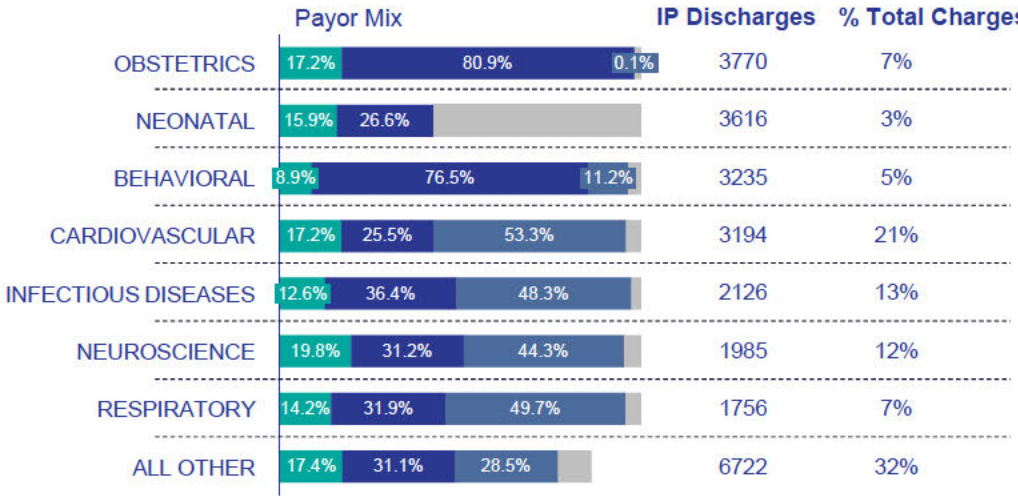


1. Charity data was pulled from CA data under the data column labelled, "Income_Statement_Deductions_from Revenue_Charity_Discounts_-_Other"
2. Uncompensated data was pulled from CA data pulled under the data column labelled, "Income_Statement_Deductions_from_Revenue_Provision_for_Bad_Debts"

Source: CA State IP Data
Time frame: 2022

DMC Disproportionally Serves Medi-Cal and Medicare Patients

Our critical services care for predominantly Medi-Cal and Medicare

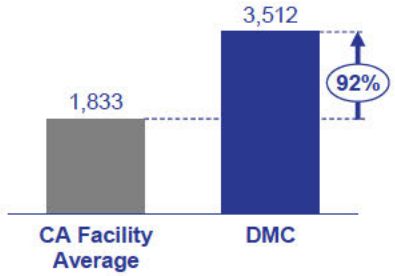


MANAGED CARE W/ EXCHANGE | MEDICAID W/ MANAGED | MEDICARE W/ MANAGED | SELF PAY / CHARITY / OTHER

Key Highlights

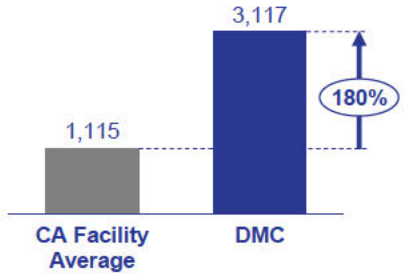
Births

DMC delivers almost **2x more babies than the CA average** while serving an OB patient population that is **80% Medi-Cal patients**



Adult Psychiatry Discharges

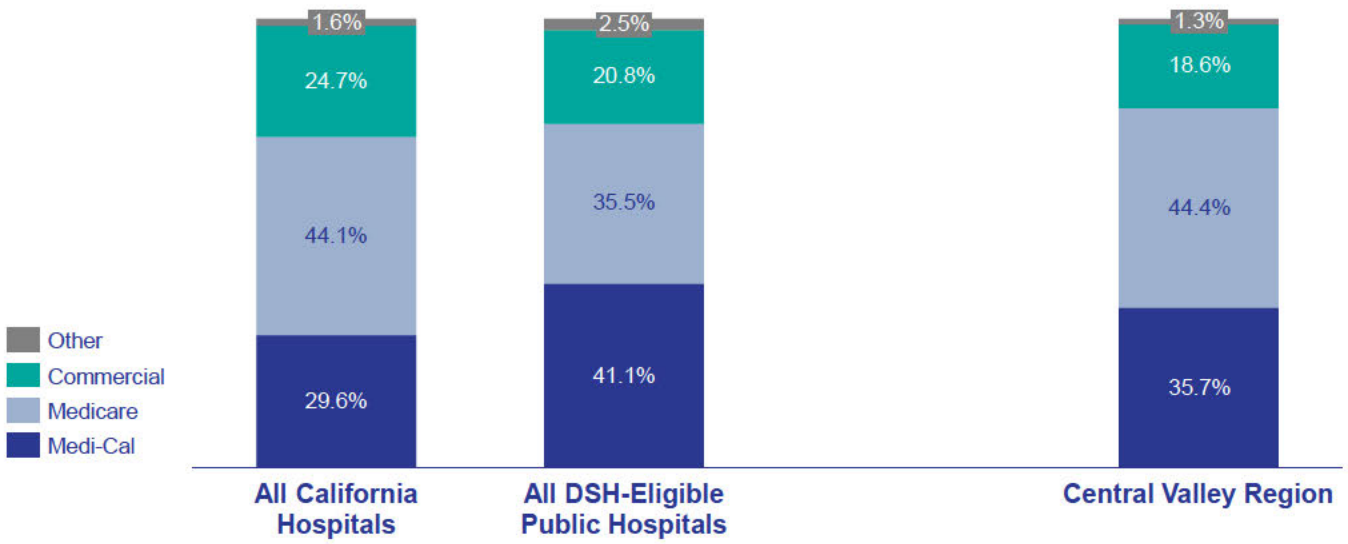
DMC provides almost **3x as many adult psychiatry services than the CA average** while serving a patient population that is **77% Medi-Cal**



Source: CA State IP Data
Time frame: 2022

Payor Mix in Central Valley

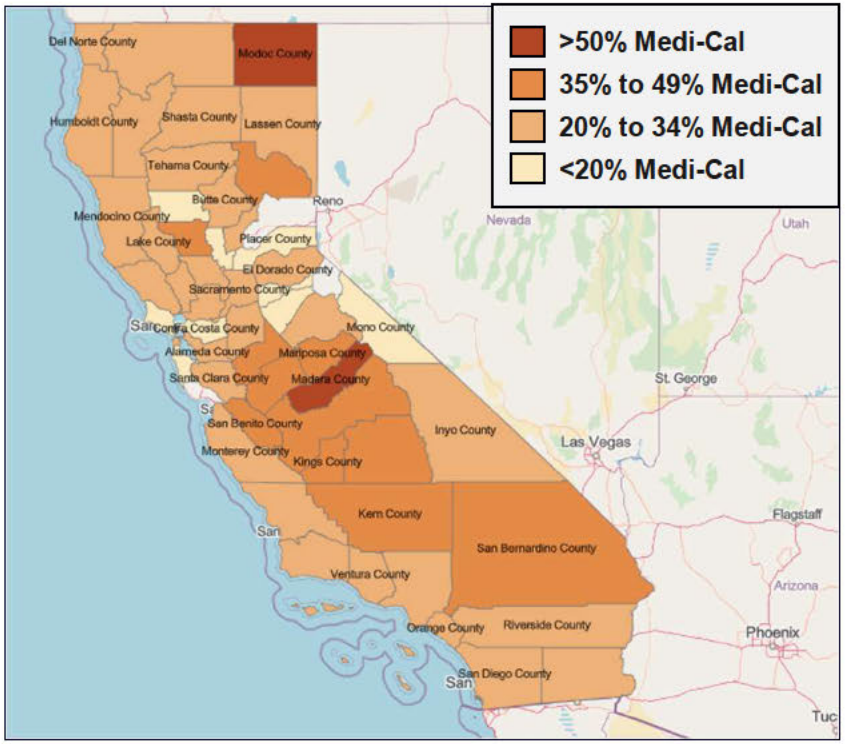
Central Valley payor mix by gross revenue is 35.7% Medi-Cal, which is greater than average CA hospital and public hospitals



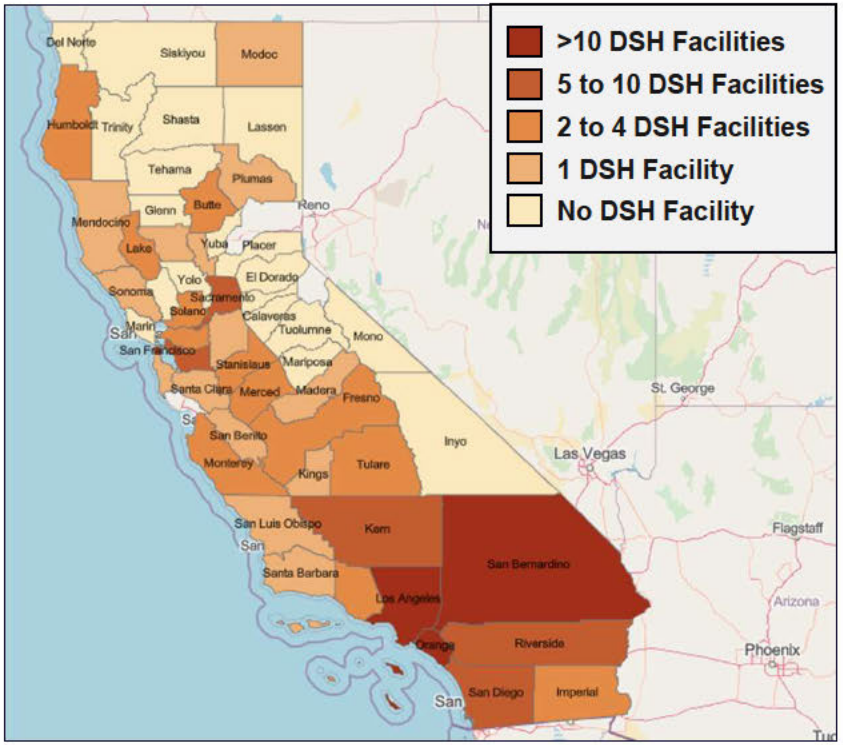
Source: CA State IP Data

The Central Valley Represents a Large Portion of California's Medi-Cal Population

Medi-Cal patients are concentrated throughout the Central Valley region

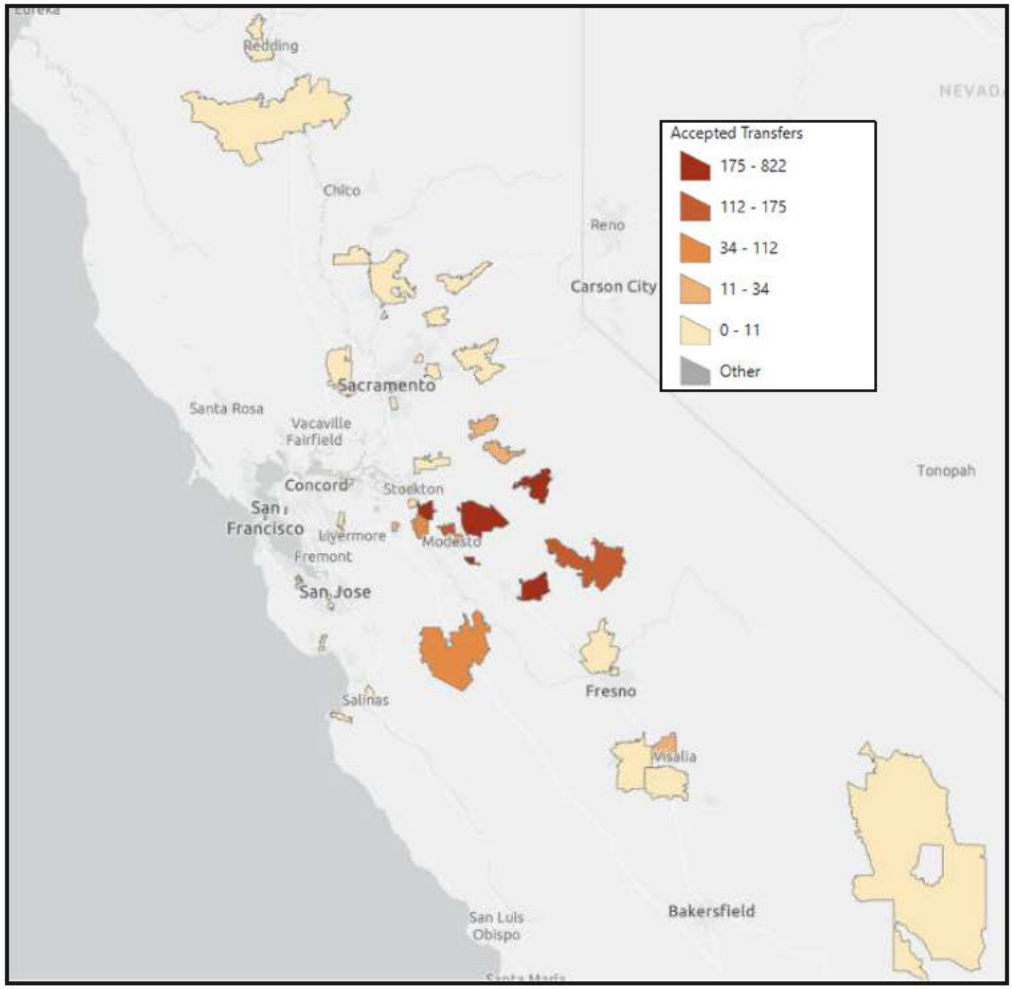


A majority of CA's DSH facilities are located throughout the Central Valley and SoCal areas



Source: CA State IP Data

DMC Receives Transfers From Within and Outside of the Central Valley



NOTE: Map of accepted DMC transfers by facility zip code

Source: Tenet Transfer Center Data

Recommendations for OHCA to Protect Safety Net Hospitals

Exempt DMC and other similar safety net hospitals by increasing the commercial-payor-mix threshold to 20% or greater for for hospitals to be included in the evaluation

- Doctors Medical Center cares for more Medi-Cal patients and provides more charity care than the average DSH-eligible public hospital.

Exempt DMC and other similar safety net hospitals by assessing costs attributable to all payors so there is an equitable evaluation across all hospitals

- This methodology adjustment would appropriately account for caring for a large Medi-Cal patient population.
- Doctors Medical Center's 5-year average inpatient revenue per CMAD is $13.5K.

All Payers	Case Mix Adjusted Discharges (CMADs)	Inpatient Revenue Per CMAD	Medicare Payment to Cost Ratio (PTCR)
2022	40,088	12,933	155%
2021	39,374	13,790	161%
2020	36,823	13,380	164%
2019	39,936	13,097	175%
2018	38,360	14,371	169%
2022-18 Average	*38,916*	*13,514*	*165%*

Source: CA State IP Data

Dignity Health.
Dominican Hospital

A member of CommonSpirit

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Dominican Hospital Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Dominican Hospital, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake across California. Dominican Hospital remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services.

Dominican Hospital is a full-service acute care facility with 222 licensed beds and an average daily census of 175. The hospital provides a comprehensive range of services, including emergency and general medicine, orthopedics, obstetrics (including high-risk pregnancies), pediatrics, general and subspecialty surgical services, cardiology and cardiac care, a Level III Neonatal Intensive Care Unit (NICU), oncology, neurosurgery, inpatient and outpatient radiology, acute rehabilitation, neurology, inpatient dialysis, and an outpatient infusion center.

The hospital's emergency department sees approximately 52,000 visits annually, and over 70 percent of hospital admissions originate in the emergency department. Due to its unique geographic location, Dominican Hospital often functions similarly to a trauma center, although it is not officially designated as one.

We employ 1,500 staff members and maintain professional relationships with more than 500 local physicians and allied health professionals. To ensure around-the-clock access to specialty care, Dominican Hospital maintains a daily on-call physician roster, with over $15 million allocated annually

for physician call coverage. However, the region's high cost of living and low reimbursement rates make it increasingly difficult to recruit and retain both primary care and specialty providers.

The challenges facing the hospital are compounded by the region's aging population. Santa Cruz County's population of adults aged 65 and older is projected to grow by 12.69 percent over the next five years. According to 2023 HCAI data, more than 67 percent of Dominican Hospital's inpatient admissions are covered by government payers, while only 17.5 percent are covered by commercial insurance. As in many other California communities, access to care for Medicare patients is severely limited. Most local primary care providers are closed to new Medicare patients, which significantly contributes to emergency department overcrowding.

In response to these community health challenges, Dominican Hospital has invested millions of dollars over the past three years in expanding behavioral health services, developing permanent and transitional housing projects, and supporting safety-net clinics.A reduction in Dominican Hospital's revenue growth to between 1.6 and 1.8 percent annually would have serious consequences for both the hospital and the broader community, including:

- **Scaling back or eliminating community outreach programs**, such as wellness and supportive services that are free to the public. Although these programs do not generate revenue, they have a proven positive impact on public health and help reduce avoidable emergency department visits.

- **Reducing on-call physician coverage**, resulting in delays in patient care, increased transfers of patients outside the community, and greater strain on emergency services. This would further discourage physicians from practicing in the area and jeopardize the success of the hospital's graduate medical education program.

- **Staff reductions** associated with the closure of community programs, such as cancer care programs—the only resource of its kind in Santa Cruz County—which will result in a significant gap in cancer care services.

- **An inability to introduce new services** that benefit the community, such as wound care, and a reduction in grants provided to nonprofit organizations and community partners.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list, and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

OHCA's approach fails to consider crucial factors like, mentioned above, government payer shortfalls and community investments. Less than 20 percent of gross charges come from commercial payers; that means that more than 80 percent of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: More than 6 out of 10 patients, ~66 percent, of those who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. Reimbursement under these programs falls far short of covering our costs. - For Dominican Hospital, this dynamic resulted in significant losses for Governmental programs last fiscal year.

Dominican Hospital shares a commitment with others to improve the health of our community and promote health equity, and delivers programs and services to help achieve that goal. We are proud of

the outstanding programs, services and other community benefits our hospital delivers, and are pleased to report to our community. In fiscal year 2024 (FY24), Dominican Hospital provided $40,528,803 in patient financial assistance, unreimbursed costs of Medicaid, community health improvement services and other community benefits. Added to the hospital's incurred $55,954,480 in unreimbursed costs of caring for patients covered by Medicare fee-for-service. These costs totaling nearly $97M have not been taken into consideration for purposes of this exercise.

Dominican Hospital is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our' ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Nanette Mickiewicz, MD
President and CEO
Dignity Health Dominican Hospital

cc:
The Honorable Dawn Addis, Member of the California State Assembly
Assembly District 30
California State Capitol
1021 O Street
Sacramento, CA 94249

The Honorable John Laird, State Senator
Senate District 17
California State Senate
1021 O Street, Suite 8720
Sacramento, CA 95814

The Honorable Gail Pellerin, Member of the California State Assembly
Assembly District 28
California State Capitol
P.O. Box 942849
Sacramento, CA 94249

From: mueller.douglas@everyactioncustom.com on behalf of Doug Mueller
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 10:10:47 AM

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.

The unexpected bills and costs with a simple doctor's visit are a deterrent to going to the doctor. The anxiety of dealing with referrals and various billing offices is stupidly stressful. My health care plan increased by 123% this year, causing me to cancel it and change doctors for myself and my wife and two sons, that we've all had for years and years. Fuck it, I hate it.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Doug Mueller


From: earltheinspector@everyactioncustom.com on behalf of EARL JOHNSON
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 6:25:13 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
EARL JOHNSON
[redacted]

From: solarae.smith@everyactioncustom.com on behalf of Edith Smith
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:12:47 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Edith Smith


CITY OF RIO VISTA

1 Main Street, Rio Vista, California 94571
Phone (707) 374-6451

Dear OCHA,

Rio Vista is a small town located on the Sacramento River Delta with a large senior population. As mayor of Rio Vista, I am writing with concerns about the Office of Health Care Affordability's inclusion of NorthBay Health on a list of "high cost" hospitals and its proposed spending cap. These actions will have severe unintended consequences for Rio Vista residents.

Our town has the oldest average age in Solano County and for over 13 years we've been without a health care clinic to directly address our community's health and wellness needs. For years, our residents have had to drive or board shuttles that often take more than 30 minutes to receive the care they need. As a result, we were thrilled when NorthBay announced its intention to invest $250 million to expand its operations, including plans to open a new clinic right here in Rio Vista later this year. NorthBay is uniquely positioned to serve our community, as 76% of NorthBay patients rely on Medicare or Medi-Cal for coverage.

OHCA's proposal will directly jeopardize our residents' ability to receive necessary, quality health care close to home. The list of "high cost" hospitals represents less than 4% of total patient discharges in California and the 3% spending cap is below inflation rates and doesn't account for ever-increasing costs in staffing, medications and medical supplies – estimated at between 6% and 10%. This cap will jeopardize NorthBay's plans to open their clinic and offer preventative services in Rio Vista that help decrease health care costs including access to x-rays, labs, and pharmacy consultation services.

I strongly encourage you to reconsider this proposal. Not all hospital systems and the communities they serve are created equally, yet this proposal uses a one-size-fits-all approach that will disproportionately affect Rio Vista residents. Rio Vista is a unique place on the Delta and we're grateful NorthBay recognizes that. Please do not take any actions that will unintentionally harm the residents of Rio Vista.

Thank you,

Edwin Okamura
Mayor
City of Rio Vista

Cc. Asm. Lori Wilson, Sen. Chris Cabaldon

From: eaguilera@everyactioncustom.com on behalf of efrain aguilera
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Friday, April 11, 2025 10:54:16 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused our members of UFCW Local 5 agricultural division, to delay or ration care and make difficult decisions about what to prioritize financially.

just to give you an example a unionized packing house general labor worker makes an average of $2,700 to $3,454 per month while they pay their monthly insurance premium depending on the category: Employee only is about $97.13, Employee plus children $707.62, Employee plus spouse $1,230.91 and Employee plus family $1,754.19. Health Care in the Monterey bay region is not affordable for most of the Agricultural workers which is a higher percentage of the Monterey Bay-Salinas Valley residents. The workers are making miracles to survive making decisions of putting food on their tables, pay for rent or pay the high cost for health insurance.

This is a sad reality for most of our Salinas Valley residents that work on the agricultural and hospitality industries. I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,

Efrain Aguilera
UFCW Local 5 Agricultural Area Director
[redacted]

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
efrain aguilera
[redacted]

From:	eaguilera@everyactioncustom.com on behalf of Efrain Aguilera
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Monday, March 24, 2025 10:32:59 AM

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.

I'm speaking as a Monterey County resident, nut more so as a Union representative for about 2,500 Union members of UFCW Local 5 that live and work in Monterey County. The high cost of health care services in the County is extremely high, many of our Union members have to chose to postpone their medical appointments and treatment in order to save money to pay for rent and food at the end of the month. Medical health cost is not affordable, we live in one of the most powerful countries in the world but we can not afford a medical health care cost. The BIG THREE hospitals in the county are over charging for medical services and this translates into a higher insurance premiums for our Union members, just to give you an example a Packing food worker-General Labor, has a family of two dependents plus his spouse, the General Labor employee is the head of household is making $18.58 an hour and working 4-5 days a week 6 to 8 hours a day making an average between $1,932 to $3,220 per month wages before taxes, from there he has to pay $1,754 per month of insurance premium to cover the family plan which he can not afford, so he makes the choice to not cover the spouse only the children so his insurance premium for him and his two dependents will cost him $717.62 per month. our working families can not afford these high cost for Medical services provided in Monterey County Hospitals. Who can afford to live in Monterey County with the cost of living and High Cost of Medical expenses, to be honest with you, take this example, I don't know how these working families do it, I heard some of them telling is a miracle that they can still be working and living here, but they all sacrifice by living two to three families together in a two-three bedroom apartment in order to survive.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Efrain Aguilera
[redacted]

From: elaine1111@everyactioncustom.com on behalf of Elaine Wilson
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:41:03 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. I am 85 years if age and am not seriously Ill but if Medicare scrapped by dRump, then I don't know if I will have SCAN, my Senior's Health Insurance.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Elaine Wilson


From: lizjohnson914304@everyactioncustom.com on behalf of Elizabeth Johnson
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:38:22 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Elizabeth Johnson
[redacted]

From: Elizabeth Rago
To: HCAI OHCA
Subject: Community Input
Date: Tuesday, March 11, 2025 12:01:35 PM

Good Afternoon,

My name is Elizabeth Rago and I am an educator in Monterey. I wish to write in support of the board's proposal to further cap the price increases for local hospitals in Monterey. The high healthcare costs in our area deeply affect myself, my colleagues and our community.

This year I have been trying to take my health more seriously for my family, for myself and for my students. I have pushed myself to go to all the recommended doctors appointments that I should be doing every year. I have been met with an overwhelming amount of bills just for doing the bare minimum. It's making me feel like I can't afford to be an educator in this area. If I'm feeling this way, I can't imagine how tough it has been for first year teachers. Our students shine when there is less teacher turnover from year to year and this has become a huge problem in our community and will affect teacher turnover and therefore our students' quality of education. Please help us.

Sincerely,
--
Elizabeth Rago
Drawing and Painting 1&2
Room 19

From: offstage@everyactioncustom.com on behalf of Ellen Koivisto
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Monday, March 10, 2025 4:55:46 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. Specifically, we're panicking about the VA being gutted and my elderly father being suddenly left without resources for dealing with his Parkinsons. As a public school teacher, I cannot make up the difference. I am trying to get every medical thing I can think of taken care of now, while there is any health care still available.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ellen Koivisto
[redacted]

From:	ericdevezin@everyactioncustom.com on behalf of Eric Devezin
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Saturday, March 8, 2025 1:44:18 PM

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.

As a student pursuing Urban Management and Affairs at the University of La Verne, I support wholeheartedly the Office of Health Care Affordability's initiative to make healthcare costs more manageable for residents of California. The combination of expensive hospital bills and high monthly insurance premiums has forced me to delay necessary care while I struggle to prioritize spending. My experiences have shown me how healthcare expenses create significant financial challenges for people and their families, including those I know. The existing healthcare system creates challenging financial decisions for people as they choose between necessary medical treatment and basic living needs such as housing and food. This is unacceptable.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Eric Devezin
[redacted]

From: erikashe@everyactioncustom.com on behalf of Erika Shershun
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 5:35:24 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Erika Shershun
[redacted]

From: charlysebrown91@everyactioncustom.com on behalf of Faith Brown
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 6:36:45 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Faith Brown
[redacted]

From: fseumanu@everyactioncustom.com on behalf of Fatima Seumanu
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:48:39 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused so many to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Fatima Seumanu
[redacted]

From:	Dennis Yen
To:	HCAI OHCA
Cc:	Laura Edwards; Yolly Cummings; Noel P. Gallego; Franz Lozano; Joey Palma; Bernadette Pomar; Hermie Sunga; Gregoria Torres; Sue Vaccaro
Subject:	OHCA's Cost Cutting Hurts Hospitals and NorthBay Health's Patients
Date:	Friday, April 11, 2025 2:33:57 PM

Dear OCHA Board Members:

On behalf of the Filipino American Chamber of Commerce of Solano County, I write today to encourage the Office of Health Care Affordability to reconsider the proposed implementation of 3.5% statewide healthcare spending target as well as the inclusion of NorthBay Health on the list of alleged "high cost" hospitals.

For more than 65 years, NorthBay Health has operated the leading hospital in the region and delivered high-quality, comprehensive care. It is an essential pillar of our community, and the implementation of this proposal will severely undermine its ability to maintain this standard. NorthBay is one of only 17 hospitals in the nation to receive the Magnet with Distinction award, recognizing their exceptional nursing care. They were also named the top hospital in Solano County by U.S. News and World Report, signifying the hospitals leadership in the region. It's inclusion on a list of 11 "high cost" hospitals does not reflect the reality of its exceptional care.

The 3.5% cap is below inflation and does not account for increased costs of staffing, supplies and medication. This cost control measure will discriminately impact hospitals like NorthBay that treat under-represented and under-resourced patients and will weaken the high-quality of care our communities receive. More than three-fourths of NorthBay patients rely on Medi-Cal or Medicare and this proposal would devastate NorthBay's ability to provide preventative and essential care to these patients. With one of the San Francisco Bay Area's largest Filipino American and Asian American populations we harbor serious concerns about what a shortage of healthcare services might mean particularly for our vulnerable seniors and marginal wage-earners.

At a time when Congress is considering significant cuts to healthcare spending, I strongly encourage OHCA to reconsider this proposal, examine the unintended consequences it will unleash on Solano County and rather focus on measures that protect the health care needs of Solano County patients.

Thank you,

Dennis Yen

President

Filipino American Chamber of Commerce of Solano County

(707 484-1170

Florence Douglas Center

Vallejo Senior Citizen's Council Inc.
A Nonprofit Organization in Service to Senior Citizens Since 1974
333 Amador Street • Vallejo, California 94590
Main Office (707) 643-1044
www.florencedouglas.org

Dear OCHA,

My name is Nancy Pudlak with the Florence Douglas Center in Vallejo. We help Solano County's seniors in many ways including through health care support and counseling. Many of our seniors are on Medicare and rely on NorthBay Health for most of their health care services.

I write today to express my sincere concerns about the proposed spending cap that will directly impact NorthBay Health's ability to provide essential services to Solano County's seniors, as well as the inclusion of NorthBay on a list of 11 supposed "high cost" hospitals. NorthBay is one of the best and most convenient locations to receive health care in Northern California, especially for essential services like trauma care that are often unavailable at other hospitals, and preventative services like primary care that help lower the overall cost of healthcare.

This spending cap proposal will result in a gutting of these essential, life-saving services and will lead to potential layoffs and longer wait times, directly harming the seniors we serve. The proposed cap does not account for increased costs in staffing, medication and supplies hospitals are currently facing and is well below inflation rates. These factors, combined with potential reductions in healthcare funding that Congress is weighing, will make it nearly impossible for NorthBay to continue providing the level of service they are known for and that our community depends on – particularly as our county's senior population continues to grow and is expected to reach over 20% of our community in the next decade.

This regulation will unfairly penalize hospital systems like NorthBay that are committed to delivering high-quality care to our most vulnerable residents, especially seniors. More than three-quarters of NorthBay patients rely on Medicare or Medi-Cal for coverage and this will set a dangerous precedent—one that threatens to limit access to essential health services and will inevitably lead to poorer health outcomes for older adults across our communities. I urge you to halt this proposal immediately and take a hard look at the serious, long-term consequences it will create for the very people who need care the most.

Thank you,

Nancy Pudlak

Nancy Pudlak
Florence Douglas Center
Executive Director

From: Francisco J. Morazan
To: HCAI OHCA
Subject: Monterey Local Hospitals
Date: Monday, March 10, 2025 2:47:33 PM

Good afternoon,

My name is Francisco Morazan, and I am an educator in Monterey. I wish to write in support of the board's proposal to further cap the price increases for local hospitals in Monterey. The high healthcare costs in our area deeply affect myself, my colleagues and our community. Thank you for your time.

Sincerely,
Francisco Morazan

From: fcordgz@everyactioncustom.com on behalf of Franicsco Rodirguez
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 18, 2025 3:25:16 PM

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.

As a resident of Watsonville California in the Monterey Bay region, I am surrounded by some of the most expensive hospitals in the state. Three out of the five hospitals around Watsonville (Community Hospital of Monterey Peninsula, Salinas Valley Memorial Hospital, Dominican Hospital) are on the list of the 11 most expensive hospitals in the state, with Natividad County Hospital in Salinas not far behind.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Franicsco Rodirguez
[redacted]

From: brents1963@everyactioncustom.com on behalf of Frank Sanders
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:32:48 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Frank Sanders


Dignity Health
French Hospital Medical Center

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **French Hospital Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of French Hospital Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and French Hospital Medical Center remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

French Hospital is contracted with all payors, our Government payors such as MediCal represents 11.8% of our payor mix while Medicare represents 60.3%. We struggle to produce a positive margin with these payors due to the lower reimbursement and high cost of care, as outlined above, our increased wages due to minimum wages and union salaries, and the high cost of living in San Luis Obispo County. Being a non-profit, we continue to care for all patients and keep service lines such as Labor and Delivery / Obstetrics and other service lines that operate at a negative margin. The Commercial payors do help offset this negative margin however, any increases we potentially get continue to fall to levels lower than inflation and lower than increases in our expenses. It is difficult and will be more difficult in coming years to maintain income for the needed capital investments.

Excluding ZCTA 93407, 93410, and 93409, approximately one in five individuals within the FHMC community (18.3%) reside in poverty, exceeding county (13.5%) and state (12.0%) rates. This accounts for approximately 6% of families and 13% of individuals in the hospital community who are living below 100% of the federal poverty level. Over 35% of the residents of the hospital community have public health insurance coverage. One in four San Luis Obispo County residents is covered by Medi-Cal/CenCal, and about 6% of community members have no health insurance coverage.

In addition to the residents mentioned above and typically not captured in traditional U.S. Census data, San Luis Obispo County is home to a Mexican Indigenous population drawn to work in the community originally from the Mexican states of Oaxaca and Guerrero. These individuals are often

monolingual in their native pre-Hispanic indigenous languages of Mixtec or Zapotec, and have an estimated population of 8,000 individuals, including children and adults, in San Luis Obispo County.

The Hospital community is unique due to its location on the Central Coast, with vast unincorporated areas, striking natural beauty, and thriving communities. Behind the striking natural beauty are geographically isolated communities that may host one of the 1,175 individuals experiencing homelessness in the area. Underrepresented individuals can be found residing in poverty, working in the shadows of the agriculture, tourism, or retail industries.

The following are additional free services that will be affected by the proposed changes:

- Charity care
- Mixteco Interpretation and Advocacy Services
- English, Spanish ,and Mixteco Health Education workshops
- Support groups in English and Spanish: Diabetes, Chronic Illness, Stroke, Grief, and PMAD
- Cancer Navigation services
- Cancer Nutrition Services
- Food pantry for patients in need
- Financial assistance to cancer patients in need
- PreNatal Classes in both English and Spanish
- Breastfeeding clinic-Lactation consultations
- Street Medicine Outreach Program
- Behavior Wellness Center: Crisis Intervention services

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, French Hospital Medical Center will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. French is in need of expansion and looking to invest in a new patient tower. The need for this tower is due to increased volumes and to eliminate patients having to share rooms,

oftentimes three patients are in a room and will improve quality and patient satisfaction. Services such as L&D and OB could be vulnerable for reduction or elimination of services at French Hospital.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

French Hospital Medical Center is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Sue Andersen
President & CEO
French Hospital Medical Center

From: graubgabriel@everyactioncustom.com on behalf of Gabriel Graubner
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:20:43 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Gabriel Graubner
[redacted]

From: fujifuji8kamo6@everyactioncustom.com on behalf of Genevieve Fujimoto
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:19:31 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Genevieve Fujimoto
[redacted]

From: gtmclennan@everyactioncustom.com on behalf of Geoff McLennan
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:42:06 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

Insurance companies fail to make good mental healthcare referrals, especially to disabled persons. If insurance companies cannot provide qualified, clinicians, then they must pay a fair cost to out of network providers that many people must rely on. Thank you.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Geoff McLennan


From: geowmeyer@everyactioncustom.com on behalf of George Meyer
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 3:33:01 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
George Meyer


From: edge4two@everyactioncustom.com on behalf of Georgie Reed
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:38:05 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Georgie Reed


Dignity Health.
A member of CommonSpirit

Glendale Memorial Hospital and Health Center
1420 S. Central Ave.
Glendale, CA 91204
(818) 502-2201

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: Dignity Health Glendale Memorial Hospital and Health Center Opposes Proposed Hospital Sector Spending Target Recommendations

(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Dignity Health Glendale Memorial Hospital and Health Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Glendale Memorial Hospital remains committed to achieving our shared goals of affordable, high-quality care. We ask OHCA to proceed with collaboration and a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Glendale Memorial Hospital serves an at-risk and vulnerable community. To give you a sense of the vulnerability of our patient population, among the residents in the service area, 14.6% are at or below 100% of the federal poverty level (FPL) and 33% are at 200% of the FPL. According to the US Department of Housing and Urban Development, those who spend more than 30% of their income on housing suffer a financial burden that others do not. In our service area, 49% of owner and renter occupied households spend 30% or more of their income on housing. This is higher than both the county and state rates. Education is also said to be a key driver of health and in our service area, with 16% of adults 25 and older lack a high school diploma. Glendale Memorial Hospital provides significant health resources both in the hospital setting and in the community to this vulnerable population. Unlike other hospitals, Glendale Memorial Hospital's payer mix is comprised mostly of Medi-Cal, accounting for about 39% of patient volume. Caring for this underserved population is an important part of fulfilling our mission of improving the health of the most vulnerable.

With that said, we face very real sustainability challenges due to Medi-Cal's low reimbursement rates. For example, our margin on Medi-Cal patients seen 12 months ending August 2024 was -35%, meaning the hospital lost $35 for every $100 of reimbursement received. At other health systems, this loss is offset by high commercial payer volume but with our commercial volume at just 13% we are not able to achieve a healthy margin overall. This translates to fewer dollars left over to reinvest into modern medical equipment and much-needed infrastructure improvements.

Serving a large percentage of Medi-Cal patients also presents challenges when it comes to offsetting cost increases of Medi-Cal heavy service lines. For example, 76% of patients seen in our Maternal Child Health (MCH) departments are insured by Medi-Cal. This fiscal year 2025 we will bring on a Laborist group which will increase our costs by ~$1.8M/year. This is an important quality and safety measure as laborists are on-site 24/7 and can respond immediately to emergencies such as fetal distress, hemorrhage, or preeclampsia as well as reduce variability in care and improve outcomes. Offsetting this cost within the service line is not feasible given our margin is -77% for Medi-Cal MCH patients. Therefore offsets must be found by increasing services elsewhere, often requiring capital investment.

While serving this at-risk population our operating costs continue to rise due to the competitive healthcare landscape, inflation and other factors. In order to retain and attract employees our salaries must remain competitive in the market with hospitals with a far larger commercial payer mix.

In addition, OHCA's spending targets do not adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients. If these factors are ignored, Glendale Memorial Hospital will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination.

The financial challenges stemming from reduced Medi-Cal and other reimbursement poses a significant threat to the hospital's capacity to invest in essential infrastructure and technology advancements. As we brace for seismic costs and the foundation needed to maintain operations there are several vulnerable service lines including Maternal Child Health and Behavioral Health Services. We believe these are essential to the community but maintaining them at their current state will be very challenging with the current reimbursement as expenses exceed revenue in the service line. Our ability to invest in leading edge technologies for other service lines is also limited as well as our outreach into the community for healthcare and services outside of the four walls of the hospital. For example, our current MRI scanner is 19 years old and past its original useful life. The scanner experiences multiple multi-day breakdowns per year and must be replaced imminently to preserve timely diagnostic scans. Currently the cost of this replacement is projected to be anywhere from $7.5M - $9.5M. A delay in this project would translate to costly increases in length of stay and compromise quality care.

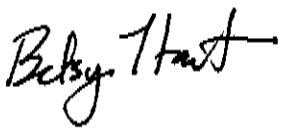
We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing solely on the commercial year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Glendale Memorial Hospital is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. It is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue as we continue to serve our most vulnerable community members.

Sincerely,



Betsy Hart

President/CEO

From: oldglow@everyactioncustom.com on behalf of Gloria DONOHUE
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 3:39:26 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Gloria DONOHUE
[redacted]

From: thomps@everyactioncustom.com on behalf of Gloria Thompson
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:28:00 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Gloria Thompson
[redacted]

From: smithgrant.la@everyactioncustom.com on behalf of Grant Smith
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:29:30 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Grant Smith


From: greg@everyactioncustom.com on behalf of GREG D
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:45:46 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
GREG D
[redacted]

From: gregperkins1@everyactioncustom.com on behalf of Greg Perkins
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 2:33:26 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Greg Perkins
[redacted]

From: rayhs2@everyactioncustom.com on behalf of Gwen Schroeder
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 1:22:52 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Gwen Schroeder
[redacted]

From: watsonh1956@everyactioncustom.com on behalf of Harold Watson
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 4:00:40 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Harold Watson
[redacted]

April 11, 2025

Elizabeth Landsberg, Director
Department of Health Care Access and Information
2020 W. El Camino Ave., Suite 1200
Sacramento, CA 95834

Attn.: Megan Brubaker

Re: Proposed Targets for Very, Very High-Cost Hospitals: Support

Dear Ms. Landsberg,

Health Access, the statewide health care consumer advocacy coalition committed to quality, affordable care for all Californians, supports the lower cost growth targets for the eleven very high-cost hospitals, measured using the hospitals' own data for commercial coverage purchased by individual consumers and employers for workers and their dependents.

Consumer Perspective: Lack of Affordability=Lack of Access to Care Today

The current health care landscape in California is one in which consumers lack access because of high health care costs, including very high hospital costs. Half of California consumers report skipping or delaying care—and half of them face worse health as a result. At the August 2024 Health Care Affordability Board meeting, the Board heard dozens of consumers testify to the negative impacts of very high hospital costs in Monterey. Hospital care remains the single most common source of medical debt for consumers, even those with health insurance.

Every dollar in the health care system comes out of the consumer's pocket:

- We pay for health care with lower wages and higher premiums, copays, deductibles and coinsurance as workers, dependents, and individual consumers.
- We pay for public programs like Medicare and Medi-Cal as taxpayers.

Saying that a consumer will meet their deductible during a hospital stay ignores the impact of hospital costs on premiums, including the share of premium paid by working families for coverage. It also ignores the reality of medical debt incurred when most employer coverage includes deductibles with a median family deductible over $4,000 when many consumers cannot afford even to pay $400. California now ranks among the highest cost

states in terms of share of premium and cost sharing for family coverage provided through employment[1].

Consumers can't afford to go to the doctor, pick up the prescription, get the lab test we know we need or even when we need to, go to the emergency room when we should. The proposal before the Board takes seriously consumer affordability and access by taking meaningful steps to rein in high costs.

Why Hospitals? It's Where the Money Is.

Four out of ten dollars spent on commercial coverage is spent on hospital care. It is the single biggest cost covered by premiums and cost sharing. No other category of spending comes close: not physician services, not prescription drugs, not health plan profits and overhead. Health plans and insurers are paid administrative costs and profits as a percentage of the claims paid to hospitals, physician services, prescription drugs, labs and imaging. If the Board can lower hospital cost growth, then it will slow health plan cost growth as well as making progress toward slowing the growth of consumer costs for premiums and cost sharing.

All Hospitals as a Sector

Health Access supported the proposed emergency regulation to define all hospitals as a sector. Such a definition makes policy sense and was well within the statutory discretion awarded to the Office and the Board under the existing law.

Very High-Cost Hospitals

Health Access supports lower cost growth targets for the eleven very high-cost hospitals, a small fraction of the 439 California hospitals. Setting a statewide cost growth target for all health plans, all physician organizations, and all hospitals was an important step forward in the overall effort to control the growth in health care costs.

This proposal is another important step forward in reducing health care costs that are excessively high compared to the average of similar entities. We support this proposal as we look forward to future work to further reduce health care costs.

What is a very high-cost hospital? It is a hospital that:

[1] https://www.commonwealthfund.org/blog/2025/how-affordable-job-based-health-coverage-workers

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- Gets paid twice as much per risk-adjusted discharge as the average California hospital by commercial insurance[2].
- Gets paid a much higher proportion of costs for both inpatient and outpatient care by commercial insurance sold to individual consumers and employers for workers and their dependents when compared to Medicare[3].
    - The average California hospital gets paid by commercial insurance twice what Medicare would pay for the same care at the same hospital.
    - These hospitals get paid three or four or more times as much.
- Meets both of these very high-cost criteria three years out of the last five years[4].

These hospitals are twice as expensive as the average California hospital. It makes policy sense that the cost growth target for these hospitals would be half as high as the statewide target which applies to all hospitals as well as all health plans, insurers and physician organizations.

These thresholds apply to hospitals that have both at least 5% commercial revenue and 5% Medicare revenue. Applying this screen assures that both of the measures relying on commercial payments and Medicare are statistically credible. This screen removes 33 hospitals, fewer than 10% of the 439 California hospitals. None of the 11 hospitals on this list was on the list of financially "distressed" hospitals for which HCAI provided loans in 2024[5]. We look forward to the inclusion of Kaiser hospitals in future analysis in a few years when five years of data on individual Kaiser hospitals has been collected.

Hospital Financial Data and Measures Developed for Cost Containment Purposes: It's the Data Each Hospital Submits.

All of the data proposed to be used by OHCA for measuring very high-cost hospitals come from the financial data filed by hospitals with HCAI. Each hospital submits this data: we operate on the assumption that each hospital stands by the data they submitted. Using this hospital-reported data to analyze hospital costs and inform sector-based targets is consistent with the aim of OHCA and HCAI more broadly.

The reason this data began to be collected fifty (50) years ago by the Department of Health Care Access and Information and its predecessor, the Office of Statewide Health Planning

[2] https://hcai.ca.gov/wp-content/uploads/2025/02/OHCA-Recommendations-to-Board-Proposed-Hospital-Sector-and-Target-2.pdf
[3] https://hcai.ca.gov/wp-content/uploads/2025/02/OHCA-Recommendations-to-Board-Proposed-Hospital-Sector-and-Target-2.pdf
[4] https://hcai.ca.gov/wp-content/uploads/2025/02/OHCA-Recommendations-to-Board-Proposed-Hospital-Sector-and-Target-2.pdf
[5] https://hcai.ca.gov/california-announces-300-million-in-financial-support-for-community-hospitals-across-the-state/

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and Development, was precisely to control health care costs. The original purpose of OSHPD was to do health planning as part of a major reform effort in California and nationally to control health care costs. This reform effort led to the creation of the California Medical Assistance Commission which regulated hospital costs here as other agencies did in other states across the country.

Don't Delay. Californians Need Help Now.

Many or most of the hospitals on this list have been known as high-cost hospitals for decades. Health Access urges the Board to adopt lower cost growth targets for this small handful of very high-cost hospitals both to address these high-cost outliers and to send a message to all hospitals that the Board takes seriously its role of addressing health care affordability. Those who counsel delay are those who profit from the existing system, not the consumers who suffer as a result of high health care costs. Consumers want change.

Conclusion

Health Access supports using the statutory flexibility granted to the Health Care Affordability Board by the Legislature and the Governor to move forward to set lower cost growth targets for that subset of health care entities which are the very high-cost hospitals.

Sincerely,

Amanda McAllister-Wallner
Interim Executive Director

Beth Capell, Ph.D.
Policy Consultant

CC: Members of the Health Care Affordability Board
Vishaal Pegany, Deputy Director, Office of Health Care Affordability

1127 11th Street | Suite 925 | Sacramento, CA 95814

From: blackrose9801@everyactioncustom.com on behalf of Heather Isaac
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:12:15 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Heather Isaac
[redacted]

From: cameronh112@everyactioncustom.com on behalf of Helen Cameron
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:22:24 AM

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.

In my opinion, until we get private equity/corporations out of health care and return patient health to the physicians, not only will health care costs continue to be unsustainable, patient care and outcomes will suffer.

Our current medical system is an embarrassment. We need to help physicians be independent so that they can make the right choices for their patients. While health care cost is a complicated issue, i believe physician autonomy to make the right decisions for their patients will help to mitigate the soaring costs of health care.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Helen Cameron


From: hlhays75@everyactioncustom.com on behalf of Helen Hays
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:45:28 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Helen Hays
[redacted]

From: cygarza40@everyactioncustom.com on behalf of Carole Garza
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:08:19 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Carole Garza


From: hillaryostrow@everyactioncustom.com on behalf of Hillary Ostrow
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:16:12 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Hillary Ostrow
[redacted]

From: hourie@everyactioncustom.com on behalf of Hourie Alahaydoian
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:10:09 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Hourie Alahaydoian
[redacted]

Huntington Health
An Affiliate of Cedars Sinai

Lori.morgan@huntingtonhealth.org
100 W. California Boulevard
Pasadena, CA 91105 | (626) 397-5000
www.huntingtonhealth.org

March 19, 2025

The Honorable Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

(Submitted via email to ohca@hcai.ca.gov)

Subject: Low Spending Growth Targets Undermine Patient Care

Dear Chair Johnson,

On behalf of Huntington Health, I am deeply concerned by the speed with which the Office of Health Care Affordability (OHCA) is considering hospital sector-specific spending growth targets. The proposed action is premature as there is complete lack of clarity about how the existing statewide target of 3.5% (dropping down to 3% by 2029) would be measured. Moreover, OHCA has not considered the impacts of these targets on patient care, making detrimental effects all the more likely.

California hospitals prioritize health access and affordability for all members of our communities, and this is a shared responsibility. To meaningfully impact the cost of care, the entire health care system, including insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others, must work together. **However, fragmenting the health care field so early in the process undermines the shared responsibility for success.**

Prior to defining one or more hospital sectors, all stakeholders would benefit from a comprehensive analysis of spending across various segments of the health care industry, identification of areas in which spending growth is high, and a meaningful assessment of spending drivers to determine whether differences in spending are appropriate. Absent that analysis, this proposal cannot possibly meet OHCA's statutory requirements to "maintain quality and equitable care" and "minimize fragmentation and potential cost shifting and encourage cooperation in meeting statewide and geographic region targets."

Further, OHCA has not yet finalized its method for measuring hospital spending. OHCA has a legal prerogative to inform the creation of sector targets with historical cost data. However, the lack of a finalized methodology means the relevant historical cost data has not been reviewed and leaves hospitals in the dark as to how to comply with the target.

Huntington Health has already worked to implement cost reduction measures to meet the existing 3.5% spending target for 2025, including:

- Maximizing recruitment of direct hire staff positions to minimize reliance on registry and traveler staff.
- Utilizing group purchasing opportunities to reduce costs for vendor services and supplies.
- Review and cancellation of all purchased service contracts and memberships that are not of absolute necessity and cannot be otherwise replicated internally or at lower cost.
- Collaborating with our medical staff to reduce medical device costs while maintaining quality of care.
- Collaborating with our community skilled nursing, long term care and other step-down facilities to ensure the appropriate level of care is provided for patients.
- Ensuring staffing levels are commensurate with ratio requirements and efficiently staffing to volume for clinical and non-clinical areas.

Patient care needs, economic trends, and the investments needed to comply with state mandates and move care from institutional settings and into the community increasingly reveal how difficult, if not impossible, meeting the statewide target will be.

If the board takes action to lower the target even further, without providing a clear understanding of how the spending will be measured, Huntington Health, and other hospitals around the state, would be forced to reduce the care we provide. In our community, impacts could include:

- Huntington Health's ability to provide costly new and lifesaving technology that is of high value to the health of the San Gabriel Valley community.
- Replacement of aging and non-supported diagnostic radiology and other medical equipment that is key to diagnosing disease and safe care during hospitalization.
- As one of the few remaining hospital providers of Behavioral Care, Huntington Health would have to review its planned expansion of services and potentially plan closure of necessary but under-reimbursed and thus economically unsustainable services.
- Planned physician foundation expansions would need to be reassessed which would continue to leave gaps in primary care and specialty coverage for a number of specialties that are underrepresented in the San Gabriel Valley.
- The viability Huntington Health's long-standing Senior Care Network that focuses on helping seniors stay in their homes as they age and reduces costly hospital readmissions across a large swath of LA County would need to be reassessed as it is a community benefit that is not economically viable without cross subsidization.
- Programs such as Health Counseling, Community Flu Clinics, Fentanyl Education Program and Huntington Health's Diabetes Empowerment and Education Program as well as many others would be at risk.
- Huntington Health's long-standing medical education program which prepares many medical residents for providing care in our State and specifically the San Gabriel Valley community would be at risk of limitation or future closure.

On behalf of the thousands of community members served by Huntington Health each year, I urge you to take the necessary time for appropriate analysis and thoughtful discussion before

finalizing sectors or corresponding targets. We remain deeply committed to achieving our shared goals of affordable, high-quality care, and ask that the office proceed with a keen eye toward ensuring care is not diminished in the pursuit of lower costs.

Sincerely,

Lori J. Morgan, MD, MBA
President and Chief Executive Officer

cc: Paul Johnson – Board Chair, Huntington Health
Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Honorable John Harabedian
Honorable Sasha Renée Pérez

From: ibrow42@everyactioncustom.com on behalf of Ingrid Brown
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 3:47:59 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ingrid Brown
[redacted]

Dignity Health
Inland Empire
Community Hospital of San Bernardino
St. Bernardine Medical Center

April 8 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Community Hospital of San Bernardino and St. Bernardine Medical Center Oppose Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Community Hospital of San Bernardino and St. Bernardine Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and our Inland Empire hospitals remain committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

As two Disproportionate Share Hospitals (DSH), our Inland Empire facilities rely on approximately 85% of our funding from government payments. We primarily serve a low-income population, including a significant number of uninsured individuals and those enrolled in Medi-Cal. In addition to our core services, our hospitals offer a range of free wellness, prevention, and follow-up services for patients and their families. However, if further unrealistic financial pressures are introduced in an already challenging environment, these vital services—including maternity care and behavioral health programs—are at risk.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

As mentioned earlier, if these factors are ignored, our Inland Empire hospitals will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. In addition to Behavioral Health Services and Maternity, our Baby & Family Center at St. Bernardine, Family Focus Center at St. Bernardine and Health Education Center at Community Hospital are examples of services that would be eliminated just to adhere to these proposed policies.

Less than 13% of our gross charges are associated with commercial payers. This indicates that over 85% of our patient care is supported by government payers, self-pay, or charity care. It's essential to consider the dynamics between commercial and government payers in this context: approximately 85% of the patients who visit our hospitals depend on Medi-Cal or Medicare for their health coverage. Unfortunately, reimbursement rates under these programs do not fully cover our expenses, with only about 80% of our costs being reimbursed through Medi-Cal and Medicare payments to hospitals.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Our two Inland Empire hosptials are already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Dan Murphy
Vice President and CPO

From: irene_lara07@everyactioncustom.com on behalf of Irene Martinez
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 18, 2025 4:36:51 PM

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.

Hi . My name is Irene Martinez, I live with my husband, daughter and granddaughter in Seaside. I work at The Lodge at Pebble Beach in Monterey County where I have been a banquet cook for 24 years and am a member of UNITE HERE Local 19.
I got so sick that I had to go to CHOMP and I am doing
better now but I am still paying my part of the bills, so far I have paid over $18,000.00 over the last 4 years since my diagnosis. I have been asked to submit $500.00 payments four times to doctors. Every time I go to Community Hospital of Monterey Peninsula I know I will have a minimum payment of $100.00 due. There were times I used to go to appointments daily, and sometimes did not have money to pay my bills and buy food for dinner.
Last Christmas we had no money to buy any presents, I got referred to United Way to help me to pay my rent for that month since we were short on money and had to keep paying for treatments.
I became depressed because of the stress and pressure I was under. I felt so bad that my treatment was costing so much money, and I couldn't provide for my family.
The prices of the hospitals are not affordable to working families.
The hospital staff is great, but the prices are not fair at all, I ask that the only hospitals in our area become affordable to us. They charge us like millionaires, but we are working class people.
Please do the right thing and help us to regulate the prices of hospitals.
A 3% spending target is still too high. We need a lower sector target until it starts sooner than 2026 because high prices are killing us.
Thank You
Irene Martinez

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Irene Martinez


From: coba@everyactioncustom.com on behalf of Jacoba Dolloff
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 6:07:11 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jacoba Dolloff
[redacted]

From: jmvjvphickey@everyactioncustom.com on behalf of James Hickey
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:03:21 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
James Hickey


From: ht1@everyactioncustom.com on behalf of James LeDoux
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:25:37 AM

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.

Everyone knows health care expenses are too high in the USA. Here in California, OHCA can do something about it, and they should.

Hospital bills and monthly insurance premiums are out of control, and mean that I've had to make hard decisions about what to spend money on -- rent, food, or medicine? And it has even caused me and others to ration medicine and delay making appointments, which is inexcusable in a rich nation such as ours.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
James LeDoux


From: jamiebatt@everyactioncustom.com on behalf of Jamie Lurtz
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:18:59 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jamie Lurtz
[redacted]

From: kalitatodd@everyactioncustom.com on behalf of JAN TODD
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:55:26 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

As an elder (76), living on a social security fixed income, I would have been financially ruined the first time I had any medical issue. Do to medi-care I have been hospitalized and treated for life threatening cellulitis and sepsis Medical support made all the difference. I am living a healthy, vigorous life through medi-care, rather than homeless and struggling. I am so grateful for this. It is so needed in our society.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
JAN TODD


From: janarosa@everyactioncustom.com on behalf of Jana Mariposa Niernberger Muhar
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:06:45 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jana Mariposa Niernberger Muhar
[redacted]

From: tu4u@everyactioncustom.com on behalf of Janet Leen
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 6:32:16 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Janet Leen
[redacted]

From:	jamaker2001@everyactioncustom.com on behalf of Janet Maker
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Tuesday, March 11, 2025 9:10:33 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Janet Maker
[redacted]

From: jdelvalle@everyactioncustom.com on behalf of Javier Del Valle
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:50:04 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Javier Del Valle
[redacted]

From: jemaralo10@everyactioncustom.com on behalf of Jennifer Alonso
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 9:39:19 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jennifer Alonso
[redacted]

From: jeroen71@everyactioncustom.com on behalf of Jeroen de Wit
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:46:56 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jeroen de Wit
[redacted]

From: pendergastjerry@everyactioncustom.com on behalf of Jerry Pendergast
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 12:33:13 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jerry Pendergast
[redacted]

From: curland@everyactioncustom.com on behalf of Jim Curland
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 5:20:30 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jim Curland
[redacted]

From: jangell@everyactioncustom.com on behalf of JL Angell
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:10:00 AM

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.

High health care expenses, specifically high cummulative bills and monthly insurance premiums, especially when COBRA enrollment was delayed for months due to former employer errors, has caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
JL Angell
[redacted]

From: sjjkennedy@everyactioncustom.com on behalf of jody kennedy
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 4:14:37 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

Our daughter has Type 1 Diabetes and it has changed her life- making it much harder & Insulin is expensive - plus all the other health issues that have impacted her body since the onset of this disease- Its a nightmare for her and us. This is something she will deal with for the rest of her life and keeping the cost of Insulin affordable and access to her Doctors is imperative - or she could die without being able to afford the insulin that she needs to take many times each day. This is an extremely stressful situation. Please fight and advocate for Affordable Healthcare for all.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
jody kennedy
[redacted]

From: mawgaw4748@everyactioncustom.com on behalf of Jody Lewis
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:22:41 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jody Lewis
[redacted]

From: leblancjoe2@everyactioncustom.com on behalf of Joe LeBlanc
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 4:45:34 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. I avoid medical care because of the price and recently had to pay off a ridiculously high ambulance bill where I felt forced to take the ride. Even with Covered California the price is astronomical for preschool teacher who is rapidly being pushed out of my home state of California.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Joe LeBlanc


From: joesalazar19@everyactioncustom.com on behalf of Joe Salazar
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:24:32 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Joe Salazar
[redacted]

From: johndjdesjardin@everyactioncustom.com on behalf of John DesJardin
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:28:40 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
John DesJardin
[redacted]

From: Nightembraced@everyactioncustom.com on behalf of John Kindred
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:48:42 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

As someone who has health issues that is not cover it makes my life hard than what it needs to be for me and my family. Since my health conditions are not covered under my medical plans, I have to come on my pocket to do the best I can, which many times it falls short to even come close to what I actually need. I am on Social Security and all. the money I get from Social Security I need for every day. living. So when I take money out for health needs, it puts a burden on me and my family.

Here are the things that are not cover under my health plan and over the years, unable to get any help. (Scotopic Sensitivity Syndrome, Heat Intolerant, Photosensitivity, and surgery on my mouth for when I was attacked at home).

I was attacked three years ago at my home and now I need surgery on my mouth, which my dental does not cover, and it is so expensive. I cannot do it with my SSI.

These health issues also complicate my other health issues that I have.

J. Kindred.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
John Kindred


April 9, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **John Muir Health Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Megan:

Thank you for the opportunity to provide feedback on the California Office of Health Care Affordability's (OHCA's) proposed hospital sector spending targets. OHCA was formed to create a system to curb health care cost growth without sacrificing access to quality health care. At John Muir Health, our mission is to improve the health of the communities we serve with quality and compassion.

We are aligned with OHCA's goals but are troubled by how quickly OHCA's recommended hospital sector spending targets are being implemented without a thorough analysis. Our greatest concern is the impact of these targets on patient care and access. Below is information that validates our concerns.

John Muir Health is the only independent, not-for-profit and community-based health system in Contra Costa County and the second largest private employer in the County. We are integral to the delivery of health care in the East Bay. Our Concord Medical Center is celebrating its 90th anniversary and our Walnut Creek Medical Center is celebrating its 60th anniversary this year. For nearly 40 years, our Walnut Creek Medical Center has also served as the County's only Trauma Center.

John Muir Health is the largest provider of Medi-Cal hospital services in Contra Costa County and serves as many Medi-Cal patients as the County hospital. Our payor mix is now between 70%-75% Medicare and Medi-Cal (53.7% Medicare and 18.6% Medi-Cal for 2024), and rising as the population ages. Collectively, government payors caused our health system to incur over $600 million in losses last year. The policy decisions on Medicare and Medicaid being discussed at the federal level are only adding to the uncertainty around reimbursement from these programs. The cost of care is now primarily borne by people with commercial insurance, which has rapidly increased premiums and copays for working families, which is not sustainable. Meanwhile, annual costs due to wage increases and supply cost inflation continue to grow, which impacts our financial health.

For context, 2020-2023 were the toughest years John Muir Health has faced in the history of our health system. From 2022-2024, we lost $253 million from operations. To address those losses, we are taking aggressive actions to improve our operating margins through cost reductions and improved clinical efficiency without compromising quality and safety. This has resulted in a total of $253 million in savings in the last two years. While we achieved a positive cash flow in 2024, it is not nearly enough to cover our annual capital expenditures and the state's unfunded seismic requirements by 2030. We are estimating our cost of facility renovations and seismic retrofits at just under $2 billion. OHCA's unrealistically low statewide spending growth target of 3.5% will only exacerbate our financial challenges and necessitate difficult decisions that will impact services in our community.

These facility renovations are on top of the nearly $1.2 billion we have already spent on seismic-related investments in our facilities, including new patient towers at our Concord and Walnut Creek Medical Center campuses and several retrofit projects. Without adequate funding, we will need to downsize our plans accordingly, which puts bed capacity in Contra Costa County at risk. These bed capacity and service challenges could result in real human cost for County residents. OHCA's low statewide spending growth target will make an already challenging situation more difficult.

This is a very precarious time for many hospitals and health systems in California. **We respectfully request that the OHCA Board delay implementation of a hospital sector target until a thorough analysis of the impact on patient care and access can be conducted.**

As a not-for-profit, locally governed health system, any revenue over expenses that we generate is 100% invested back into our health system and the communities we serve. At John Muir Health, we want to continue to serve and give back to our communities, but a low hospital sector spending growth target will force us to reassess investments in our workforce, services and facilities.

Sincerely,

Mike Thomas
President and CEO
John Muir Health

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Senator Tim Grayson
Assemblymember Rebecca Bauer-Kahan
Assemblymember Anamarie Avila Farias

March 20, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

Subject: **Low Spending Growth Targets Undermine Patient Care**
(Submitted via email to Megan Brubaker)

Dear Chair Johnson,

California's Office of Health Care Affordability (OHCA) was formed to create a system to curb health care cost growth without sacrificing access to quality health care. At John Muir Health, our mission is to improve the health of the communities we serve with quality and compassion.

We are aligned with OHCA's goals but are troubled by how quickly OHCA is considering hospital sector-specific spending growth targets. Our greatest concern is the impacts of these growth targets on patient care and access.

We also know that promoting health care affordability is a shared responsibility. To make a difference in the cost of care, the entire health care system — insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others — must work together.

John Muir Health has taken aggressive action to improve our affordability and finances through cost reductions and improved clinical efficiency without compromising quality and safety. This has resulted in a total of $228M in savings in the last two years.

As a not-for-profit, locally-governed health system, any revenue over expenses that we generate is 100% invested back into our health system and the communities we serve. We request that the OHCA Board spend more time analyzing and discussing these spending growth targets. We want to continue to serve and give back to our communities, but low spending growth targets will force John Muir Health to reassess investments in our workforce, services and facilities.

At John Muir Health, we want affordable care for our community. We also recognize that making health care more affordable is challenging, must involve the entire health care system and requires multifaceted, long-term planning.

Sincerely,

Mike Thomas
President and Chief Executive Officer
John Muir Health

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Senator Tim Grayson
Assemblymember Rebecca Bauer-Kahan
Assemblymember Anamarie Avila Farias
Assemblymember Buffy Wicks
Assemblymember Mia Bonta

From: johnrandbearartist@everyactioncustom.com on behalf of John Rand
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:24:57 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

Health care should not be for profit! I have experienced multiple problems/mistakes by my healthcare provider because it's run as a business, (miss-billings/incorrect billings) which ultimately is more costly and inefficient!

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
John Rand
[redacted]

From: JBrown@everyactioncustom.com on behalf of Jonathan Brown
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Monday, March 24, 2025 6:13:29 PM

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.

High healthcare costs, particularly expensive hospital bills and monthly insurance premiums, have led me to avoid using the healthcare options available to my family and me. In fact, my wife and I had thought about growing our family, but our employers notified us that it was so expensive to have a child in Monterey County that it would be better to hold off or move.

I hope OHCA will be able to provide the proper regulation to prevent other families from having the same experience as mine.

Respectfully,
Jonathan Brown

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jonathan Brown


From: solarjon@everyactioncustom.com on behalf of Jonathan Hill
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 12:27:42 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jonathan Hill
[redacted]

From: josephz@everyactioncustom.com on behalf of Joseph Zakrzewski
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:31:09 AM

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.

More than half of my Social Security check goes for rent and leaves me with scant money for medical and dental care, not to mention food.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Joseph Zakrzewski
[redacted]

From: jmalina1@everyactioncustom.com on behalf of Josseph Malina
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 3:06:24 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Josseph Malina
[redacted]

From: joywilson54@everyactioncustom.com on behalf of Joy Wilson
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:09:12 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Joy Wilson
[redacted]

From: Joyce Mathers
To: HCAI OHCA
Subject: Proposal - cap the price increases for Monterey hospitals
Date: Tuesday, March 11, 2025 3:21:31 PM

To whom it may concern,

My name is Joyce, and I am an educator in Monterey, CA. I am writing to support the board's proposal to cap the price increases for local hospitals in Monterey. The high healthcare costs in our area profoundly impact me, my colleagues, and our community.

Elevated healthcare expenses have influenced our healthcare, as many residents limit their medical visits due to the cost. Some, like me, have chosen a less comprehensive, high-deductible insurance plan because of the rising premiums driven by increased pricing at local hospitals and providers. Some plans rose by 12 to 14% in just one year.

Thank you for your time and consideration.
--
Sincerely,
Joyce Mathers

From: jrs175@everyactioncustom.com on behalf of JR de Vera
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Friday, March 7, 2025 4:08:33 PM

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.

I have been both a local and national union organizer who directed campaigns to win fair wages, benefits and working conditions for hospitality and food service workers.. Monterey County is one of the most expensive place to live and the Community Hospital of Monterey and Salinas Valley Hospital charge the highest health care costs in the country!. Hospitality and agriculture workers have to work more than one job to make ends meet. County residents are at a tipping point are forced to forego medical procedures to afford basic living expenses. These hospitals need to lower and adjust their rates in line with other states and counties.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
JR de Vera
[redacted]

From: none@everyactioncustom.com on behalf of Juana Maldonado de Lopez
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 18, 2025 4:56:50 PM

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.

Hello, my name is Juana Maldonado de Lopez I am a resident of Seaside, a housekeeper at the Hyatt Regency of Monterey, and a member of UNITE HERE Local 19.

My husband got sick in January 2020, and I had to take him to the emergency room at Monterey Bay Hospital (CHOMP). He was hospitalized for four nights. After that hospitalization, I received a bill for $109,000.00. In February 2020, he got sick again, and I had to take him again. He was only there for one night. Then, I received a bill for $89,000.00, for a total of $198,000.00. My union health insurance fund paid $189,000, I had to pay close to $9,000.
I was very worried about my husband's health, but was also extremely worried and stressed about how I would pay so much money. My husband could not return to work and I was now responsible for another payment. Fortunately, I was able to secure a payment plan, but it was so difficult for me. I would like to know why they charge so much.
I hope you will do something to put a stop to the high prices of hospitals in Monterey County and charge something fair that we can afford. We are tired of fearing seeking medical care.

Thank you
Juana Maldonado de Lopez

Hola, me llamo Juana Maldonado de López soy residente de Seaside, trabajo en housekeeping en Hyatt Regency of Monterey, y miembro de UNITE HERE Local 19. Mi esposo se enfermó en enero de 2020 y tuve que llevarlo de emergencia a el Hospital Monterey Bay (CHOMP). Estuvo hospitalizado cuatro noches. Después de esa hospitalización, recibí un bill de $109,000.00. En febrero de 2020, se enfermó de nuevo y tuve que llevarlo de nuevo a la sala de emergencias. Solo estuvo allí una noche. Luego, recibí un bill de $89,000.00, por un total de $198,000.00. Mi seguro médico de la unión pagó $189,000; yo tuve que pagar cerca de $9,000. Estaba muy preocupada por la salud de mi esposo, pero también estaba extremadamente preocupada y estresada por cómo iba a pagar tanto dinero. Mi esposo no pudo regresar al trabajo y ahora yo era responsable de otro pago. Afortunadamente, pude conseguir un plan de pagos, pero fue muy difícil para mí. Yo quiero saber por qué cobran tanto. Espero que hagan algo para bajar los altos precios de los hospitales en el condado de Monterey y que ofrezcan un precio justo que podamos pagar. Estamos cansados del miedo a buscar atención médica.

Gracias.
Juana Maldonado de López

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value

for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Juana Maldonado de Lopez
[redacted]

From: vjpalmer@everyactioncustom.com on behalf of Judy Palmer
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:20:40 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Judy Palmer
[redacted]

From: whitejb2902@everyactioncustom.com on behalf of Jusef White
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 6:27:12 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Jusef White


From: justintruong56@everyactioncustom.com on behalf of Justin Truong
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:43:01 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Justin Truong
[redacted]

From: mccaw.karen@everyactioncustom.com on behalf of Karen McCaw
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 2:18:27 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Karen McCaw
[redacted]

From: katr_22@everyactioncustom.com on behalf of Kathleen Russler
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:45:55 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kathleen Russler
[redacted]

From: kemoryka@everyactioncustom.com on behalf of Kathryn Hamilton
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 9:50:55 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kathryn Hamilton
[redacted]

From: k.mesch@everyactioncustom.com on behalf of Kathy mesch
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:20:31 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kathy mesch
[redacted]

From: kedgren2@everyactioncustom.com on behalf of Katie Edgren
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:28:02 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Katie Edgren
[redacted]

From: katrina.walterswhite@everyactioncustom.com on behalf of Katrina Walters-White
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Friday, March 14, 2025 11:05:55 AM

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.

At 27 years old, I was removed from my parents' insurance. I went two years without receiving medical care from my primary physician. The only care that I received was through Planned Parenthood. It was there that they noticed that I had extremely high blood pressure. It was over 180/120, and because I didn't have insurance, they recommended that I go to the emergency room. It was there that I found out that my high blood pressure was a result of me being dehydrated, from my newly found diabetes. The emergency room doctor prescribed me medication, and I continued to get refills for the next year. The emergency room visit was costly, and it scared me away from going back. I went without care for the next year.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Katrina Walters-White


From: bodhikt@everyactioncustom.com on behalf of Kaytee Sumida
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 10:27:38 AM

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.

Life saving prescription medicines-- like insulin-- need to have prices capped, as Pres. Biden did. If it can't be a national policy, at least it should be a state policy.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kaytee Sumida
[redacted]

From: kedz2garden@everyactioncustom.com on behalf of Ked Garden
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Thursday, March 13, 2025 11:56:37 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ked Garden
[redacted]

From: eekmh@everyactioncustom.com on behalf of Keith Holt
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:24:29 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Keith Holt
[redacted]

From:	kengibb@everyactioncustom.com on behalf of Ken Gibb
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Friday, March 14, 2025 3:38:22 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ken Gibb


From: skevs@everyactioncustom.com on behalf of Kevin Sulitz
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 4:20:29 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kevin Sulitz
[redacted]

From: knero618@everyactioncustom.com on behalf of Kim Nero
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:11:09 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kim Nero
[redacted]

From: sullen.admin.4x@everyactioncustom.com on behalf of Kimberly Libasora
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Monday, March 10, 2025 9:52:55 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kimberly Libasora


From: kbear@everyactioncustom.com on behalf of Kit Bear
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Friday, March 7, 2025 10:48:03 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kit Bear
[redacted]

From: kristenhall28@everyactioncustom.com on behalf of Kristen Beck
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 5:02:28 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Kristen Beck


April 9, 2025

Megan Brubaker
Office of Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: OHCA'S Cost Cutting Measures Hurt Patients Like Me

Dear Ms. Brubaker,

Thank you for the opportunity to share my story. As a Californian who relies on care from El Camino Hospital, I'm concerned that the Office of Health Care Affordability's attempts to cut Health care costs will cause me and my family to lose the care we need.

I have had several major surgeries and procedures at El Camino Hospital over the last twelve years, and have been hospitalized for issues such as bowel obstructions, and have had procedures such as needle biopsies, and many diagnostic tests.

Being a cancer patient for many, many years, I have had to endure endless procedures, and the saving grace was the excellent care that I received. I have been so grateful for the medical care I have received, and would be devastated to hear the care could decline.

I found the care at El Camino Hospital outstanding, and I hope that care continues for all patients.

PLEASE protect the lifesaving care patients like me rely on.

Sincerely,

Kristin Ganainian

From: hippitruck@everyactioncustom.com on behalf of lance bauer
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:26:11 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. My wife new heart medication has a $3,500.00 deductible. This is financial killing us

Truly
Lance J Bauer

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
lance bauer
[redacted]

From: l.p.architect@everyactioncustom.com on behalf of larry payne
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 9:54:19 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
larry payne
[redacted]

From: lauriedevera@everyactioncustom.com on behalf of Laurie DeVera
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Friday, March 7, 2025 8:04:30 PM

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.

I am fortunate to have Medicare insurance and a supplement. I notice that on my EOBs the Medicare allowable is roughly 25% of the actual Community Hospital charge. I feel for those members of my community that are struggling with high hospital costs. I feel for our teachers who are paying high premiums and being left with high out of pocket costs. To live and teach in our communities is becoming more and more challenging. Any effort toward lowering hospital costs and premiums would go a long way to insure that we have vital employees in our area.

Laurie de Vera

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Laurie DeVera
[redacted]

From: none@everyactioncustom.com on behalf of Lidia Flores
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 18, 2025 5:09:52 PM

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.

My name is Lidia Flores. I live in Seaside with my four children, work at the Monterey Tides Hotel, and am a member of UNITE HERE Local 19.

I had a medical emergency in 2018, which meant I had to go to Community Hospital of the Monterey Peninsula (CHOMP) since it's the closest to my home. I then received a bill for $48,000.00, luckily I have health insurance. I was still responsible for my share of the bill. I spent the following 4 years making payments to CHOMP paying a total of $11,000.
During those four years, it was very difficult for me to put food on the table for myself provide for my family. I even had to take another job to be able to make my payments, and I still couldn't afford it since life on the peninsula is extremely expensive. I ask you please act and lower the prices of hospitals on the Monterey Peninsula because their prices are very expensive. I also know of friends and co-workers who have been through the same thing as me, and I wouldn't wish this on anyone. Thank you very much.
Lidia Flores

Me llamo Lidia Flores. Vivo en Seaside con mis cuatro hijos, trabajó en el Hotel Monterey Tides y soy miembro de UNITE HERE Local 19.

Tuve una emergencia médica en 2018, lo que significó que tuve que ir al Hospital Comunitario de la Península de Monterey (CHOMP), ya que es el más cercano a mi casa. Recibí un bill por $48,000.00; por suerte, tengo seguro médico. Seguí siendo responsable de mi parte de el bill. Pasé los siguientes 4 años pagando al CHOMP un total de $11,000. Durante esos cuatro años, fue muy difícil mantener a mi familia. Incluso tuve que buscar otro trabajo para poder pagar, y aun así no me alcanzaba, ya que la vida en la península es extremadamente cara.

Les pido que por favor actúen y bajen los precios de los hospitales en la Península de Monterey, ya que son muy caros. También conozco amigos y compañeros de trabajo que han pasado por lo mismo que yo, y no se lo deseo a nadie. Muchas gracias.
Lidia Flores

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,

Lidia Flores
[redacted]

From: lily29@everyactioncustom.com on behalf of Lily Mejia
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 1:40:45 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Lily Mejia
[redacted]

From:	lincconard@everyactioncustom.com on behalf of Linc Conard
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Sunday, March 9, 2025 12:03:11 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Linc Conard
[redacted]

From: lindaclark@everyactioncustom.com on behalf of Linda Clark
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:25:46 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Linda Clark
[redacted]

From: lhowie890@everyactioncustom.com on behalf of Linda Howie
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 3:52:00 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Linda Howie
[redacted]

From: lindapawloski@everyactioncustom.com on behalf of Linda Pawloski
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:27:13 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. I'm not from CA but AZ is getting expensive too with medical, etc.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Linda Pawloski
[redacted]

From: Lindsay Huerta
To: HCAI OHCA
Subject: Benefit Rates
Date: Tuesday, March 11, 2025 8:49:14 AM

Good afternoon, my name is Lindsay Huerta and I am an educator in Monterey. I wish to write in support of the board's proposal to further cap the price increases for local hospitals in Monterey. The high healthcare costs in our area deeply affect myself, my colleagues and our community. I cannot currently afford to insure my family of four on our district provided health plan as it would take up over 35% of my take home pay, and this is for the "most affordable plan" available to us. Covered California deems my employer provided healthcare as "unaffordable" by their calculation. Please help us put a stop to the price increases that are being shown to be fueled by monetary gain and not need.

Thank you for your time,
Lindsay Huerta
Teacher - Central Coast High School

From: Lisa
To: HCAI OHCA
Subject: Monterey Healthcare Costs
Date: Wednesday, March 12, 2025 6:44:46 PM

Good afternoon,

My name is Lisa Cahn and I am an educator in Monterey. When I began teaching at MPUSD my out of pocket health care cost $0 a month and they have increased to $1500 a month. I am writing to support the board's proposal to further cap the price increases for local hospitals in Monterey. The high healthcare costs in our area deeply affect myself, my colleagues and our community.

Thank you for your time and consideration,
Lisa Cahn
MPUSD Teacher

From: lisamgeisz@everyactioncustom.com on behalf of Lisa Geiszler
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 10:32:39 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

Without the ACA subsidies, I will not be able to afford health it's a severely chronically ill woman. Already, the majority of my monthly budget goes to pay for medications, treatments, appointments and supplements and for older medical debt I put on credit cards. I live with my elderly mother because I cannot afford rent in California.

Prices keep going up, higher than inflation. It needs to stop so all families have the opportunity to live healthy safe lives without sacrificing food or other essentials.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Lisa Geiszler


From: xlr1barbie@everyactioncustom.com on behalf of Lisa Perry
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:06:37 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Lisa Perry
[redacted]

From: lisa@everyactioncustom.com on behalf of Lisa Rogers
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:22:41 AM

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.

For many years the health care industry has been saying that price transparency will drive down costs. This has not happened - quite the contrary. Costs have only gone up.

I've tried to look up the costs of my medical services in advance. You have to be an expert who knows all the codes in order to understand it, and even then there are disclaimers saying "your costs may vary." Besides, nobody has time to price-shop services when they're having a medical emergency.

It is also increasingly hard to even get care. You have to wait months to see a specialist or have a procedure. Fewer and fewer providers are "in network". I feel lucky to have a primary care doctor - so many people do not. But it costs over $300 to see her. I find myself putting off visits and questioning whether it's really necessary to have some test.

I am retired, and while we are financially okay now, I foresee a future in which my husband and I can expect to spend all our savings on medical care we will need as we age. Can you please do something about that?

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Lisa Rogers


From: louisevogel@everyactioncustom.com on behalf of Louise Vogel
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 11:35:19 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I just paid $600 for three months' worth of Januvia medication for my diabetes. TOO MUCH money for any medication for a senior like myself regardless of what the deduction Medicare takes out.

Medicare is already taken money out of my Social Security pay out each month! Does anyone deal with inflation of drug prices?

For people on a fixed income like me shouldn't be paying that much money for ANY medication!!

Thanks and FYI

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Louise Vogel
[redacted]

From: lucyhartiam@everyactioncustom.com on behalf of Lucy Hart
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:23:59 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Lucy Hart


From: Lyndsay Piña
To: HCAI OHCA
Subject: Benefit rate cap
Date: Tuesday, March 18, 2025 9:04:21 AM

Good afternoon, my name is Lyndsay and I am an educator in Monterey, CA. I wish to write in support of the board's proposal to further cap the price increases for local hospitals in Monterey. The high healthcare costs in our area deeply affect myself, my colleagues and our community. Thank you for your time.

Lyndsay Pina

From: movieblonde@everyactioncustom.com on behalf of Lynne Weiske
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 6:57:26 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Lynne Weiske
[redacted]

From: madandbuster22@everyactioncustom.com on behalf of Madeline Moran
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:46:37 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Madeline Moran
[redacted]

From: maddie4530.wm@everyactioncustom.com on behalf of Madeline Wright
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:14:46 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Madeline Wright
[redacted]

From: marc.gordon@everyactioncustom.com on behalf of Marc Gordon
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 6:17:52 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Marc Gordon


From: dhalgrn@everyactioncustom.com on behalf of Marc Silverman
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 6:34:30 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, continue to make me avoid all health care access unless an emergency. No one should wait for the worst before seeking healthcare but that is the reality of a system geared towards making the insurers massive profits at the expense of everyone else locked in a system that doesnt work.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Marc Silverman


Dignity Health.
A member of CommonSpirit

Arroyo Grande Community Hospital
Marian Regional Medical Center

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Marian Regional Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Marian Regional Medical Center, Arroyo Grande and Santa Maria campuses. I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Marian Regional Medical Center remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

MRMC/AGCH:
The Hospital community is home to 234,668 residents, with nearly 68% of the hospital community considering themselves White alone, not Hispanic or Latino(a). The Hospital community is an ethnically diverse community with over half (56%) of the residents identifying as Hispanic or Latino(a) origin and a lesser one-third (35.8%) consider themselves White alone, not Hispanic or Latino(a). The Hospital serves the City of Santa Maria, home to approximately 110,000 residents, of which 79.3% of the population identify themselves as Hispanic or Latino(a). Comparing Santa Maria to all U.S. cities with populations over 100,000, it has the 8th highest proportion of Hispanic or Latino(a) residents. The remainder of the Hospital community

includes 3.6% Asian members, 2,166 Black community members (0.9%), and 3.2% identify themselves as two or more races.

In addition to the residents mentioned above and typically not captured in traditional U.S. Census data, the Hospital community is home to a Mexican Indigenous population originally from the Mexican states of Oaxaca and Guerrero drawn to work in the area. These individuals are often monolingual in their native pre-Hispanic indigenous languages of Mixtec or Zapotec. It is estimated 25,000 indigenous migrants live and work in Santa Barbara County, with Santa Maria housing the majority.

The Hospital community is unique due to its location on the Central Coast, with vast unincorporated areas, striking natural beauty, and thriving communities. Behind the striking natural beauty are geographically isolated communities that may host one of the 540 individuals experiencing homelessness in the area. Underrepresented individuals can be found residing in poverty, working in the shadows of the agriculture, tourism, or retail industries.

Approximately one in seven (14.3%) live below the federal poverty level, which increases to 28.2% in Guadalupe (93434) and 17.9% in Santa Maria (93458). In the City of Santa Maria only 62.8% of the population 25 years and older have attained a high school degree or equivalent. Over half (57%) of the community members residing in northern Santa Barbara County speak a language other than English, and one in four (26.2%) speak English less than very well. Overall, the youth and young adult population residing in the community is robust and accounts for approximately 40% of the population with a median age of 32.3.

According to CenCal, over half (61.5%) of the community are members of CenCal with 87,951 CenCal members residing in the City of Santa Maria. If 87,951 residents are members of CenCal, this is an example of the under-reporting and lack of accuracy by the U.S. Census. Based upon the U.S. Census, a much lesser 52,685 are members of Medicaid (aka Medi-Cal) and 61,318 individuals have public health insurance (Medicare and Medicaid).

What special community services do you provide?
This information is from our 2024 Annual Community Benefits report. Information is relevant for all 3 hospitals:

- Charity care
- Mixteco Interpretation and Advocacy Services
- English, Spanish ,and Mixteco Health Education workshops
- Support groups in English and Spanish: Diabetes, Chronic Illness, Stroke, Grief, and PMAD
- Cancer Navigation services
- Cancer Nutrition Services
- Food pantry for patients in need
- Financial assistance to cancer patients in need
- PreNatal Classes in both English and Spanish
- Breastfeed ing clinic-Lactation consultations
- Street Medicine Outreach Program
- Behavior Wellness Center: Crisis Intervention services

All free services.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

Marian Regional Medical Center is contracted with all payors, our Government payors such as MediCal represents 22.7% of our payor mix while Medicare represents 44.1%. We are unable to produce a positive margin with these payors due to the lower reimbursement and high cost of care, as outlined above our increased wages due to minimum wages and and the high cost of living in Santa Barbara County have forced Marian to remain competitive in all areas of employment for our facility. Being a non-profit, we continue to care for all patients and keep service lines such as Labor and Delivery / Obstetrics, and other service lines that operate at a negative margin. The Commercial payors do help offset this negative margin however our annual increases are now falling at lower increases than the inflation and rate increases to our expenses so will be more difficult in coming years to maintain our needed profits for the capital investments needed.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Marian Regional Medical Center is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Sue Andersen
President & CEO
Marian Regional Medical Center

From: mreng5@everyactioncustom.com on behalf of Marilyn Eng
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:49:59 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

My husband and I are in our 70s. We receive Medicare and have a generous Medicare Supplement policy through CalPers. Recently we have been surprised by gaps in health coverage that affect us. First of all, Medicare does not cover hearing aids which can run as high as $2-3,000. I have dry eyes and my ophthalmologist recommended a treatment that costs $1,500 once per year, also not covered. Finally I have been receiving acupuncture for several conditions, not including low back pain. My husband receives acupuncture for low back pain and it is covered by Medicare. Our Medicare supplement policy does not cover what Medicare does not cover.

While we are better off than many seniors, it is frustrating that certain treatments are off limits. I would be willing to make a reasonable copay, but denying access to seniors for such things as hearing aids is ridiculous. I often wonder how those less fortunate cope with the unfairness of our health system.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Marilyn Eng


From: magiordani@everyactioncustom.com on behalf of Mark Giordani
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:07:46 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Mark Giordani
[redacted]

From: mkoritz2023@everyactioncustom.com on behalf of Mark Koritz
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 6:44:28 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Mark Koritz
[redacted]

From: philipsfamily1121@everyactioncustom.com on behalf of Mark Philips
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:31:15 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Mark Philips
[redacted]

Dignity Health
Mark Twain Medical Center

768 Mountain Ranch Road
San Andreas, CA. 95249
209.754.3521
marktwainmedicalcenter.org

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Mark Twain Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Mark Twain Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Mark Twain Medical Center remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Mark Twain Medical Center is a Critical Access Hospital and serves as the only acute care provider in the rural county of Calaveras. Over 60% of our patients are covered by Medicare and over 20% are covered by Medicaid. In addition to acute care services, we provide the majority of primary care through our 4 Rural Health Clinics. We are the only surgical services provider in the county and provide the majority of diagnostic services (Laboratory and diagnostic imaging). Support and social services are limited in our rural community, making simple things like transportation difficult. Recruitment of healthcare providers is difficult and is a significant cause of our increasing operational costs. Similar to most rural hospitals in the nation, we struggle to maintain financial solvency. The increasing financial burden related to seismic regulations, maintenance of our 75 year old hospital building and the rapidly increasing salary costs are threatening our ability to sustain current operations. Any additional cost, limitations around funding, or reduction in payments will be catastrophic. As the second largest employer in our county, our hospital is not only critical to the delivery of healthcare to our remote population, but we also serve as a cornerstone of the economic infrastructure.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.

- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Mark Twain Medical Center will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. Among our most vulnerable services to the increased financial pressures are the limited specialty services we provide. As an example, we offer the only outpatient psychiatric service in the county and this service line operates at a loss. Sadly, we would be forced to eliminate this valuable service line if costs continue to outpace reimbursement. Other services that would need to be restricted and possibly eliminated include: oncology, infusion therapy, pain management and even orthopedics.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Mark Twain Medical Center is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Doug Archer
President and CEO
Mark Twain Medical Center

From: senorAjauregui68@everyactioncustom.com on behalf of Marla Flores-Jauregui
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:36:13 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Marla Flores-Jauregui
[redacted]

April 10, 2025

Kim Johnson
Chair, Office of Health Care Affordability Board
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Marshall Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov and Megan Brubaker)

Dear Chair Johnson:

Thank you for the opportunity to provide input for your April 22, 2025, Board meeting. We share OHCA's stated beliefs "…that all Californians receive health care that is accessible, affordable, equitable, high-quality, and universal." However, we remain deeply concerned that the data upon which you're relying to determine hospital sector-specific spending growth targets *will actually harm patient access*. Without clarity around how OHCA's targets would be measured or enforced, we believe the proposed action is premature and the speed of adoption will lead to errors and misidentified targets.

Marshall is an independent, nonprofit small healthcare system serving El Dorado County. We serve one of the oldest patient populations in California, with a current population of residents aged 45 and older representing 41% of the total population. In our primary service area, we are seeing significant growth in the over-50 population. Our payor mix is roughly 60% Medicare and 20% Medi-Cal – government payors who reimburse us $0.70 on the dollar of the actual cost of care. **We lose approximately $50 million each year** taking care of those patients, and we turn no one away due to insurance. This population requires robust care management and typically has a more complex disease and co-morbidity status to manage.

Reducing our services to adhere to an average 1.7% revenue growth cap – which is the only way for us to reach this proposed goal – runs counter to our mission of taking care of our communities and enhancing services. We cannot grow needed services, improve access to primary care, nor meet the growing and changing health demands of our patients under this oppressive and unrealistic cap.

Further, we believe OHCA's proposed methodologies are inherently and deeply flawed. First, the methodology does not consider payor mix. We admit **less than two** commercially insured patients per day on average to our hospital. **We lose money on over 75% of our patients.** In addition, we frequently must do battle with some of the nation's largest payors to be reimbursed for care provided to their Medicare Advantage plans. *Essentially, the OHCA methodologies proposed punish smaller hospitals for caring for our community's most fragile patients.* Second, the years of 2018-2022 considered within the recommended methodology contain at least three years of financial impact from a global pandemic. The OHCA Board would be well-served by deferring their methodology adoption for a few months until the 2023 data can be included, which buys time to review and refine your methodology and will better reflect the "new normal" of delivering healthcare services in the post-pandemic era.

Additionally, local costs are not considered in OHCA's calculations. As you can see from the chart below, El Dorado County is a high-cost region, driving expenses that are beyond our control:

Location	CBSA	Medicare Wage Index
El Dorado County	**Sacramento – Roseville – Folsom, CA**	**1.6231**
Orange County	Anaheim – Santa Ana – Irvine, CA	1.2433
Nevada County	Rural foothills, CA	1.2602
Los Angeles County	Los Angeles, Long Beach, Glendale, CA	1.2969
San Joaquin County	Stockton, Lodi, CA	1.5628

Source: CMS Medicare Wage Index 2025 via Ambulatory Surgery Center Association (ASCA)

Finally, another flaw in the proposed methodology is ignoring the costs of outpatient care. **We lose approximately $25 million each year providing access to primary and specialty care in our clinics.** Marshall does not absorb these losses under a separate entity; these expenses are rolled into our single Taxpayer Identification Number.

In summary, by failing to account for our financial losses on Medicare and Medi-Cal patients, ignoring our payor mix, and carving out ambulatory care, it is not possible that the current proposed methodology accurately reflects your desired goal of identifying true high-cost hospitals. We urge you to take the time needed to ensure your methodology is accurate and meaningful.

Sincerely,

Siri Nelson (Apr 3, 2025 16:05 PDT)

Siri Nelson, President and CEO

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Senator Marie Alvarado-Gil
Assemblyman Joe Patterson

From: martyb1@everyactioncustom.com on behalf of Martha Burton
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:09:36 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Martha Burton


From: martin7ahorwitz@everyactioncustom.com on behalf of Martin Horwitz
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:57:45 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Martin Horwitz


From: marvinjayofficial@everyactioncustom.com on behalf of Marvin Jay
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:34:41 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Marvin Jay


From: marytdanze@everyactioncustom.com on behalf of Mary Danze
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:04:35 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Mary Danze


From: marybrabson01@everyactioncustom.com on behalf of Mary Thornton
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:29:50 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Mary Thornton
[redacted]

From: matt_rodriguez@everyactioncustom.com on behalf of Matthew Rodriguez
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:08:28 AM

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.

Thank you for your attention today. High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused so many people to delay or ration care and make difficult decisions about what to prioritize financially. This situation is untenable and will cause suffering and death to people everywhere. Government that operates in the best interests of citizens is vital to the stability of our country.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Matthew Rodriguez
[redacted]

Chief Executive Officer
Ryan Harris

MAYERS MEMORIAL
HEALTHCARE DISTRICT

April 9, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

Subject: **OHCA's Arbitrary, Unrealistic Spending Growth Targets Impede Patient Care**
(Submitted via email to Megan Brubaker)

Dear Chair Johnson,

Mayers Memorial Healthcare District (MMHD) is deeply concerned by not only the Office of Health Care Affordability's (OHCA's) imposition of a statewide target of 3.5% (moving down to 3% by 2027), but also its consideration of an **even lower** target for "high-cost" hospitals given the limited inpatient data set and not having results from hospitals from prior years to see where the majority of hospitals score compared to the targets that are set. These targets do not even cover inflationary increases for critical supplies, pharmaceuticals, seismic compliance and state mandated wage increases. With the very likely Medicaid cuts on the federal level and the new targets we are likely to lose services in our district and have to reduce our workforce.

Before defining one or more hospital sectors, all stakeholders would benefit from a comprehensive analysis of spending across various segments of the healthcare industry, identification of areas in which spending growth is high, and a meaningful assessment of spending drivers to determine whether differences in spending are appropriate. Absent that analysis, it is impossible to understand how this proposal would meet OHCA's statutory requirement to maintain access to high-quality care, "minimize fragmentation and potential cost shifting, and encourage cooperation in meeting statewide and geographic region targets."

Mayers Memorial Healthcare District is already striving to meet the existing 3.5% spending target for 2025 by:

- Self-Funding our Employee Benefits as our insurance costs have increased well over the 3.5 % per year from our California State Association of Counties group where we had been receiving our health insurance through Blue Shield.
- Changing Group Purchasing Organizations to reduce supply and drug costs.
- Annual evaluation of contracts to eliminate or reduce spend where possible.

Lowering the target even further, without a clear understanding of how spending will be measured, means that we would be forced to further reduce the care we provide. Given we are in a very rural area in the mountains this would mean the residents of our district would have to travel over 75 miles for services that we discontinue.

Many of these patients who are primarily Medi-Cal and Medicare in our district don't have the means to travel that far so they will go without services and end up in our ER and Inpatient setting This could impact:

- **Primary Care Services through our mobile clinic and planned expansion of primary care in district.**
- **Visiting Nurse Services for the home bound in our district.**
- **Introduction of MRI services.**
- **Hospice which is done as a community benefit as it always loses a large amount of money per year.**
- **Cardiac Rehab services**

Making health care more affordable — a priority for California hospitals — is a shared responsibility. To make a difference in the cost of care, the entire health care system — insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others — must work together. **Fragmenting the health care field so early in the process undermines the collaboration that is key to our shared success.**

On behalf of the patients we serve, MMHD urges you to take additional time for analysis and discussion before finalizing sectors or corresponding targets. MMHD remains deeply committed to achieving our shared goals of affordable, high-quality care — and we ask that the office proceed with a keen eye toward ensuring care is not diminished in the pursuit of lower costs.

Sincerely,

Ryan Harris, MBA
Chief Executive Officer

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Senator Megan Dahle
Assemblymember Heather Hadwick

MemorialCare

17360 Brookhurst Street, Suite 160
Fountain Valley, California 92708
memorialcare.org

April 11, 2025

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 : OHCA@hcai.ca.gov

Subject: Comments - Oppose Proposed Hospital Sector Spending Target Recommendations

Dear Ms. Brubaker:

I am writing on behalf of MemorialCare, a nonprofit, integrated health care delivery system located in both Los Angeles and Orange Counties that has four hospitals (including Miller Children's and Women's Hospital Long Beach), and over 220 community based ambulatory sites of care to provide comments on the proposed statewide hospital sector spending target.

With the passage of the Affordable Care Act (ACA), driving affordability and quality through value-based care has been MemorialCare's priority to move from volume to value. MemorialCare makes sure that patients receive the right care, at the right place and at the right time based on clinical criteria – and, as important, at the lowest cost. The system's leadership and board of directors have supported a model to increase healthcare quality and access, while decreasing per capita costs, which has been at the forefront of the system's clinical and business strategies.

At the February 2024 OHCA Board meeting, MemorialCare presented to the board on "cost-reducing strategies" under the alternative payment model agenda item. We shared our ten-year journey predicated on the implementation of the ACA in reducing total cost of care in healthcare through investments in accessible community-based practice sites and innovative value-based models of care. However, as pointed out by board member Dr. Richard Pan, he asked if MemorialCare could "squeeze anymore savings, having done so much already in bending the cost curve" and "if we could meet this 3% spending target". It would be unlikely we could meet the proposed 3% spending target, since we have invested in many of the tools to reduce the cost of care for health plans, employers, and patients for ten years.

For these reasons, MemorialCare shares the Office of Health Care Affordability (OHCA) goals to improve affordability and access to high-quality health care. Unfortunately, even the current 3.5% spending target put forward for California's first statewide spending target falls short of achieving those two goals and will impact access to patient care in the long term.

As written, the proposal narrowly focuses on just one of OHCA's objectives, that of affordability, ignoring the other objectives in state law. It fails to recognize the drivers that will affect health care spending over the next several years, like high inflation, tariffs, Federal Medicaid cuts, and the aging of California's population. It sets California apart from other states with spending target programs by failing to incorporate contemporary economic trends and a phase-in that allows health care entities to adapt to a changing regulatory environment. Finally, this proposal unnecessarily rushes toward an enforceable target despite flexibility under state law and much work to be done in collecting data, setting the rules of enforcement, and rigorously evaluating the potential impacts of the hospital sector spending target – work that should be done prior to setting an enforceable target.

MemorialCare

17360 Brookhurst Street, Suite 160
Fountain Valley, California 92708
memorialcare.org

For these reasons, we request that OHCA delay moving forward on a hospital sector spending target until further analysis and consideration for the complexity of California's health care landscape and allows for meaningful progress toward more affordable health care — without impacting patients' access to care.

Any sustainable spending target must accurately 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 seismic mandates, tariffs, and decreased Federal Medicaid Cuts; 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.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on growing alternative payment models of care in hospitals and health systems has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Allowing for an opportunity to develop and implement these improvements will allow hospitals and health care systems to transform towards models of care that support timely access to high-quality and affordable patient-centered care.

Unfortunately, this hospital sector spending target proposal would do the opposite — it would force cost-cutting measures at patients' expense. We ask the board to delay the OHCA staff proposal implementation of a hospital sector spending target until a thorough analysis of the impact on patient care can be conducted. Our hospitals and health system are operating under a chaotic environment with looming Federal Medicaid cuts, tariffs on imported healthcare supplies, and continued inflationary cost drivers on labor, drugs, and medical supplies.

Thank you for the opportunity to comment, and we look forward to continuing to work with both OHCA staff and board members to address affordability in healthcare for Californians. If you have any additional questions, please contact me at kpugh@memorialcare.org.

Sincerely,

Kristen L. Pugh, MPA
Vice President, Advocacy & Government Relations
MemorialCare Health System

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: Mercy General Hospital Opposes Proposed Hospital Spending Target Recommendations

Dear OHCA Board Members and Staff,

On behalf of Dignity Health Mercy General Hospital, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Mercy General Hospital remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Mercy General Hospital is a tertiary referral hospital, which means that we provide highly specialized medical care for patients with severe, complex, or rare conditions, often referred from smaller hospitals or clinics. We have proudly served the community of Sacramento for over 100 years. Of course, providing a century of caring comes with a host of age-related conditions that require constant renovation and replacement at significant costs. Secondly, because our hospital grew up alongside the city of Sacramento, our patient demographics include older patients. As a result, our payer mix is largely governmental with over 55% Medicare and over 19% Medicaid. Because we are located near downtown, our hospital receives and cares for many unhoused and charity patients. We go to great lengths to ensure these patients are taken care of medically and exhaust resources to find a safe discharge of these patients. In fact, we calculate our charity care cost per admission to be $1,476. While it's our mission to

provide care for the vulnerable, we also face the same pressures as any other industry of increased expenses from supply and staff shortages.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Mercy General Hospital will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. For example, our labor & delivery department which has served the community for over 100 years requires major modernization to ensure it is relevant with younger patients. OHCA's focus on costs places this entire program at risk. Secondly, OHCA will certainly impact our decision to invest into the latest technologies used to detect cardiovascular disease such as the new photon counting computed tomography technology or consider not to spend on renovating critical sterile processing infrastructure and technology that ensures we sterilize equipment and instruments and prevent infection from spreading.

Less than 24% of gross charges come from commercial payers; that means that more than 75% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: More than 6 out of 10 patients, ~63%, of those who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 47% of patients and reimbursement under these programs falls far short of covering our costs - For Mercy General Hospital,

this dynamic resulted in over $27 million in losses from Medicaid and almost $30 million in losses from Medicare last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing solely on the commercial year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Mercy General Hospital is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Steven Foster, MBA, MHA, FACHE
President, Mercy General Hospital

Dignity Health
Mercy Hospital of Folsom

April 8, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Mercy Hospital of Folsom Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Mercy Hospital of Folsom, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Mercy Hospital of Folsom remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Mercy Hospital of Folsom is not just a hospital; it is the only acute care hospital in Folsom, California, and has been the bedrock of healthcare for this community for over 35 years. With over 53,000 emergency department visits annually, we are the critical safety net for Folsom residents. Any threat to the services provided by Mercy Hospital is a direct threat to the health and well-being of the entire Folsom community.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored,Mercy Hospital of Folsom will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. Recognizing the evolving healthcare landscape in Folsom, Mercy Hospital is proactively investing in expanded services and increased capacity. Our plans include adding much-needed bed capacity to address the growing demand for inpatient care. Crucially, we are also developing advanced capabilities in complex heart diagnostics and treatment, bringing cutting-edge medical care to Folsom and eliminating the need for patients to travel elsewhere for these vital services. Unfortunately, the future of these critical initiatives is now uncertain due to proposed policy changes that could undermine our financial stability and ability to invest in our community. We must act now to protect these essential services and ensure that Folsom residents continue to have access to the high-quality healthcare they deserve.

Less than 29% of gross charges come from commercial payers; that means that more than 71% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 7 out of 10 inpatients and ~60% of those who come to our hospital rely on Medi-Cal, Medicare or other government products for their health coverage. This results in 60% of our patients having reimbursement under these programs which fall far short of covering our costs - For Mercy Hospital Folsom, this dynamic resulted in over $41 million in losses last fiscal year including the provider fee program.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Mercy Hospital of Folsom is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's

spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Lisa Hausmann, RN
Hospital President
Mercy Hospital of Folsom

Dignity Health
A member of CommonSpirit

Mercy Hospitals
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Bakersfield, CA 93301
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mercybakersfield.org

April 9, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Mercy Hospitals Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Mercy Hospitals of Bakersfield, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Mercy Hospitals remain committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

We are a leader in robotic surgery and one of very few hospitals that offer OB and NICU services. Our Southwest campus is the only hospital south of highway 99 providing emergency, surgical and cardiac services to a growing population. We currently need to update equipment in our imaging and surgery departments to support our physicians in providing care for our community. Our buildings continue to age and we need to invest in our physical plant just to maintain operations. This doesn't include meeting the required 2030 seismic retrofitting. The impact could lead to the loss of service lines that are critical to our community.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising

costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Mercy Hospitals will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. We could lose cardiology, specialty services, and primary care. Eliminate or reduce our community outreach programs. We are more than healthcare, we support and give back to our community daily.

Less than 21.30% of gross charges come from commercial payers; that means that more than 78.70% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 6 out of 10 patients, ~61.30%, of those who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 61.30% of patients and reimbursement under these programs falls far short of covering our costs - For Mercy Hospitals, this dynamic resulted in over $24,511,976 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Mercy Hospitals is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services

would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Simon K. Ratliff
President and Chief Executive Officer
Mercy Hospitals

Dignity Health.
Mercy Medical Center
Mt. Shasta

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Mercy Medical Center Mt. Shasta Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Mercy Medical Center Mt. Shasta, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Mercy Medical Center Mt. Shasta remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Mercy Medical Center Mt. Shasta is a vital Critical Access Hospital and Level III Trauma Center. We are one of only two hospitals serving the entire rural county and the only trauma center in the county. We provide comprehensive inpatient and outpatient services to our community. These include Trauma/ general surgery, Ophthalmic surgery, orthopedics, PT, Speech and OT, imaging,mammography, nuclear medicine, laboratory services, wound care, and a family birth center. The hospital also operates three Rural Health Clinics: Mercy Mt. Shasta Community Clinic, Mercy Lake Shastina Community Clinic, and the Dignity Health Pine Street Clinic, extending the hospital's reach to underserved populations. The critical access hospital designation is essential to the hospital's ability to provide this comprehensive care. Sector-specific spending targets would directly contradict the designation's purpose – to protect our hospital from financial instability and ensure healthcare access for the community – by jeopardizing the breadth of services we offer and increasing our financial vulnerability.

Maintaining a healthy balance of commercial and government-sponsored payments is crucial to Mercy Medical Mt. Shasta's ability to sustain its essential services. Commercial payments are vital, helping to offset the costs of providing high-quality care to all community members and enabling investments in innovative technologies that improve patient outcomes. In contrast, government reimbursements consistently fall short of covering the actual costs of inpatient care, increasing the burden of uncompensated care.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Mercy Medical Center Mt. Shasta will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. Several service lines, such as obstetrics, GYN, podiatry and Ophthalmic surgery already operate with minimal or no margin. Implementing unrealistic spending targets risks pushing these vulnerable services into financial losses, exacerbating the problem of uncompensated care.

Less than 21% of gross charges come from commercial payers; that means that more than 79% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 7 out of 10 patients, who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 73% of patients and reimbursement under these programs falls far short of covering our costs - For Mercy Medical Center Mt. Shasta, this dynamic resulted in over $5 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Mercy Medical Center Mt. Shasta is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Rodger Page
President
Dignity Health- North State Market &
Mercy Medical Center Mt. Shasta
St. Elizabeth Community Hospital

Dignity Health.
Mercy Medical Center
Redding

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Mercy Medical Center Redding Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Mercy Medical Center Redding, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Mercy Medical Center Redding remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Mercy Medical Center Redding is a vital healthcare resource for nearly 300,000 residents across a six-county region, standing out as one of only two Level II trauma centers and the sole Level III neonatal ICU north of Sacramento. As a leading provider and de facto community hospital, Mercy Medical Center Redding is committed to serving everyone, regardless of their ability to pay. Sector-specific spending targets would jeopardize access to a full range of healthcare services within our community. For instance, Mercy Medical Center Redding's labor and delivery department is the only one in Shasta County. Reducing or eliminating this vital service would force expectant mothers to travel over 60 miles to give birth safely.

Maintaining a healthy balance of commercial and government-sponsored payments is crucial to Mercy Medical Center Redding's ability to sustain its essential services. Commercial payments are vital, helping to offset the costs of providing high-quality care to all community members and enabling

investments in innovative technologies that improve patient outcomes. In contrast, government reimbursements consistently fall short of covering the actual costs of inpatient care, increasing the burden of uncompensated care.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Mercy Medical Center Redding will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. Several service lines, such as obstetrics, already operate with minimal or no margin. Implementing unrealistic spending targets risks pushing these vulnerable services into financial losses, exacerbating the problem of uncompensated care.

Less than 17% of gross charges come from commercial payers; that means that more than 83% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 7 out of 10 patients, who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 76% of patients and reimbursement under these programs falls far short of covering our costs - For Mercy Medical Center Redding, this dynamic resulted in over $40 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Mercy Medical Center Redding is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce

the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

G. Todd Smith
President
Mercy Medical Center Redding

Dignity Health.
A member of CommonSpirit

Mercy Medical Center
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April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: Mercy Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations

Dear OHCA Board Members and Staff,

On behalf of Mercy Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Mercy Medical Center remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Merced County is located in the northern San Joaquin Valley and Merced is the county seat of Merced County. The total population of Merced County is 281,202. Mercy Medical Center's primary service area comprises four cities: Merced, Atwater, Winton, and Chowchilla. The population of the service area is 186,200. Children and youth, ages 0–17, make up 27.6% of the population, 61.2% are adults, ages 18–64, and 11.2% of the population are seniors, ages 65 and older. Among the residents in the service area, 20.6% are at or below 100% of the federal poverty level (FPL) and 42.4% are at 200% of FPL or below.

In Merced County, 16.6% of the population experienced food insecurity in 2022. Among children in the county, 23.1% lived in households that experienced food insecurity. Educational attainment is a key driver of health. In the hospital service area, 25.3% of adults, ages 25 and older, lack a high school diploma, which is higher than the state rate (15.6%). 16.2% of area adults have a bachelor's or higher degree.

Mercy Medical Center is a 186-bed acute care hospital and also includes these outpatient facilities: Mercy Cancer Center, Mercy Outpatient Center, Mercy Medical Pavilion, and Rural Health Clinics. Outpatient services provided include: home care, physical and cardiac rehabilitation, ambulatory surgery, cancer care, laboratory, imaging, and primary and specialty care.

Significant community health needs the hospital is addressing through over 30 different strategies and programs include access to healthcare services, cancer, diabetes, heart disease and stroke, infant/maternal health and family planning, nutrition, physical activity and weight, respiratory disease, dementia including Alzheimer's. Some of those programs and strategies include; wig bank, accessible yoga, cancer support group, patient navigation, and transportation assistance through our cancer center; three rural health clinics including our Family Practice Clinic, Kids Care Pediatric Clinic, and General Medicine Clinic; Diabetes Support Group and class, diabetes self-management program, and national diabetes prevention program; Zumba and yoga classes; Childbirth preparation classes, Baby Cafe, perinatal yoga, stork classes, and prenatal breastfeeding education classes; Merced County Human Trafficking Coalition; Project Calm; and Freedom from smoking clinics.

In fiscal year 2024, Mercy Medical Center provided $41,537, 088 in patient financial assistance, unreimbursed costs of Medicaid, community health improvement services, and other community benefits. The hospital also incurred $2,002,938 in unreimbursed costs of caring for patients covered by Medicare fee-for-service. Another recent impact the hospital will incur is a rise in obstetric patients seeking obstetric care due to Golden Valley Health Center's, a local federally qualified health center in the service area, closure of obstetric services to their patients.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are

high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Mercy Medical Center will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. Mercy is the only hospital provider in the county with OB services which would be in jeopardy without appropriate government funding. In addition to this Mercy provides 24/7 cardiology services which would also be in jeopardy and put residents at risk during emergencies.

Less than 15% of gross charges come from commercial payers; that means that more than 85% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 8 out of 10 patients, ~78%, of those who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 79% of patients and reimbursement under these programs falls far short of covering our costs - For Mercy Medical Center, this dynamic resulted in over $44 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing *solely* on the *commercial* year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Mercy Medical Center is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be

measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Dale Johns
President
Mercy Medical Center
Dale.Johns@commonspirit.org

Dignity Health.
Mercy San Juan Medical Center

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Dignity Health Mercy San Juan Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Dignity Health Mercy San Juan Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Dignity Health Mercy San Juan Medical Center remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

As a safety net hospital for the Carmichael, Citrus Heights, Fair Oaks, Orangevale communities, Mercy San Juan Medical Center provides access to the most vulnerable in our community. As the largest hospital in the Dignity Sacramento market and the only hospital in this part of the county, Dignity Health Mercy San Juan is committed to providing the highest level of care for our patients. However, with a payer mix of 29.5% Medicare, 47.0% Medi-Cal, and 3.3% self-pay patients, Mercy San Juan Medical Center struggles to have a positive EBIDTA margin to remain open.

As a Level II trauma center, a Comprehensive stroke center, a high-risk maternity program, and the county's only Crisis stabilization unit in the county, we are the only resource in this part of the county that provides this level of care. As a disproportionate share hospital (DSH) we see a disproportionate number of patients who are poor in our county. Although this is our mission, the patients utilizing Mercy

San Juan Medical Center often do not have a primary care physician and use the emergency hospital as their doctor. This is highly inefficient and expensive as the cost continues to grow faster than the reimbursement from government payers.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Dignity Health Mercy San Juan Medical Center will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. **These investments include but are not limited to: the inpatient pediatric unit at MSJ, the crisis stabilization unit for Sacramento County patients in a behavioral health crisis; discontinuation of our Level II trauma center status.**

Less than 17.4% of gross charges come from commercial payers; that means that more than 82.6% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 7.5 out of 10 patients, 76.5%, of those who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 82.6% of patients and reimbursement under these programs falls far short of covering our costs - For Dignity Health Mercy San Juan Medical Center this dynamic resulted in over $118 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Dignity Health Mercy San Juan Medical Center is already striving to figure out how we would meet the

recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Michael R. Korpiel, DHA, FACHE
President and Chief Executive Officer
Mercy San Juan Medical Center.

Dignity Health.
Methodist Hospital of Sacramento

April 7, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Methodist Hospital of Sacramento Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Methodist Hospital of Sacramento, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Methodist Hospital of Sacramento remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

As a disproportionate share hospital (DSH), Methodist Hospital of Sacramento plays a critical safety-net role in providing healthcare access to vulnerable populations in the communities we serve. Our emergency department provides nearly 63,000 annual visits, and additionally, just over 2,500 OB emergency visits. We operate a primary care clinic providing care to the underserved and survivors of human trafficking through our medical safe haven program. Since the inception of the medical safe haven, we have provided well over 5,000 patient visits. Methodist Hospital also operates a distinct-part skilled nursing facility providing for continuity of care primarily for MediCal and Medicare covered individuals. Our ability to maintain these vital healthcare services is dependent upon providing services to commercially insured patients, and on our system relationship with Dignity Health/CommonSpirit system. We provide significant community benefit through uncompensated care which skews the ratio of cost to reimbursements.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that

are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Methodist Hospital of Sacramento will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. We support our Family Medicine residency training program and an OB Fellowship track with resources in excess of IME/GME funding. This vital training program that supports the pipeline for primary care physicians in our community would be at risk for maintaining the specialized OB training track. Continued investments in robotic surgical technology would also be at risk due to lack of ability to reinvest in our facilities and equipment.

Less than 15% of gross charges come from commercial payers; that means that more than 85% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 77% of the patients who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. The reimbursement under these programs falls far short of covering our costs - For Methodist Hospital of Sacramento, this dynamic resulted in uncompensated care, classified as community benefit, of over $24.3 million in our last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Methodist Hospital of Sacramento is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Phyllis Baltz
Hospital President/ CEO

From: michaelarnold98@everyactioncustom.com on behalf of Michael Arnold
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 2:12:26 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Michael Arnold
[redacted]

From: bertramsmichael4@everyactioncustom.com on behalf of Michael Bertrams
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:18:52 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. I cannot afford health insurance and I get penalized when I do my taxes, I'm on social security so soon I will get Medicare, I owe thousands in back taxes in the meantime. They take taxes from my payment which is already a small amount, yet the billionaires pay zero!

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Michael Bertrams
[redacted]

From: mcbrown32@everyactioncustom.com on behalf of Michael Brown
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:01:40 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Michael Brown


From: Michele@everyactioncustom.com on behalf of Michele Hondo
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:14:22 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Michele Hondo


From: mihelly@everyactioncustom.com on behalf of Miranda Helly
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:08:52 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Miranda Helly
[redacted]

From: mkyoung@everyactioncustom.com on behalf of Mk Young
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 15, 2025 9:52:22 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Mk Young


April 10, 2025

Office of Health Care Affordability Board Members:

On behalf of the Monterey Bay Central Labor Council, AFL-CIO, our 84 affiliates, and 36,000 union members—representing working families across the Monterey Bay region who are burdened by unaffordable healthcare—we urge the Office of Health Care Affordability (OHCA) to take immediate and targeted action to address excessive healthcare costs in our community.

While we commend OHCA's statewide annual cost growth target of 3%, this benchmark fails to address the acute crisis in the Monterey Bay region, where three of California's eleven most expensive hospitals operate: Community Hospital of the Monterey Peninsula, Salinas Valley Memorial Hospital, and Dominican Hospital. These institutions are consistently identified as high-cost outliers, with prices disconnected from quality or patient outcomes, placing an unsustainable strain on our members and the broader community.

Our Demands to OHCA:

1. ***Impose Lower Growth Targets for High-Cost Hospitals:*** *The 3% statewide target is untenable for hospitals already charging exorbitant prices. We demand OHCA set a sector-specific growth limit of 0.1% or lower for these identified outliers without delay.*
2. ***Enforce Transparency and Accountability:*** *OHCA must use its authority to mandate detailed public reporting from these hospitals justifying their costs, with penalties for non-compliance.*

3. ***Prioritize Monterey County for Intervention, Leverage OHCA's data analysis, enforcement, and regulatory tools to:***
    a. *Cap unjustified price increases.*
    b. *Investigate anticompetitive practices in our consolidated market.*
    c. *Collaborate with local stakeholders to implement corrective measures.*
4. ***Reject Further Delays:*** *Every day without action deepens the harm to working families, disproportionately impacting communities of color, low-income residents, and the uninsured. OHCA's mandate requires urgency.*

Why This Matters:

- *Over half of Californians skip or delay care due to costs—worsening health disparities.*
- *Monterey Bay region hospital prices are among the highest in the state, yet wages and access lag.*
- *OHCA has the statutory power and moral obligation to intervene.*

We stand ready to mobilize our coalition to ensure OHCA fulfills its duty. The time for studies and incrementalism has passed. The Monterey Bay region and the state of California need enforceable cost controls now.

Signed,

Monterey Bay Central Labor Council, AFL-CIO
United Food and Commercial Workers, Local 5 (UFCW 5)
California School Employees Association (CSEA)
Cabrillo College Federation of Teachers (CCFT)
United Farm Workers of America (UFW)
Salinas Valley Federation of Teachers (SVFT)
Teamsters Local 856
UNITE/HERE Local 19
Service Employees International Union, 521 (SEIU 521)
Operating engineers local 3 (OE3)
Northern California Carpenters Union

From: nkahakauwila@everyactioncustom.com on behalf of N Loy
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:06:02 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
N Loy
[redacted]

From: nhamorah@everyactioncustom.com on behalf of Nancy Freedland
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 4:02:17 AM

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.

High health care expenses, specifically high prescription costs and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. I fear I won't be able to continue with some of my medications on a regular basis. This has never been the case in the past. I know this has to be effecting others as well. This makes me wonder how my illnesses will get better and how long a life I'll actually have.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Nancy Freedland
[redacted]

From: nancygazoo@everyactioncustom.com on behalf of Nancy Guzan
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 12:53:34 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Nancy Guzan
[redacted]

From: nataly@everyactioncustom.com on behalf of Nataly Santamaria
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 4:50:43 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Nataly Santamaria
[redacted]

From: norasakal@everyactioncustom.com on behalf of Nora Sakal
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 4:58:19 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. My husband is a union sound mixer, and when we qualify for his insurance we are able to take care of our health needs AND afford to live in California. When we don't, it means we have to get insurance through my employer and that means less money in our pockets, poorer quality insurance, and more rationing to cover our basic cost of living. This constant tug-of-war has got to stop.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Nora Sakal


NorthBay HEALTH

4500 Business Center Dr.
Fairfield, CA 94534
NorthBay.org

Date: April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **NorthBay Health Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Ms. Brubaker,

NorthBay Health submits this comment in response to the California Department of Health Care Access and Information (HCAI or Department), Office of Health Care Affordability's (OHCA or Office) proposed hospital sector spending target, published on February 21, 2025.

NorthBay Health urges the Office to reconsider its recommendations, specifically the proposed implementation of a 3.5% statewide healthcare spending target and the inclusion of NorthBay Health on the list of 11 claimed "high-cost" hospitals throughout the state. This cap on the spending target is well below the rate of medical inflation and doesn't account for the rising costs in staffing, medicine or supplies which are projected to rise between 6%-10%. It would devastate independent and high-performing hospitals like NorthBay Health both financially and operationally. Furthermore, the cap would jeopardize the health and well-being of the diverse communities we serve, impacting under-represented and under-resourced patients. At a time when Congress is actively debating potential reductions in healthcare funding, this proposal would only intensify existing pressures and undermine the quality of care provided.

For over 65 years, NorthBay Health has solidified ourselves as the premier local and county hospital in the North Bay region. From primary and trauma care to Medicare and Medi-Cal patients, NorthBay Health provides high-quality, compassionate, accessible, and convenient care to California residents regardless of their ability to pay. The implementation of these recommendations would dramatically hinder our capacity to be the partner of choice for the communities we serve and expand our services and geographies to better support communities' needs. An overview of our strategic plans includes:

1. Investing $250 million by 2030 to open 6-10 new primary and urgent care clinics and serve more than 200,000 patients across the region, fulfilling an unmet need in Solano County;
2. Recruiting a skilled team of 45 net new primary care physicians and advanced practitioners in primary care; and
3. Bolstering our specialty network by adding 90 net new physicians and advanced practitioners.

We strongly oppose these potentially harmful recommendations and kindly request that OHCA respond to the following questions during the public meeting on April 22nd:

1. NorthBay Health proudly serves Solano County's underserved and under-resourced populations with 76% of NorthBay Health's patients relying on Medi-Cal or Medicare for their healthcare coverage. In 2022, Medi-Cal patients made up 55% of NorthBay Health's Emergency Department (ED) visits compared to 37% Medi-Cal ED patient visits in the market. With this proposed initiative, NorthBay Health would face significant cuts in critical services it offers the community. **As such, if OHCA moves forward with limiting these critical resources for California residents, how will the Office address the lack of accessible, high-quality care for patients that may result from service line closures?**
2. Across the country, many hospitals are closing labor and delivery wards due to the low reimbursement rates, staffing shortages, and the perceived unprofitability of the service line. Meanwhile, we continue to invest in this area – in fact, NorthBay Health is the only hospital in Solano County to receive a "Baby-Friendly" designation, which recognizes our commitment to the health and well-being of both mother and baby. With this proposed initiative, NorthBay Health would face significant cuts to its maternal health service line. As such, **if the OHCA's recommendations are implemented, how will the Office ensure the continued safety and health of expectant mothers and newborn babies, particularly from undocumented populations?**
3. With a central location and comprehensive offerings, NorthBay Health sees most trauma services in Solano County. A potential closure to this service line, which would be a direct result of this initiative, would create a "trauma desert" and deprive communities of vital, life-saving treatment. **Being that studies show the closure of trauma centers leaves hospitals ill-equipped to handle injured patients and leads to significant decreases in survival and recovery rates, how will OHCA help ensure that residents have access to life-saving care and emergency services?**

NorthBay Health is an essential pillar of the community, not only by providing high-quality care but also by bringing renewed vitality and improved well-being to the neighborhoods. We are one of only 17 hospitals nationwide to receive the Magnet with Distinction award, exemplifying our ability to provide exceptional nursing care. We were also named the #1 hospital in Solano County by U.S. News & World Report – signifying our true leadership in this region.

OHCA's cost control measures will discriminately impact hospitals like NorthBay Health that treat under-represented and under-resourced patients and place in critical danger the quality of care being provided to these communities.

We strongly urge you to reconsider the proposed implementation of a 3.5% statewide healthcare spending target and focus rather on measures that protect the healthcare needs of all California residents.

Sincerely,

Mark Behl, MHA, MBA
President & CEO
NorthBay Health
P: (707) 646-3100
E: Mark.Behl@NorthBay.org

Dignity Health.
Northridge Hospital
Medical Center

April 7, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Northridge Hospital Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Northridge Hospital Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Northridge Hospital Medical Center remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Northridge Hospital provides a vast set of services to our local community, including underserved services such as maternal/child health, pediatrics, and behavioral health. We are the only pediatric trauma center in the San Fernando Valley (population of 1.8M), providing local life-saving care to children in our community. Our commercial patient mix of ~18% helps support our ability as a community hospital to provide extensive complex services such as Transcatheter Aortic Valve Replacement (TAVR) and Extra Corporeal Membrane Oxygenation (ECMO) to the roughly ~75% governmental covered patients, including ~29% Medi-cal, who receive care at our hospital. These innovative, but costly service lines often found only at tertiary centers, provide improved quality outcomes in a much needed part of our community.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Northridge Hospital Medical Center will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. As noted above, many of the underserved service lines that, absent a strong commercial mix, we find financially challenging to provide, would be at risk. This includes service lines such as maternal/child health, pediatrics (including pediatric trauma) and behavioral health.

Less than 19% of gross charges come from commercial payers; that means that more than 80% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 7 out of 10 patients, ~71%, of those who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 71% of patients and reimbursement under these programs falls far short of covering our costs - For Northridge Hospital Medical Center, this dynamic resulted in over $69 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Northridge Hospital Medical Center is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our

community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Jeremy Zoch, PhD, MHA, FACHE
President and CEO
Northridge Hospital Medical Center

From: pam@everyactioncustom.com on behalf of Pam Moore
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:05:04 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Pam Moore
[redacted]

From: vancura1781@everyactioncustom.com on behalf of Pam VanCura
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 11:40:57 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Pam VanCura
[redacted]

From: pampam857@everyactioncustom.com on behalf of Pamela Saulter
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 2:23:42 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Pamela Saulter


From: pat@everyactioncustom.com on behalf of Patrick Ramsey
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 12:00:23 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.
We need to promote more love, understanding, compassion, tolerance, forgiveness and Higher-Minded qualities that provide stability and sanity.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Patrick Ramsey
[redacted]

PEACH
California's Community
Safety-Net Hospitals

April 11, 2025

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

REGARDING: California's Community Safety-Net Hospitals (PEACH) Opposes Proposed hospital Sector Spending Target Recommendations

Dear Ms. Brubaker:

On behalf of approximately 90 community safety-net hospitals in California, the Private Essential Access Community Hospital (PEACH) association, is appreciative of the opportunity to comment on the proposed statewide health care spending target recommendations. PEACH hospitals are concerned about the impact these recommendations, if implemented, would have on populations and communities that already lack equal access to care and services, especially given the current federal considerations about lowering resources to the Medicaid program. As proposed, the recommendations lack a solid foundation supported by data, leading to arbitrary limits and unexplainable hospital groupings. . Because HCAI has failed to conduct a thorough analysis of their proposed policies on access to health care, PEACH is fearful that these recommendations will not take into account the greater societal good provided by many and ***hurt those that are already hurting***. Three specific areas sound the loudest alarm in harming investments for greater good to society:

- The further erosion of high-quality care for disenfranchised individuals and families,
- High-acuity services and access to a broad range of care for every Californian, and
- Training the next generation of medical professionals.

Investing in Greater Societal Good

Health Inequities will Worsen

Every Californian deserves equitable access to high-quality health care. The communities that suffer from unequal access share a common obstacle: a lack of resources. Over the past 20 years, a number of government policies have contributed to an increase in underfunding health care in disadvantaged communities, which has diminished access to care and led to health inequities. Over time, this disparity in resources has given rise to health access concerns in these communities. In some low-income communities, hospitals have closed or cut services, leaving those areas underserved or, in some places, largely unserved. Post-COVID, over 60% of community safety-net hospitals are still reporting negative operating margins. Patients with the lowest socioeconomic status, including homeless and other struggling individuals, are hurt the most by these policies as they are mostly served by California's safety-net hospitals.

The federal government is currently considering numerous proposals to cut up to $880 billion in the Medicaid program. Any single one of those proposals, if implemented, would tear apart the delicate weave of Medi-Cal financing, reducing precious resources that enrollees and their families rely on when they need care or even result in loss of Medicaid coverage for millions. This alone will further widen the disparities in health care investment. The OHCA-proposed spending target would further reduce health care spending in the Medi-Cal program resulting in a disproportionate blow to the most vulnerable communities that already only receive a third of health care investments compared to those that are not financially challenged or economically depressed. With over one-third of Californians enrolled in the Medi-Cal program, keeping these communities healthy is a societal good.

High-Acuity Services and Access to a Broad Range of Care

A trauma center provides the highest level of surgical care to trauma patients. Being treated at a Level I trauma center can reduce mortality by 25% compared to a non-trauma center. It has a full range of specialists and equipment available around-the-clock and admits a minimum required annual volume of severely injured patients. High-level trauma centers are focused on maintaining the capability to take a patient to the operating room immediately which requires careful management of hospital resources to ensure their constant availability. For example, elective surgeries must be booked with purposeful, non-revenue-generating gaps in the schedule to ensure that at least one fully-equipped operating room is always available for immediate use by the trauma service.

Becoming and remaining a trauma center is expensive. Some components generate revenue, but other required components generate no revenue. These costs are generally not offset, and hospitals bear the cost for a trauma center to remain viable. Hospitals in low-income communities generally carry a greater financial burden for trauma because patients are often not commercially insured. Some studies arrived at a median annual cost of readiness in the tens of millions of dollars, although it was difficult to find a California-specific citation. Has the OHCA Board studied the cost of trauma readiness? The data is lacking and is often estimated.

Trauma centers and trauma systems are vital community assets. A nine-year-old study reported a group at Stanford decided to perform a needs-based assessment test on California. They used

a variety of data sources to compile the numbers needed and performed complicated analyses of transport times to calculate the following results:

- 74 trauma centers were identified in the state – 15 Level I, 37 Level II, 14 Level III, and 8 Level IV.
- The state was broken down into 30 Local Emergency Medical Service Agency trauma service regions.
- Only 4 of the 30 regions had scores suggesting that they had enough trauma centers.
- The tool suggested that 9 regions needed 1 more trauma center, 13 would require 2 more, and 4 would require 3 more.

Hospitals that take on the fiscal and societal responsibility of sustaining a trauma center do so with the greater good for communities in mind. These hospitals agree to an inherently higher cost structure. These recommendations could imply that OHCA suggests these services are not worth supporting for the greater societal good.

Training the Next Generation of Medical Professionals

Graduate medical education is the cornerstone of medical training, equipping physicians to deliver high-quality care across a range of specialties, providing an essential service that addresses a critical gap in the health care network. Hospitals with teaching programs not only train residents but also provide care to underserved populations, making them integral to the health of communities. At the time of the passage of the Patient Protection and Affordable Care Act, it was estimated that 34 million more patients need new primary care physicians, but the act provided no specific provisions to increase physician supply. In 2021, the American Association of Medical Colleges predicted a physician shortfall that could reach 139,000 by the year 2033, a trend that could worsen due to effects of the COVID-19 pandemic on physician supply.

Hospitals that operate residency programs often incur higher patient care costs as opposed to non-teaching hospitals, such as additional tests that residents may order as a result of their training. Indirect Medical Education (IME) adjustments are made to the operating portion of the hospital's inpatient Medicare payment, intended to offset this so-called "inefficiency". Neither direct medical education payments or IME adjustments cover the actual costs incurred by hospitals for operating residency teaching programs.

Evidence indicates that physicians typically practice within 100 miles of their residency program. Most physicians serving low-income communities are affiliated with hospitals or teaching programs that bear the financial losses required to ensure doctors are available to provide necessary care to the residents. If hospitals are forced to cut costs to adhere to arbitrary and unstudied targets, they will face the possibility of saving money by reducing resident positions. Once again, targeting hospitals based on cost structures that support programs that provide a greater societal good is short-sighted and lacking in-depth research of potential ramifications. Some hospitals bear the cost of these programs, yet all Californians benefit from their output. Who should bear the cost? What alternatives has OHCA considered if hospitals shrink or eliminate teaching programs to meet a target?

Closing Remarks

Normally PEACH will write a letter based on the impacts to its member hospitals and the communities they serve. This letter is focused on all Californians and the potentially harmful outcomes that impact societal good for all. California's communities will not thrive if health inequities are exacerbated. Individuals and families will suffer if access to vital needs like trauma care and emergency services are diminished or eliminated. We urge you to pause this policy proposal, conduct a thorough and thoughtful analysis on the impact to health care for our vulnerable communities, and not disrupt health care funding at a time when so much is on the line.

Every Californian will suffer if they don't have the ability to see a medical professional. Yes, these proposals have the potential to hurt everyone – but, ***this hurts those that are already hurting***.

Sincerely,

Anne McLeod
President and CEO
PEACH – California's Community Safety Net Hospitals

cc: Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom

Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernandez
Secretary Kim Johnson
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan

From: howlingdragon@everyactioncustom.com on behalf of Peggy Loe
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:01:42 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Peggy Loe


From: wetlands100@everyactioncustom.com on behalf of Penelope LePome
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:54:24 AM

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.

While I am very healthy, most of my friends need regular healthcare. Healthcare and medication costs are too high, yet hospitals do not get adequate income from treating Medicaid patients. Our hospital is at risk of closing. This would require a 1.5-2 hour drive to the nearest hospital or a helicopter flight which is very expensive and dangerous.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Penelope LePome
[redacted]

From:	phytopagan@everyactioncustom.com on behalf of Peter Warner
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Sunday, March 9, 2025 11:32:42 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

Every day I rise, and thank my good fortune that I still feel that I'll get through another day without relying on someone else to provide me assistance, let alone daily care. At this point, I'm grateful that lingering long-term health effects are not sufficiently debilitating that I need to curtail living my life to its most fulfilling. Yet each day I also make choices about what I can afford to eat, how much fuel and vehicle maintenance costs I can afford in order to drive and otherwise maintain an independent and sociable life, and what I need to eliminate in order to sustain connections to my friends and for attending to my needs.

I am a senior citizen, and I live alone with no family anywhere nearby. I try not to live in the world as someone who relies upon regular care-giving or physical or mental support, but my fears of living in need and dying alone are chronic. While I'm able to pay rent and eat a good diet, and exercise regularly, I'm one physical mishap from personal disaster -- I live in constant fear of losing my limited financial resources due to the greed and neglect of the wealthy and powerful. I continue to forego dental care, treatment for osteoarthritis, and other potentially debilitating health conditions. Yet still I feel fortunate for my day-to-day existence, and do what I can to support others with much more critical health care needs, through donations and volunteering my time.

No one, without even including my own good fortune to date, in this nation of obscene wealth as well as immense waste on the propagating the means to destroy lives -- too many to count -- should be left without housing, good nutrition, and in need of health care. Either health care is soon realized as an intrinsic right for all, or I believe a more militant and perhaps violent response to power and privilege will be necessary. Perhaps what remains of good government -- for people and for our environment -- will not consign us to make such a drastic choice, because at this point, the wealthy and entitled have essentially declared war upon the vast majority of U.S. citizens and immigrants -- the many who toil for the privileges of the very few. That is a crime against humanity!

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Peter Warner
[redacted]

From: phaphadavis@everyactioncustom.com on behalf of Phallon Davis
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:09:46 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Phallon Davis


From: Philip Santora
To: HCAI OHCA
Subject: Health Care Costs
Date: Tuesday, March 11, 2025 7:47:49 AM

Good afternoon, my name is Phil Santora and I am an educator in Monterey. I wish to write in support of the board's proposal to further cap the price increases for local hospitals in Monterey. The high healthcare costs in our area deeply affect myself, my colleagues and our community. Thank you for your time.

From: philiparitter@everyactioncustom.com on behalf of Philip Ritter
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:43:10 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Philip Ritter
[redacted]

From: philsim75@everyactioncustom.com on behalf of Philip Simon
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:31:38 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Philip Simon


From: Phyllis@everyactioncustom.com on behalf of Phyllis Chavez
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:04:33 AM

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.

People should not have to risk dying because they can't afford to access care.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Phyllis Chavez
[redacted]

From: pietro@everyactioncustom.com on behalf of Pietro G. Poggi
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:17:55 PM

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.

It's no secret—health care costs are out of control, forcing too many Californians to make impossible choices between medical care, rent, and groceries. However, California has an opportunity to rein in skyrocketing prices with its Office of Health Care Affordability (OHCA).

OHCA must work for consumers, staying focused on lowering costs for everyday Californians. OHCA has the power to slow health care spending, promote high value care for consumers, and help hold the health industry accountable. Do not let health care corporations water this power down.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Pietro G. Poggi
[redacted]

POMONA VALLEY HOSPITAL
MEDICAL CENTER

Richard E. Yochum, FACHE
President/CEO

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Pomona Valley Hospital Medical Center (PVHMC) Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Megan:

We appreciate the opportunity to share with you and others our concern and opposition to the proposed spending target recommendations. In 2025, Pomona Valley Hospital Medical Center (PVHMC) is celebrating 122 years of proudly serving Los Angeles and San Bernardino County residents. As a core community safety net hospital that provides 46% of its care to low-income Medi-Cal patients, we depend on Medicaid DSH funding to help offset low Medi-Cal payments and the high levels of uncompensated care our hospital provides.

Since its founding, PVHMC has provided its communities with a comprehensive range of services, from local primary acute care to highly specialized regional services based upon the community's health care needs. The hospital is nationally recognized for its advanced technology and accredited Centers of Excellence, including the regions only Level II Trauma Center (the third busiest in LA County) with Emergency Services, the regions only designated Comprehensive Stroke Center, the Stead Heart and Vascular Center, including a designated regional Stemi Receiving Center, the Women's Center that performs high-risk deliveries and transport services with a Level III Neonatal Intensive Care Unit, and The Robert and Beverly Lewis Family Cancer Care Center.

PVHMC serves an area with roughly 1.8 million residents, treating over 100,000 emergency visits and 22,000 admissions a year. Several acute care hospitals and a regional rehabilitation hospital surround our community. Still, PVHMC is the only designated Trauma Center, within a 30-mile radius, between Arrowhead Regional Medical Center and LA General Medical Center (formerly known as LA County+USC Medical Center).

PVHMC is located on the easternmost border of Los Angeles County and serves a diverse population covering both Los Angeles and San Bernardino Counties. Since our inception, and basic to our mission has been to serve the underserved. Access to healthcare services is vital to meet the demand for acute care and outpatient care. At PVHMC, government payers generate 75% of the hospitals total inpatient and outpatient volume yet only 60% of the net patient revenue.

In 2022 and 2023, total cost of care exceeded net patient revenue, excluding supplemental provider fee net payments, by $159M and $154M, respectively. Unlike rates paid by commercial payers, government payers do not negotiate reimbursement rates. Government rates are unilaterally determined without regard to the actual cost of care. Furthermore, these rates do not increase at the same rate as cost increases. The Hospital has no choice but to accept these rates. At the same time, mandated cost increases such as the healthcare workers minimum wage increase took effect without commensurate funding increases and the Hospital has few tools to balance its budget. Coupled with ongoing cost cutting initiatives, the Hospital relies heavily on the net patient revenue generated from commercial payers for which two willing and able parties negotiate acceptable rates and contract terms. By limiting commercial rate increases to an arbitrary percentage without consideration of uncontrollable operating costs, hospital operations are unsustainable unless other factors change.

For Pomona Valley Hospital Medical Center, meeting the proposed 3%-3.5% 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.
- A proposed target of 3% would remove $8.8M from our 2024 budget. From 2023 to 2024 our cost per adjusted patient day rose by 3.2%.
- Uncertainty over our ability to meet state mandates like seismic retrofitting which is estimated conservatively to cost PVHMC over $400M.

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.

Physician costs in PVHMC's geographic region are higher than in other areas. The large population of low income and the very low Medi-Cal physician rates lead to physicians who are unwilling to accept Medi-Cal patients. In order to recruit physicians to our community, the hospital must subsidize physicians' income to ensure their compensation is maintained at market rates. These recruitment efforts include hospital-based anesthesiologists and radiologists, on call specialty coverage in the emergency room and support for numerous primary care and

specialty care community physician practices. The Hospital's physician compensation expense will increase over 30% from 2022 to 2025.

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. The proposed spending targets do not improve access to care and may actually worsen the situation for hospitals working to avoid service closures. For these reasons,

PVHMC requests your opposition to OHCA's recommendations and to delay any implementation of a hospital sector target until a thorough analysis of the impact on patient care can be conducted. If you have any questions or concerns, please contact me directly at (909)865-9885.

Sincerely,

Richard E. Yochum, FACHE
President/CEO
Pomona Valley Hospital Medical Center

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Senator Susan Rubio, District 22
Assemblymember Michelle Rodriguez, District 53

15480 Laguna Canyon Road
Irvine, CA 92618

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: Providence Opposes Proposed Hospital Sector Spending Target Recommendations

Dear Megan,

On behalf of Providence, we appreciate the opportunity to comment on the California Office of Health Care Affordability (OHCA) hospital sector spending target recommendations. We are concerned that spending growth targets will jeopardize access to care, especially for the large Medi-Cal population we serve at our 17 California ministries. With significant uncertainty around federal health care funding, inflationary pressures on vital medical supplies, rapidly increasing pharmaceutical costs, and significant costs associated with seismic building compliance, it is imperative that OHCA take a measured approach when considering hospital spending targets.

Providence is one of California's largest nonprofit health systems. Together with over 44,000 caregivers, we operate 17 hospitals, including two critical access hospitals. Providence is a mission driven organization committed to caring for the poor and most vulnerable, and we are proud to be one of the largest providers of health care to Medi-Cal beneficiaries in the state. In addition to patient care, we dedicate significant resources to the communities we serve. In 2023, Providence contributed $669 million in services, programs, and charity care to those in need.

Making health care more affordable is a shared responsibility. To make a difference in the cost of care, the entire health care system, including insurance companies, drug manufacturers, medical device suppliers, labor unions, and governmental agencies must work together. Fragmenting the health care field so early in the process would undermine the collaboration that is key to our shared success and necessary to maintain patient access.

Providence is already striving to meet the existing 3.5% spending target for 2025 by:

- Consolidating administrative functions
- Streamlining billing and payment operations
- Prioritizing regional care models with multiple centers of excellence
- Leveraging technology to streamline administrative tasks
- Reevaluating capital projects outside of those focusing on caregiver and patient safety
- Converting facilities to more cost-effective renewable energy

However, a 3.5% spending growth target, scheduled to decrease over the following years, does not account for the true cost of delivering health care in California. OHCA's flawed methodology fails to account for inflationary pressures on labor costs, construction costs, and essential materials like pharmaceuticals and medical supplies. Placing even lower target requirements on hospitals arbitrarily labeled as "high-cost" would further threaten access to care for California's most vulnerable patients. All at a time when the federal government is considering significant reductions in funding for Medicare and Medicaid.

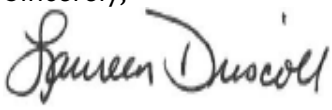
OHCA spending targets do not consider factors that have a significant impact on Providence's operating cost across the State of California. Providence is proud to serve some of the most diverse communities in our state, including urban communities in Los Angeles and Orange County and rural communities in Humboldt and Napa. However, operating acute care facilities in these areas presents unique challenges.

In Eureka, Providence operates the only Level III Trauma Center in Humboldt County, serving communities that span the entire north coast of the state. Operating an acute care facility in a rural area like Humboldt County presents unique challenges. Our costs associated with attracting and retaining qualified caregivers in rural communities are significantly higher than other more densely populated areas. To increase the number of qualified physicians in our community, Providence invests millions of dollars into our primary care residency program at St. Joseph Hospital Eureka. Over the last few years, Providence has grown that program, resulting in an increase in the number of primary care physicians in Humboldt County. However, unrealistic spending growth targets threaten our ability to continue to invest in this important training program, and similar training programs in Southern California.

In addition to threatening our investments in training qualified caregivers, unrealistic spending growth targets diminish our ability to sustain service lines that currently operate at significant negative margins. In California, these service lines include general medicine, obstetrics, neonatology, and vascular health. In our rural service areas, these negative operating margins are even more substantial. Artificial revenue growth targets that fail to account for the true cost of delivering care will inevitably force Providence to focus on more sustainable service lines to ensure the long-term viability of our health system, resulting in service line closures across our California footprint and diminished access to care.

On behalf of the 1.5 million California patients we serve, Providence urges you to take additional time for analysis and discussion before finalizing sectors or corresponding targets. Providence remains deeply committed to achieving our shared goals of affordable, high-quality care — and we ask that the office proceed with a keen eye toward ensuring care is not diminished in the pursuit of lower costs.

Sincerely,



Laureen Driscoll
South Division Chief Executive
Providence

Cc:

Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
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Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom

Members of the State Legislature:
Senate President pro Tempore Mike McGuire
Senator Caroline Menjivar
Senator Maria Elena Durazo
Senator Henry Stern
Senator Ben Allen
Senator Bob Archuleta
Senator Tom Umberg
Senator Steven Choi
Senator Christopher Cabaldon
Senator Catherine Blakespear
Senator Kelly Seyarto
Senator Suzette Valladares
Senator Rosilicie Ochoa Bogh
Assembly Majority Leader Cecilia Aguiar-Curry
Assemblymember Nick Schultz
Assemblymember Avelino Valencia
Assemblymember Celeste Rodriguez
Assemblymember Jesse Gabriel
Assemblymember Chris Rogers
Assemblymember Damon Connolly
Assemblymember Rick Chavez Zbur
Assemblymember Isaac Bryan
Assemblymember Jacqui Irwin
Assemblymember Tina McKinnor
Assemblymember Pilar Schiavo
Assemblymember Phil Chen
Assemblymember Blanca Pacheco
Assemblymember Lisa Calderon

From: oneiler18@everyactioncustom.com on behalf of Renee ONeil
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 11:11:03 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Renee ONeil


From: moveon.pf1rv@everyactioncustom.com on behalf of Richard Almond
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:03:39 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Richard Almond
[redacted]

From: carrrj@everyactioncustom.com on behalf of Richard Carr
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Monday, March 10, 2025 7:30:27 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Richard Carr
[redacted]

From: rvg50@everyactioncustom.com on behalf of Rigo Garnica
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:15:45 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Rigo Garnica
[redacted]

From: bdurstenfeld@everyactioncustom.com on behalf of Robert DURSTENFELD
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:51:42 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.
I am well educated and well skilled , but I was still having to spend an average of $15,000 per year for medical costs.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Robert DURSTENFELD
[redacted]

From: rtaylor46@everyactioncustom.com on behalf of Robert Taylor
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:54:22 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Robert Taylor
[redacted]

From: mimilemew3@everyactioncustom.com on behalf of Robin Mains
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:24:55 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Robin Mains
[redacted]

From: robinbriqu@everyactioncustom.com on behalf of Robin Wallace
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 11:07:02 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Robin Wallace
[redacted]

From: none@everyactioncustom.com on behalf of Rodolfo Maldonado
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 18, 2025 5:17:23 PM

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.

My name is Rodolfo Maldonado, I live in Seaside, CA.
I've always been fortunate to have health insurance. In 2008, I had a health crisis that cost over $500,000. I had to pay $35,000 out of pocket. It took me years to pay off my debt. My debt went to a collection agency, and they started deducting 25% of my paycheck to pay my medical bills. I owned property, 20 apartments in Stockton and 3 in Seaside rented to local families in the community. I had to turn these apartments over to the bank and lost all my savings. I had to pay $25,000 to avoid losing the house where I live with my family.I tried not to let this medical crisis affect me, but it took a huge emotional toll. The stress it caused was enormous.

Hospitals in Monterey County charge a lot of money for care. They are ridiculously expensive. At the time I received medical care, I never knew it would cost me so much. We can't go to another hospital because there isn't one closer. It's not fair that the cost of medical care is almost bankrupt.
I'm sending you this request to help us lower hospital prices in California, especially in Monterey County, where we don't have many options for medical care.
Thank you.
Rodolfo Maldonado

Mi nombre es Rodolfo Maldonado soy residente de Seaside, CA.

Siempre he tenido la dicha de tener seguro médico. En 2008 tuve una crisis de salud que tuvo un costo de mas de $500,000. A mí me tocó pagar $35,000, tome años para pagar mi deuda. Mi deuda se fue a una agencia de , y se empezaron a deducir 25% de mi sueldo para pagar mis deudas médicas. Yo tenía 20 apartamentos en Stockton y 3 en Seaside rentados a familias locales de la comunidad. Tuve que entregar estos apartamentos a el banco y perdi todos mis ahorros. Tuve que pagar $25,000 para no perder la casa donde vivo con mi familia.
Traté que esta crisis médica no me afectara pero me afectó mucho emocionalmente. El estrés que esto me causó fue mucho.
Los hospitales cobran mucho dinero. Son exageradamente caros. En el momento que recibí atención médica nunca supe que me costaría tanto. No podemos ir a otro hospital porque no hay otro más cerca, no es justo que el precio de atención médica es casi la bancarrota.
Por medio de esta les hago la petición para pedir que nos ayuden a bajar los precios a los hospitales en California, especialmente en el condado de Monterey donde no tenemos muchas opciones para obtener atención médica.
Gracias
Rodolfo Maldonado

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Rodolfo Maldonado
[redacted]

From: refransz@everyactioncustom.com on behalf of Ron Fransz
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:23:37 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ron Fransz
[redacted]

From: ronit@everyactioncustom.com on behalf of Ronit Corry
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:50:56 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ronit Corry
[redacted]

From: liaisonsus@everyactioncustom.com on behalf of Rosemary Graham-Gardner
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:21:58 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritise and barely make ends meet.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Rosemary Graham-Gardner
[redacted]

From:	mickoulhicks@everyactioncustom.com on behalf of Ruth Anne Hicks
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Saturday, March 8, 2025 12:11:43 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Ruth Anne Hicks
[redacted]

From: insert.dumb.joke.here@everyactioncustom.com on behalf of S Schirm
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 2:54:37 PM

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.

As an adult with an autoimmune condition, I am faced with choices. Whether to eat a certain food that I'm not sure will make me sick, to make plans if I am not sure I will have the ability to follow through.

However, the choice whether or not I should seek medical care should not be one of them. My condition is such that I cannot ever go off medications. At best, I face hospitalization. At worst, my body goes into shock and it kills me. And, with the threat of cuts to care and access, my condition, which has been kept managed and stable for years, would become an endless cycle til it killed me.

I am one of the lucky ones, in that I haven't had the need of the ER in months, don't require surgery, and don't require assistive devices or care givers on top of my medications.

I am not in the majority.

With rising costs of living, from utilities to food to gas, and so on? I urge you not to perpetuate the health crisis by making access even less financially accessible than it already is.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
S Schirm
[redacted]

April 8, 2025

VIA EMAIL
Members of the Health Care Affordability Board
2020 W. El Camino Avenue
Sacramento, CA 95833

Subject: Response to Sector Target Proposal

Dear OHCA Leadership,

I am writing to express our deep concerns regarding the pending decision to apply sector target spending limits to Salinas Valley Health (SVH), as well as the process by which this decision was made.

SVH has long operated as a mission-driven, safety-net integrated healthcare system, serving a medically underserved region with a high proportion of Medi-Cal patients — including thousands of undocumented individuals. These cuts will severely impact those already facing significant barriers to care. We are alarmed by OHCA's unwillingness to acknowledge the profound harm this decision will cause in a community with limited healthcare alternatives and persistent health equity challenges.

This action comes at an especially troubling time, as we face anticipated reductions in Medicaid/Medi-Cal eligibility and reimbursement. For safety-net providers like SVH, these overlapping pressures create a perfect storm. While we acknowledge the importance of statewide mandates and responsible cost containment, the selective application of sector target cuts to SVH will have devastating consequences — not only for our organization but also for the patients and communities we serve.

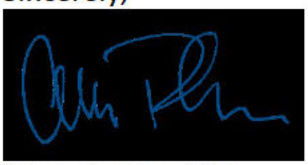
Our concerns are compounded by OHCA's inconsistent and shifting methodology for identifying outliers. Despite our integrated operations, our request to be evaluated as a system was denied. We were also unfairly criticized for using a methodology that is, in fact, mandated by state law and HCAI. These actions reflect a troubling disconnect from both regulatory standards and the real-world challenges faced by health systems like ours. Furthermore, based on the methodology presented at the December 2024 OHCA Board Meeting — specifically, average inpatient (total) NPR per CMAD, which more accurately reflects our payer mix — SVH did not rank among the top 30.

OHCA's actions appear detached from the lived experiences of the people and providers they affect. This approach echoes recent federal decisions that prioritize political narratives over the health and well-being of vulnerable communities.

To underscore SVH's vital role, we have included letters of support from community partners, including the two large local Federally Qualified Health Centers and independent physicians. These providers rely on SVH's continued access to specialty services for Medi-Cal patients — services that are often unavailable elsewhere. Their voices affirm SVH's indispensable role in sustaining a functional, inclusive, and equitable local healthcare system.

We respectfully urge OHCA to reconsider this decision and to engage with us in a more constructive and collaborative manner — one that safeguards the health and dignity of the communities we are entrusted to serve.

Sincerely,



Allen Radner, MD
President/Chief Executive Officer
Salinas Valley Health

cc: Members of the Health Care Affordability Board:
David Carlisle, MD, PhD
Sandra Hernandez, MD
Richard Kronick, PhD
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, PhD
Richard Pan, MD, MPH
Elizabeth Landsberg, Director of Department of Healthcare Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom

COUNTY OF MONTEREY
HEALTH DEPARTMENT
Elsa Jimenez, Director of Health Services
Administration Animal Services Behavioral Health Clinic Services
Emergency Medical Services Environmental Health Public Administrator/Public Guardian Public Health

April 7, 2025

Office of Health Care Affordability (OHCA)
California Health and Human Services Agency
2020 W. El Camino Ave.
Sacramento, CA 95833

Dear Chair Kim Johnson and OHCA Board Members,

As Director of the County of Monterey Health Department, I am writing to express concern regarding the inclusion of Salinas Valley Health (SVH) on the Office of Health Care Affordability's (OHCA) list of high-cost hospitals currently under review. I respectfully urge OHCA to reconsider this designation considering the broader context in which SVH operates and the essential role it plays in our community.

The County Health Department operates one of the largest Federally Qualified Health Center systems in Monterey County, providing comprehensive outpatient primary healthcare services to Medi-Cal beneficiaries and uninsured residents. SVH serves as a public district health care system in one of California's regions with the most medically underserved and vulnerable populations.

Importantly, SVH acts as a referral provider for specialty care for both the County of Monterey Health Department Clinics and other Federally Qualified Health Centers (FQHCs), which primarily serve Medi-Cal, uninsured and low income residents. These community-based clinics rely on SVH for access to essential specialty services—such as oncology, endocrinology, and wound care—that are otherwise unavailable in the region. Without SVH, many of our most vulnerable residents would face significant delays or a complete lack of access to necessary care impacting their health and well-being.

Thank you for your attention to this urgent matter and for your continued commitment to improving health care affordability and equity across California and considering the broader impact your decisions have on our residents.

Sincerely,

Elsa Mendoza Jimenez, MPH
Director, County of Monterey Health Department

1270 Natividad Road, Salinas, CA 93906
Phone (831) 755-4500
www.mtyhd.org

Santa Lucia Medical Group, Inc.
Family Medicine

April 4, 2025

VIA EMAIL

Members of the Health Care Affordability Board and Chair Kim Johnson
2020 W. El Camino Avenue
Sacramento, CA 95833

RE: Opposition to Salinas Valley Health's Designation on Sector Target List

Dear OHCA Board Members and Chair Kim Johnson,

We are writing to strongly oppose the designation of Salinas Valley Health as a high-cost outlier on OHCA's sector target list. As an independent medical practice that has served the Salinas Valley since 1987, Santa Lucia Medical Group Inc. depends on the high-quality specialty care that Salinas Valley Health provides. The impact of this designation threatens not only our ability to coordinate patient care but also the broader health care access that thousands of residents rely on.

Santa Lucia Medical Group is a fully bilingual practice with providers and staff who are dedicated to serving our diverse community. We offer the full spectrum of Family Medicine and have built strong working relationships with specialists throughout the region. While we remain an independent practice that is not bound to any single funding source, we rely on Salinas Valley Health's extensive specialty network to ensure our patients receive the care they need. Restrictions imposed by OHCA's designation could lead to cuts in services, longer wait times, and a decline in access to specialty care, disproportionately harming the most vulnerable members of our community.

Beyond its role as a specialty care provider, Salinas Valley Health is deeply committed to addressing health disparities in Monterey County. The financial health of our practice does not allow Santa Lucia Medical Group to be Medicare providers, a role in our community that is addressed in part by primary care providers at Salinas Valley Health PrimeCare. Salinas Valley Health's ability to recruit primary care providers to our region and subsidize the PrimeCare providers is essential to upholding the Milbank Report goals on Primary Care spending in California.

We urge OHCA to reconsider this designation and remove Salinas Valley Health from the sector target list. Penalizing a health system that is a lifeline for so many in our community is not only unjust—it risks exacerbating existing health care inequities.

Thank you for your time and consideration.

Sincerely,

Dr. Luciano Del Toro Vargas

Santa Lucia Medical Group Inc.

Dr. Michael C. Sepulveda

CSVS Administration
55 Plaza Circle, Ste. A
Salinas, CA 93901
Phone: (831) 757-8689
Fax: (831) 757-6480

CSVS Recruitment:
Doctors and Dentists
from Mexico Program
55 Plaza Circle, Ste. A
Salinas, CA 93901
Phone: (831) 757-8689
Fax: (831) 757-6480

CSVS Plaza
55 Plaza Circle, Ste. C
Salinas, CA 93901
Phone: (831) 500-6960
Fax: (831) 758-2201

CSVS Circle
950 Circle Drive
Salinas, CA 93905
Phone: (831) 757-6237
Fax: (831) 757-8458

CSVS Sanborn
219 N. Sanborn Road
Salinas, CA 93905
Phone: (831) 757-1365
Fax: (831) 757-2824

CSVS Optometry Clinic
950 Circle Drive
Salinas, CA 93905
Phone: (831) 757-1264
Fax: (831) 757-4812

CSVS North Main
2180 N. Main Street
Salinas, CA 93906
Phone: (831) 443-2190
Fax: (831) 442-3604

CSVS Alvin Dental
620 E. Alvin Dr., Ste. G
Salinas, CA 93906
Phone: (831) 444-9722
Fax: (831) 444-9723

CSVS Gonzales
126 5th Street
Gonzales, CA 93926
Phone: (831) 675-2930
Fax: (831) 675-2931

CSVS Soledad
799 Front Street
Soledad, CA 93960
Phone: (831) 678-0881
Fax: (831) 678-2803

CSVS Greenfield
808 Oak Avenue
Greenfield, CA 93927
Phone: (831) 674-5344
Fax: (831) 674-5214

CSVS King City
122 San Antonio Drive
King City, CA 93930
Phone: (831) 385-5944
Fax: (831) 385-8618

CSVS Castroville
10561 Merritt Street
Castroville, CA 95012
Phone: (831) 633-1514
Fax: (831) 633-0311

CSVS Pajaro
29-A Bishop Road
Pajaro, CA 95076
Phone: (831) 728-2505
Fax: (831) 728-2636

CSVS Seaside
1156 Fremont Blvd., Ste.101
Seaside, CA 93955
Phone: (831) 583-9004
Fax: (831) 583-9005

CSVS Mobile Clinic
950 Circle Drive
Salinas, CA 93905
Phone: (800) 372-7993
Fax: (831) 785-2982

CSVS Outreach
430 Airport Blvd., Ste. C
Salinas, CA 93905
Phone: (866) 662-5329

Office of Health Care Affordability (OHCA)
California Health and Human Services Agency
2020 W. El Camino Ave.
Sacramento, CA 95833

Dear OHCA Board Members and Chair Kim Johnson,

I am writing to express my strong support for Salinas Valley Health (SVH) and to urge you to reconsider its designation as a high-cost hospital. As the Chief Executive Officer of Clinica de Salud del Valle de Salinas (CSVS), which has served Monterey County since 1980, I have seen firsthand the essential role SVH plays in our community.

CSVS became the first Federally Qualified Health Center (FQHC) in Monterey County in 1989. While we provide comprehensive primary care, we rely heavily on SVH for the specialty services we cannot offer. SVH is often the provider of choice for our patients when they require advanced care in areas such as cardiology, oncology, and wound care. If SVH is forced to reduce or limit services due to sector cost targets, it would significantly impact access to care for the vulnerable populations we serve—especially those working in the agriculture industry.

SVH is a vital partner in ensuring that all Monterey County residents, regardless of insurance status or ability to pay, have access to high-quality care. Penalizing SVH for the costs associated with delivering this essential care would undermine the health and well-being of our most underserved patients.

Thank you for considering the broader impact this decision would have on our community.

Sincerely,

Maximiliano Cuevas, MD, FACOG
Chief Executive Officer
Clinica de Salud del Valle de Salinas

Pacific Coast Pediatrics

260 San Jose Street, Salinas, CA 93901
Phone 831-757-8124

April 4, 2025

Members of the Office of Healthcare Affordability Board
Sent via email

RE: Opposition to Salinas Valley Health's Designation on Sector Target List

Dear OHCA Board members and Chair Kim Johnson,

I am writing to express my strong support for Salinas Valley Health and to urge you to reconsider its designation as a high-cost outlier on the sector target list. As a practicing pediatrician and part of Pacific Coast Pediatrics for the past 14 years, I have seen firsthand the essential role Salinas Valley Health plays in sustaining access to high-quality care for the families of Monterey County.

After years of proudly serving this community, I am preparing to relocate to Florida to care for my elderly parents as their health declines. While this is a personal decision I must make, I have struggled with the difficult reality that my departure would place Pacific Coast Pediatrics in an unsustainable position. Like many independent practices, we have faced mounting financial pressures, including declining reimbursement rates and rising operating costs. Without meaningful support, our ability to continue providing pediatric care to the community was at serious risk.

Fortunately, Salinas Valley Health stepped in to provide a path forward. Salinas Valley Health has agreed to integrate our pediatric providers into PrimeCare Salinas, one of its primary care clinics, ensuring that our patients will continue to receive the care they need. This transition, scheduled for May 1, 2025, would not have been possible without Salinas Valley Health's commitment to preserving access to care for all families — including those insured through Medi-Cal, which offers the lowest reimbursement rates of all payers.

Had OHCA's sector targets been in place earlier, this safety net action may not have been possible. Without Salinas Valley Health's support, my dedicated fellow pediatricians would have faced difficult choices and the families we serve would have faced devastating gaps in care. The public district health system's willingness to step in and secure continued pediatric care demonstrates the critical value it provides to our community.

I am deeply grateful to Salinas Valley Health for making it possible for our practice to survive and for ensuring that children and families in Monterey County have continued access to high-quality pediatric care. I urge OHCA to recognize the indispensable role that Salinas Valley Health plays as an integrated system and to remove it from the sector target list.
Penalizing Salinas Valley Health would put this essential community resource at risk and undermine the very goals of improving access and affordability.

Sincerely,

Christine McCuistion, MD
Pacific Coast Pediatrics

From: galindosammy@everyactioncustom.com on behalf of Sammy Galindo
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:11:18 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Sammy Galindo


San Diego Regional Chamber

402 West Broadway, Suite 1000
San Diego, CA 92101-3585
p: 619.544.1300
www.sdchamber.org

April 9, 2025

Kim Johnson
Chair, Health Care Affordability Board
Secretary, California Health and Human Services Agency
2020 W El Camino Avenue
Suite 1200
Sacramento, CA 95833

Subject: Concerns with Proposed Hospital Sector Target Values

Dear Secretary Johnson,

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 hospital-sector target values. Improved healthcare affordability is a laudable goal that our members support, but unfortunately the proposed target values will be detrimental to hospitals' ability to remain financially stable and care for patients. Establishing the proposed target values 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 work to create methodologically sound target values that take into consideration the many cost pressures facing hospitals throughout the state as well as uncertain federal impacts that hospitals are beginning to face.

California hospitals already face a number of state requirements and mandates that are different from other sectors of the health care industry, and any method for calculating a spending target must take these unique cost pressures into consideration. State seismic mandates, recent labor cost increases, and a complex regulatory ecosystem are creating current financial difficulties for hospitals throughout the state and in the San Diego region. This is especially true of hospitals serving our region's rural communities and historically underserved populations.

Recent federal policy changes are creating additional financial uncertainty and cost burdens for San Diego region hospitals. Cuts to Medi-Cal spending that may occur this year as a result of federal action could exacerbate the situation immensely. Tariffs and increased prices of goods, including medical supplies and construction materials, will add additional costs. OHCA should progress carefully in the face of this federal uncertainty in order to minimize additional financial duress for hospitals that may in turn lead to reduced patient care.

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 care from hospital systems, both in the hospital and in outpatient settings. Establishment of the proposed hospital sector target values may imperil

health care access that is critical for San Diegans. Targets that do not consider the many costs involved in the provision of care may force our region's hospitals to curtail certain services. Additionally, we ask you to bear in mind that the vast majority of California's hospitals are non-profit entities simply trying to keep their doors open—a task that is becoming more difficult in California as we have witnessed the closures of several hospitals in recent years, including Madera Community Hospital. Lowering health care spending cannot be achieved successfully by ignoring the complex economic realities faced by our region's hospitals.

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,

Jessica Anderson
Interim President & CEO
San Diego Regional Chamber of Commerce

Santa Barbara Neighborhood Clinics
Quality Affordable Healthcare

April 9, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

Submitted Via Email: OHCA@hcai.ca.gov

Re: Proposed High-Cost Hospital Spending Target – Concerns for Neighborhood Clinics

Dear Chair Johnson,

On behalf of the Santa Barbara Neighborhood Clinics (SBNC), I am writing to express our concerns regarding proposed Hospital Sector Spending Target that would be applied to our local hospitals, Santa Barbara Cottage Hospital and Goleta Valley Cottage Hospital. We understand that the Office of Health Care Affordability (OHCA) proposes to make these targets effective in 2026, years before the law requires. Given the potential impact of the Target on our local hospitals, we urge OHCA to take additional time to study the impacts these targets may have on patient access, quality, and workforce, particularly at a time when there are looming federal cuts to Medicaid that could be devastating to California. We have detailed our concerns regarding essential medical care for our local families below.

SBNC is a Federally Qualified Health Center provider offering medical, dental, and behavioral health services to underserved communities. SBNC consists of 4 medical clinics, 2 dental clinics, a bridge clinic and health promotion services. We are a critical health safety net for Santa Barbara County and provide care to over 22,000 unduplicated patients per year.

For many years, Santa Barbara Cottage Hospital (SBCH) has been an amazing partner to SBNC, providing $1.7 million in annual support to SBNC as part of its Population Health Program. SBCH and GVCH provide charity care/free care to patients at or below 500% of the federal poverty limit and discounted care for patients at or up to 700% of FPL. This significant charity care program provides profound support to our community. OHCA's initiatives could lead to changes in the types of services offered at SBCH and GVCH, potentially impacting access to specialized care or certain treatments our patients rely on.

We are deeply concerned about the unintended consequences on patient access to care as a result of the overall spending target that went into effect this year and will drop down to 3% by 2027. The even more restrictive cap being proposed for certain hospitals that have been deemed “high cost,” including SBCH and GVCH, will have downstream effects on their ability to provide essential services to the families we serve in the county of Santa Barbara.

We respectfully request that OHCA devote additional time for analysis and discussion before finalizing sectors or corresponding targets. We remain committed to achieving our shared goals of affordable, high-quality care, and we ask that you proceed with a keen eye toward ensuring care is not diminished in the pursuit of lower costs.

Thank you for considering our concerns.

Sincerely,

Mahdi Ashrafian, MD, MBA
Chief Executive Officer
Santa Barbara Neighborhood Clinics

CC: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Hon. Senator Monique Limon, 21st District
Hon. Assemblymember Gregg Hart, 37th District

From: tansy.corps.0a@everyactioncustom.com on behalf of Sara Townsend
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 11:28:05 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Sara Townsend


From: sarahdraws@everyactioncustom.com on behalf of Sarah Gencarelli
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 4:36:14 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Sarah Gencarelli


From: scott_w_barlow@everyactioncustom.com on behalf of Scott Barlow
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:17:08 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care in the past and make difficult decisions about what to prioritize financially. I stick with my job partially because it grants me access to good healthcare, without which I'd be dead. I avoid risking going for higher paying work because i need the healthcare. I shudder to think of all the people who are surviving with barely adequate healthcare and cannot afford better, forced to stay in unacceptable circumstances while worrying about themselves and their families. California came so close to single payer, and until hey do achieve that, protect those who are the base of our economy, those who earn so little and give so much. One of the lessons of the pandemic was just who were vital workers, and none of them earned the big paychecks. lets protect their access to affordable healthcare.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Scott Barlow


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

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

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

Subject: Scripps Health Opposes Proposed Hospital Sector Spending Target Recommendations

Dear Ms. Brubaker,

On behalf of Scripps Health (Scripps), a not-for-profit integrated health care delivery system in San Diego, California, we appreciate the opportunity to provide feedback on this proposal and respectfully urge you to reconsider the hospital sector spending target recommendations. The Office of Health Care Affordability (OHCA) should not consider hospital-specific targets of 1.7% - 1.9% three years before the deadlines in state law and without thorough analysis. The statewide spending growth target of 3 - 3.5% set by The Office of Health Care Affordability (OHCA) last year already 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 are necessitated by other legislation without funding.

Scripps was founded more than 100 years ago. Today, we treat over 600,000 patients annually through the dedication of 3,000 affiliated physicians and more than 17,500 employees across our five acute-care hospital campuses, home health care services, 32 outpatient centers and clinics, 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 is recognized by Becker's Healthcare, Fortune, and Newsweek as one of the best places in the nation to work.

As OHCA seeks to improve health care affordability, it must do so without sacrificing access to, or the quality of, health care. As we have said since the inception of The Office, we stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care.

OHCA staff and leadership need to properly consider the proposed hospital sector target setting methodology. There is time for careful consideration as these have a statutory obligation of June 1, 2028. The concept of utilizing a methodology that encompasses 3 of 5 years without any acknowledgement of prior improvements would negatively impact providers like Scripps who have spent more than a decade diligently working to drive down costs that we have control over. Additionally, there are other areas that should be considered as part of developing methodologies. For example, psychiatric health facilities are included in the proposed definition for hospital sector, but they are excluded from the cost-setting methodology – this is incongruent.

In addition to our concerns around the hospital spending targets, the proposed definition of health care (hospital) sectors could have significant ramifications and needs further analysis. The statutory requirement for setting the definition of health care sectors is October 1, 2027, so there is time for careful consideration of this policy recommendation as well. Currently, the definitions inappropriately partition providers into silos, which would undermine collaboration toward shared goals of affordability and have detrimental impacts for communities that rely on clinically integrated care. Integration is critical to ensure the ability for hospitals to help facilitate care and support the needs of the clinics. Without proper consideration in the best interests for the patients we serve, this policy will inadvertently impede access to care in the community.

Today we remain deeply concerned that the path OHCA is on will have detrimental impacts to the quality of, and access to, care in our community.

Trauma Services

For example, in addition to the services noted above, Scripps is also a critical provider of trauma care in San Diego County. We provide immediate, highly specialized care to more than 3,500 critically injured patients every year through our two Level I Trauma Centers at Scripps Mercy Hospital San Diego and Scripps Memorial Hospital La Jolla. Level I Centers such as ours offer the most advanced technology and medical expertise available to treat life-threatening injuries while providing teaching programs for trauma medicine, Intensive Care Unit (ICU) and Medical/Surgical levels of care. Experts from all medical disciplines come together as a team to provide immediate, comprehensive, and compassionate care. We provide and collaborate with specialists every step of the way through the continuum of care.

Our expert trauma surgeons, specialty physicians and multidisciplinary team of trauma staff are ready 24 hours a day, 365 days per year, to care for every type of traumatic injury. For a Level I Trauma Center, these teams include, but are not limited to, experts in general surgery, neurosurgery, orthopedics, plastic surgery, cardiothoracic (CT) surgery, microvascular surgery,

ear nose & throat (ENT) and oral and maxillofacial (OMFS) surgery, pulmonary critical care, interventional radiology, general radiology, anesthesiology, emergency medicine, gerontology, general medicine, and more. Our trauma centers also have Hospitalists, Intensivists a Computerized Tomography (CT) Tech, Physical (PT) and Occupational (OT) Therapists in house seven days a week and MRI Technicians on call. We also must keep an operating room (OR) always available for trauma which means keeping an additional OR call team on after hours.

These life-saving services are critical, and they require a significant sustained investment. In addition to providing comprehensive trauma services, both Scripps Trauma Centers maintain designations as Base Station Hospitals in collaboration with the San Diego County Emergency Medical Services Office to provide real-time online medical direction and clinical support for complex trauma and Medical/Surgical patients in the pre-hospital setting. As part of the County-wide Base Station Hospital System (BSHS), our two Base Hospital Programs staff specially trained Mobile Intensive Care Nurses (MICN) and Base Station Physicians 24 hours a day, seven days a week to provide online medical direction and quality oversight for pre-hospital care of ill and injured individuals. In support of high-quality trauma and medical care for the community, the Scripps Base Hospitals also provide continuing education and training to a variety of first responders, paramedics, EMTs, lifeguards, law enforcement and Border Patrol.

Scripps is proud to have been a part of the formation of San Diego's Trauma System. In the late 1970's, trauma death rates in San Diego County were unacceptably high. Studies like the Systems of Trauma Care: A Study of Two Counties, authored by John G. West, Donald Trunkey and Robert C. Lim found patients were 20 times more likely to die unnecessarily in counties like San Diego who had not adopted an organized trauma system. Federal legislation, investment and advancements in the understanding of emergency versus trauma medicine, paved the way for leaders to make critical changes in San Diego County's emergency medicine system of care. Under their leadership, hospitals that viewed themselves as competitors began meeting with unprecedented transparency, through a Medical Audit Committee, to share information about what they were doing right and what they were doing wrong. The political environment was challenging in 1979, but the pursuit of a cohesive Trauma System was made clearer by multiple studies comparing preventable deaths in counties with trauma programs to those without, like San Diego. Then on August 1, 1984, the San Diego County Trauma System was formally launched under the leadership of the San Diego County Board of Supervisors and the San Diego County Emergency Medical Services. Over the next year, the preventable death rate dropped in San Diego County from 21 percent to 1 percent and has remained at that level ever since.

Our patients and the community we serve are our highest priority. We must continuously improve with intentionality, significant investment, deep quantitative quality analyses and a focus on patients to keep preventable deaths at the lowest possible level. We are proud of the lives our Trauma System has saved and the lives we are yet to save.

Federal Implications, Medicaid

Impacts of pending federal actions must also be taken into consideration. Congress is negotiating federal budgetary legislation with savings targets for the committee with

jurisdiction over Medicaid that are so high, it's hard to imagine how they will achieve their targets without deep cuts to Medicaid. Hospitals in California have already been losing money caring for patients with Medicaid, known as Medi-Cal in California, due to a low and unsustainable reimbursement system, and the program continues to grow. Today, more than one-third of Californians are on Medi-Cal and the core Medi-Cal reimbursement rate for hospitals hasn't increased in 13 years. Further, the state and its health care providers have relied on federal matching funds all of which may be at risk in the current environment. The impacts of federal cuts to California's health care system cannot be understated and must be taken into consideration by OHCA.

Unintended Impacts

We do not dispute the collective goal and your charge to reduce health care costs without sacrificing quality of or access to health care. Unfortunately, the targets set by this body are not reducing the underlying costs. Other countries manage the costs imposed on their hospitals rather than restraining the hospitals. If we want to lower costs, we need to control inputs like drug costs, insurance company profits, unfunded mandates, and more. And no one can sustain cost targets that are lower than inflation. Hospitals have very low or non-existent margins, so by focusing on hospitals and not the companies who make huge profits by selling to the hospitals, OHCA is not addressing the root cause. Current policies set by this body are impeding our ability to return to financial stability, maintain access to care for our patients, and provide patient-centered care without needless bureaucratic barriers being imposed by health insurance companies. And that is because OHCA's policies are being used by the health insurance industry to impose conditions that are unattainable. Many insurance companies are erroneously claiming they can only increase compensation to providers by 3% based on OHCA requirements. As a result, insurance companies are demanding Scripps accept financial concessions that do not consider our increasing costs.

With Medicare decreasing physician compensation by nearly 3%, and implementing a hospital increase that is locked in at rates below 3%, in addition to the retroactive rate increase process employed by Medi-Cal which is also lower than the rate of rising costs - these practices will be catastrophic for health care providers in our state.

But there are winners - the insurance companies.

Since 2023, rates charged by insurers for Covered CA plans, subsidized by the State, have increased by an average of 17.9% for their members in San Diego County, with Silver plans - the most popular tier - increasing an average of 21.95%, or $82 per month. And Platinum plans have seen an average increase of $94 per month. While the premiums increase to the patient, and the insurance company restricts the reimbursement to the health care provider below inflation area rates, the profits for the same organizations continue, sometimes more than $1 billion on a quarterly basis. Make no mistake, this is about insurance company profits and not decreasing costs for patients.

Factors Driving Health Care Spending Growth

Curtailing commercial reimbursement far beyond what hospitals need to sustain their services is not an approach that fulfills OHCA's multiple objectives. Not only does it not consider that Medicare and Medi-Cal don't contribute compensation increases commensurate with inflation - or OHCA's targets - it also doesn't take into consideration costs that are not controlled by OHCA or the providers.

Nothing in the OHCA policies address the costs that fall to the health care providers -- who are delivering the care to people with health care needs be they preventative, chronic, or urgent in nature. Reducing payments to us does not make cutting-edge cancer therapies less expensive, it doesn't increase access to patients in the community, and it will not support clinical quality initiatives. By pushing for a quicker timeline, the ability to create a goal that is meaningful is limited. The OHCA Governing Board must consider costs borne by health care providers and how they influence overall costs.

Examples of cost pressures on Scripps include, but are not limited to:

- ✓ Tariffs will have significant impacts on health care providers. For example, medical supplies and devices will be significantly more expensive to buy and may be delayed due to price adjustments. We also need construction materials for hospital replacement projects which are impacted.
- ✓ Inflationary pressures in general, including pharmaceuticals, have increased by 12%, The same can be said for unregulated drug costs and supplies.
- ✓ This year alone, energy costs for our system increased by 9%. We cannot negotiate for discounts on our energy bills because OHCA creates a cost target.
- ✓ OHCA's proposal does not take into consideration market growth for wages. Scripps has always provided our employees with competitive wages and benefits. 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 workforce but at the same time, these increases represent a significant market shift that we do not control. 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. Labor costs have gone up another 5% this year following last year's increases due in part to the California health care worker Minimum Wage increase. This wage increase will have increased our labor costs by $20 Million in the first 12 months alone. What's more, all of these costs, including those mandated by legislation are unfunded.
- ✓ Supply costs have increased an average of 5% due in large part to state mandates following the COVID crisis.
- ✓ Insurance-related costs have also increased. Medical malpractice insurance has gone up by 39%.
- ✓ Furthermore, our spend on cyber security in Information Services (IS) alone increased 7.2% in FY 23 (exclusive of labor). And our 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.

And the list goes on.

And these are just our costs of delivering care on a daily basis.

California hospitals are also burdened with some of the most expensive unfunded mandates in the country.

For example, in addition to the operating costs that are outside our control, there is also the cost to Scripps of complying with the State seismic mandate (SB 1953). 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. Our hospitals and more than 98% of hospitals in our state have already met California's 2020 seismic safety standard that protects staff and patients during an earthquake. The 2030 State seismic mandate requires hospitals undergo costly retrofitting or rebuilding by 2030 to be fully operational after an earthquake. Scripps has already committed, and nearly completed, almost $2B of work to comply with these mandates, and has additional future cost estimates that exceed $1.5B. Building a hospital in California costs twice as much as in other states.

In addition to unfunded mandates, we also must consider the investment required to keep up with innovations in the delivery of health care or expansion efforts in the community for services that are desperately needed.

For the sake of our patients and community, we must have the flexibility to invest in programs that promote an equitable future, one that invests in partnerships and innovations that will reduce health care costs in the long run and ensure we can provide state-of-the-art care to our community for the next hundred years. We understand that our ability to provide the most advanced care is not at the forefront of this board's policy-making charge, but it is the first thing people think about when they or a loved one need medical care.

In Closing

We have provided just a few examples of costs that are outside of our control and not considered in the proposed spending target. Targets must consider and reflect known cost factors like: 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.

The California Hospital Association (CHA) cites more than 50% of California's hospitals are already operating at a loss. And in the end, our communities are the ones who get harmed. 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.

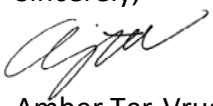
Mere compliance with state guidelines in each category makes 3 - 3.5% impossible without cuts to services. For Scripps, meeting the proposed 3 - 3.5% target would mean reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community's health. For these reasons, OHCA should not consider hospital-specific targets of 1.7% - 1.9% three years before the deadlines in state law and without thorough analysis.

Each day at Scripps, we put the vision of our founders into action, dedicating ourselves to quality, safe, cost-efficient, socially responsible health care for everyone we serve. Scripps supports the goal of reducing growth in health care costs and we want California to be successful. But we cannot sacrifice access to, or the quality of, health care.

Without thoughtfully addressing many of the complex issues of health care financing, this proposal will stifle health care services for Californians.

We are grateful for the opportunity to share our feedback with this Board.

Sincerely,



Amber Ter-Vrugt
Senior Director, Government Relations

cc:
Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
The San Diego Legislative Delegation

From: seanak@everyactioncustom.com on behalf of Sean Kilpatrick
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:06:32 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Sean Kilpatrick


LOCAL 521 SEIU Stronger Together

SERVICE EMPLOYEES INTERNATIONAL UNION CTW-CLC

SAN JOSE H.Q.
2302 Zanker Road
San Jose, CA 95131
Phone: 408-678-3300
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BAKERSFIELD
1001 17th Street
Bakersfield, CA 93301
Phone: 661-321-4160
Fax: 661-325-7814

FRESNO
5228 E. Pine Avenue
Fresno, CA 93727
Phone: 559-447-2560
Fax: 559-261-9308

HANFORD
101 N. Irwin St., Suite 203
Hanford, CA 93230
Phone: 559-587-1521
Fax: 559-733-5006

REDWOOD CITY
This location has been closed. Please mail correspondence to our San Jose Headquarters

Phone Calls / Facsimiles received at our San Jose Headquarters:
Phone: 650-801-3500
Fax: 650-595-1930

SALINAS
334 Monterey Street
Salinas, CA 93901
Phone: 831-784-2560
Fax: 831-784-2902

SANTA CRUZ
517B Mission Street
Santa Cruz, CA 95060
Phone: 831-824-9255
Fax: 831-401-2584

VISALIA
1811 W. Sunnyside Avenue
Visalia, CA 93277
Phone: 559-635-3720
Fax: 559-733-5006

www.seiu521.org

April 4, 2025

Sent via Electronic Mail: SACReceptionist@hcai.ca.gov

Office of Health Care Affordability
2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833

Office of Health Care Affordability Board Members:

On behalf of the over 50,000 members represented by our Union, representing working families across the Monterey Bay region who are burdened by unaffordable healthcare, we urge the Office of Health Care Affordability (OHCA) to take immediate and targeted action to address excessive healthcare costs in our community.

While we commend OHCA's statewide annual cost growth target of 3%, this benchmark fails to address the acute crisis in Monterey County, where three of California's eleven most expensive hospitals operate: Community Hospital of the Monterey Peninsula, Salinas Valley Memorial Hospital, and Dominican Hospital. These institutions are consistently identified as high-cost outliers, with prices disconnected from quality or patient outcomes, placing an unsustainable strain on our members and the broader community.

Our Demands to OHCA:

1) Impose Lower Growth Targets for High-Cost Hospitals:
   a) The 3% statewide target is untenable for hospitals already charging exorbitant prices. We demand OHCA set a sector-specific growth limit of 0.1% or lower for these identified outliers without delay.

2) Enforce Transparency and Accountability:
   a) OHCA must use its authority to mandate detailed public reporting from these hospitals justifying their costs, with penalties for non-compliance.

3) Prioritize Monterey County for Intervention, Leverage OHCA's data analysis, enforcement, and regulatory tools to:
   a) Cap unjustified price increases.
   b) Investigate anticompetitive practices in our consolidated market.
   c) Collaborate with local stakeholders to implement corrective measures.

4) Reject Further Delays:
   a) Every day without action deepens the harm to working families, disproportionately impacting communities of color, low-income residents, and the uninsured. OHCA's mandate requires urgency.

Why This Matters:

- Over half of Californians skip or delay care due to costs—worsening health disparities.
- Monterey County's hospital prices are among the highest in the state, yet wages and access lag.
- OHCA has the statutory power and moral obligation to intervene.

We stand ready to mobilize our coalition to ensure OHCA fulfills its duty. The time for studies and incrementalism has passed. Monterey County needs enforceable cost controls now.

Sincerely,

Alicia Metters
Region II Vice President
Monterey, San Benito & Santa Cruz Counties

DN/sjw

cc: Riko Mendez, SEIU 521 Chief Elected Officer
Olivia Martinez, Region II Director
Monterey Bay Central Labor Council

Dignity Health
Sequoia Hospital

April 7, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Sequoia Hospital**
Opposes Proposed Hospital Sector Spending Target Recommendations
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Sequoia Hospital, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Sequoia Hospital remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Sequoia Hospital serves patients throughout southern San Mateo County and northern San Mateo County. We were the first district hospital in California and joined the Dignity Health family in 1996. As a community hospital, we strive to provide exceptional health care that is personalized to each individual and family receiving care. We are consistently a CMMS 5-Star and LeapFrog grade "A" hospital. Like all hospitals across California, losses associated with Medicare and Medi-Cal are subsidized by commercial insurance. Even with strong commercial financial performance, Sequoia Hospital is unable to generate financial performance necessary to fund critical investments supporting our community including: Seismic 2030 investment, primary care investment addressing severe access challenges across the region, and capital investment supporting vital equipment necessary for providing exceptional care. OHCA's proposed sector targets will substantially undermine the hospital's ability to provide vital services for our community, especially patients covered by Medicare and Medi-Cal.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Sequoia Hospitals will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. This include: eliminating unprofitable services supporting unmet health needs, reduced commitment to primary care expansion, reduction of Medicare and Medi-Cal services, and reduced community benefit supporting the poor and vulnerable.

Less than 38% of gross charges come from commercial payers; that means that more than 62% of our patient care results from government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 2,900 out of 4,700 patients admitted to the hospital, ~62%, rely on Medi-Cal or Medicare products for their health coverage. This results in 62% of patients and reimbursement under these programs being far short of covering our costs. For Sequoia Hospital, this dynamic resulted in over $81,725,022 million in losses last fiscal year associated with Medicare and Medi-Cal services.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Sequoia Hospital is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would

Dignity Health
Sequoia Hospital

force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

William Graham
President

From: Seth Cohen
To: HCAI OHCA
Subject: OHCA's Cost Cutting Measures Hurt Patients--Like Me!
Date: Wednesday, April 9, 2025 2:06:31 PM

- On April 11, the formal statutory comment period will end on the board's proposal to institute hospital sector spending growth targets. These targets would **cap spending on health care services** for nearly a dozen hospitals (including SHC) at well below the state target for all health care sectors, in addition to being well below the basic inflation rate (at 1.6 to 1.8%).
- OHCA's overall spending growth target is 3.5% for 2025, ramping down to 3% by 2029; the proposal that could be voted on in April would cap spending at half that for an incredibly dissimilar group of hospitals. But hospitals' workforce, supply, and drug costs are currently growing at 6%, 8%, and 10%, respectively. It will be extraordinarily difficult for hospitals to sustain their workforces, afford drugs and supplies, maintain their facilities, and provide vital — but money-losing — health services under these conditions.
- The premature setting of sector targets — without any analysis of their impact on patients — is a dangerous precedent that will generate major hurdles for Californians to access vital health services in their communities.
- As the health care field nationwide braces for potential cuts to Medicare and Medicaid, it's unclear exactly what impact federal action will have on California, but any reductions would be painful. It is very certain, however, that the damage to patient care resulting from these spending growth targets will create more chaos and fear for hospitals, doctors, clinics, Planned Parenthood, and most importantly, patients.

Please take the patient's perspective into consideration and do not implement this cap as proposed without further and more thorough investigation. Thank you.

Sincerely,

Seth Cohen
Cupertino

From: shaneoshea3d@everyactioncustom.com on behalf of Shane OShea
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:20:04 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Shane OShea
[redacted]

From: sharian@everyactioncustom.com on behalf of Shari Pfister
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 2:50:59 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Shari Pfister
[redacted]

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833
(Submitted via email to OHCA@HCAI.ca.gov)

Sharp HealthCare Comments Re: Proposed Hospital Sector Spending Target Recommendations

Dear Ms. Brubaker,

Sharp HealthCare ("Sharp") appreciates – and shares – the goals of the Office of Health Care Affordability (OHCA). Sharp's long-standing mission has been "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."[1]

As San Diego's largest health care provider, and the region's largest Medi-Cal provider, Sharp has relentlessly pursued this goal by adopting and investing in population health and alternative payment methodologies that provide patients with comprehensive coordination across the continuum of care.

Sharp welcomes the opportunity to provide feedback on OHCA's proposed methodology and timeline for adoption of hospital sector-specific spending growth targets and identification of high-cost hospitals.[2] These proposals will impact patients and communities across California; ensuring that the data and methodology are accurate and appropriate is paramount.

Sharp HealthCare

The Sharp HealthCare system includes four acute-care hospitals, four specialty hospitals, three affiliated medical groups, a regional not-for-profit health plan and numerous outpatient facilities and programs across the San Diego Region. In San Diego County, Sharp accounts for 30% of inpatient hospital discharges across all payers and 37% of all inpatient hospital discharges for patients with Medi-Cal.[3]

As an integrated health system, Sharp collaborates across its various entities to care for patients and support access to care in the communities we serve. Patients are the direct and primary beneficiaries of Sharp's system collaboration – and they recognize those benefits, including expanded access to care from our large network of both primary and specialty providers, as well as our geographically dispersed health care facilities and clinics across the region.

Just as successes at Sharp are celebrated as a system achievement, so too are the challenges of an individual Sharp entity addressed on the system level. Sharp's "systemness" directly benefits the community and region's access to care through shared financial and organizational leadership. The higher-earning facilities and programs at Sharp support and sustain the facilities and service lines with

[1] Mission, Vision and Values | Sharp HealthCare
[2] OHCA Recommendations to Board: Proposed Hospital Sector Target Values
[3] HCAI Inpatient Hospital Discharge Data CY2022, AB 2876 Limited Data Set

negative operating margins due to high volumes of patients with government insurance. Without the support of the system, many Sharp facilities – including Sharp Chula Vista Medical Center, a vital safety net hospital in San Diego County's South Bay – would be financially unsustainable and forced to close, eliminating access to care in many vulnerable communities.

Methodology for Identification of High-Cost Hospitals

OHCA's enabling statutes outline its purpose and goals, including promoting the "shift from payments based on fee-for-service to alternative payment models that provide financial incentive for equitable high-quality and cost-efficient care."[4] However, the methodology for the identification of high-cost hospitals fails to acknowledge and separate the Medicare revenues from alternative payment models, such as capitated reimbursement.

As a health system, Sharp's primary focus is on each patient's health and outcomes. Population health is the core framework for how we approach patient care and reimbursement. Sharp adopted the capitated reimbursement model more than 30 years ago and has built on it to drive positive patient outcomes and high-quality care at low costs. Capitation accounts for approximately 26% of Sharp hospital revenues and is a critical component of our success in population health, which aligns with the alternative payment models outlined in OHCA's enabling statute.

Methodology Metrics

OHCA's proposal recommends using a combination of two measurements, Relative Price based on the Commercial to Medicare Payment to Cost Ratio (PTCR) and Unit Price based on the Commercial Inpatient Net Patient Revenue per Case Mix Adjusted Discharge. In its recommendation, OHCA writes that the Commercial to Medicare PTCR "compares the amount a commercial payer pays for a medical service compared to what Medicare would pay for the same service."[5] However, the formula to calculate Commercial to Medicare PTCR does not appropriately reflect the Medicare payment received by a hospital for a medical service in many cases, as asserted.

Medicare reimbursement is not uniform

The presentation at the January 2025 OHCA Board Meeting outlined the "Advantages and Limitations" to the proposed measures for evaluating hospital costs.[6] Regarding the Commercial to Medicare Payment to Cost Ratio (PTCR), OHCA asserts an advantage of this measure is that it "contextualizes commercial payments based on standard, national benchmarks" and also notes a limitation, that "Medicare may pay some hospitals differently for the same service." Simply recognizing this variation as a limitation to the measure, rather than addressing the underlying reasons for this variation within the calculations for these measures, is inappropriate and shortsighted.

A major driver in Medicare reimbursement variation is the structural differences between Medicare Fee-for-Service (FFS) and Medicare Advantage Capitation. Under Medicare FFS, the Centers for Medicare and Medicaid Services (CMS) determine hospital reimbursements using a "nationally consistent pricing algorithm, which includes cost-sensitive adjustments (e.g., wage index, teaching status)," which applies a base rate per discharge that is adjusted for acuity.[7]

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[4] California Code, HSC 127504.
[5] OHCA Recommendations to Board: Proposed Hospital Sector Target Values, pg. 4
[6] January 2025 Health Care Affordability Board Presentation, slide 59
[7] February 2025 OHCA "Hospital Engagement" presentation, slide 7

Alternatively, Medicare Advantage capitation revenues are paid on a per-member per-month basis and are not attributed to patient discharges, meaning hospitals receive the same payment regardless of patient volume, which results in lower net revenue per discharge than FFS reimbursement. And unlike Medicare FFS reimbursement to hospitals, there is significant variation in capitation contracts with no standard methodology for allocating capitated revenues to hospitals. As such, it is nearly impossible to calculate what Medicare would pay the hospital for a particular service as the Medicare Advantage capitation revenues are not associated or attributed to a patient discharge or specific service.

However, OHCA disregards these differences in its proposal, utilizing a formula to calculate the Commercial to Medicare PTCR that inappropriately groups together both Medicare FFS and Medicare Advantage Capitation in the denominator.[8] The formula recommended by OHCA fails to account for the variations in Medicare payment structures, artificially distorting a hospital's payment-to-cost ratio and undermining the validity and utility of this metric for uniform benchmarking.

Reimbursement methodology impacts BOTH costs and outcomes

Health care cost trends are tied to both individual unit cost and utilization trends. Utilization trends are driven in large part by reimbursement methodology (as described above), with fee-for-service reimbursements incentivizing increased utilization. Capitated reimbursement helps solve for the fee-for-service motivation to "do more" rather than "do what's best" in patient care by aligning provider reimbursements with patient outcomes and wellness.

These differing reimbursement structures lead to divergent patient utilization trends and should not be grouped together to calculate relative cost measurements, as proposed by OHCA. Combining Medicare FFS with Medicare Advantage Capitation in calculating relative cost penalizes hospitals utilizing capitation and disregards patient utilization trends tied to the differing reimbursement methodologies that OHCA is tasked with promoting.[9]

RECOMMENDATION: Modify the Commercial to Medicare PTCR formula to use only Medicare FFS in the denominator, rather than grouping all Medicare types together, to establish relative price, as shown below.

Sharp's recommended Commercial to Medicare Payment to Cost Ratio (PTCR) formula	OHCA's Commercial to Medicare Payment to Cost Ratio (PTCR) formula
Commercial Total Net Revenue to Total Commercial Cost Ratio ÷ Medicare **Traditional** Net Revenue to **Traditional** Medicare Cost Ratio	Commercial Total Net Revenue to Total Commercial Cost Ratio ÷ Medicare Total Net Revenue to Total Medicare Cost Ratio

This change to the Commercial to Medicare PTCR formula would normalize the differences between Medicare FFS and Medicare Advantage capitation, for a more appropriate and methodologically sound measurement of a hospital's relative price. Separating Medicare Advantage Capitation from Medicare FFS would also serve to recognize that capitated reimbursement structures lead to improved patient outcomes and reduced utilization, an important driver of health care costs.

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[8] OHCA Recommendations to Board: Proposed Hospital Sector Target Values, pg. 4

[9] California Code, HSC 127504.

Sharp shared this recommendation with OHCA leaders and staff during a virtual meeting on February 6, 2025, and emailed the recommendation with additional specifics to OHCA staff that same day. While it was referenced in the February OHCA Board meeting presentation as a hospital recommendation related to the "Relative Price Measure,"[10] OHCA has not provided any follow up, feedback or analysis publicly or in direct response to Sharp on this recommended change.

Federal Uncertainty

On April 10, the US House of Representatives passed a revised budget resolution for fiscal year 2025 that instructs the House Energy & Commerce Committee to cut at least $880 billion in spending over the next 10 years.[11] As Medicare and Medicaid are the chief programs under the Committee's jurisdiction, significant cuts to one or both programs will be required to achieve the specified savings. According to Doug Elmendorf, former director of the US Congressional Budget Office, achieving the $880 billion in cuts would "require shifting costs to states, reducing access to care, or both."[12]

Cuts to these vital health care programs would have a profound impact on government-insured patients as well as health care providers and hospitals that serve them. Like other health systems, Sharp faces an uncertain financial landscape as federal cuts may force reductions in services and safety net programs.[13] Ignoring these impending changes by adopting the proposed methodology for identifying and targeting high-cost hospitals will destabilize care delivery in California and restrict access to essential services.

RECOMMENDATION: Delay finalizing the hospital sector-specific targets until after both the adoption of the federal budget (for Fiscal Year 2026) and OHCA has completed an analysis of federal budget impacts on California's health care providers.

OHCA Process & Speed

The proposed methodology for identifying high-cost hospitals is premature. Although the OHCA Board adopted an initial statewide health care spending target of 3.5% in 2024, OHCA has not provided clarity regarding its method for measuring hospital spending. The lack of a finalized methodology means hospitals are unable to prepare and ultimately strive to comply with the statewide target.

To make a difference in the cost of care, the entire health care system — insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others — must work together to understand the drivers of care utilization as well as cost. Fragmenting the health care field so early in the process undermines the collaboration that is key to our shared success.

A provider's current efficiency and baseline costs matter in the application and impact of spending targets. By seeking to identify potentially high-cost hospitals without first analyzing the relative price of all California hospitals and individual hospital cost efficiency, OHCA will lock in the differences in cost structures and utilization patterns at hospitals, disadvantaging providers who are already efficiently providing care at a low cost today while simultaneously giving an advantage to providers who are inefficient today. This will create challenges for efficient providers that have lower baseline costs and financial adjustment opportunities but will still be required to meet the spending target.

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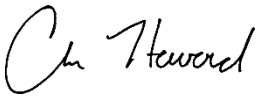
[10] February 2025 Health Care Affordability Board Meeting, slide 20
[11] House Concurrent Resolution 14, 119th Congress, pg. 46
[12] What does the House-passed budget resolution mean? Harvard Kennedy School
[13] Potential Medicaid Cuts Could Threaten Not-for-Profit Hospital Margins, Fitch Ratings

<u>RECOMMENDATION</u>: Postpone finalizing the hospital sector spending target until after OHCA has analyzed the relative price of California hospitals, established individual hospital cost efficiencies, and undertaken a thorough analysis of how hospital sector targets will impact patient care.

Sharp is proud to be a leader in providing high-quality care at low costs to patients and remains committed to achieving our shared goals of affordable, high-quality care. Finalizing OHCA's proposal regarding high-cost hospitals as currently written will undermine that success and inhibit the effective implementation of alternative payment models that OHCA was created to promote.[14]

On behalf of the patients and communities we serve, Sharp urges OHCA to: 1) modify the Commercial to Medicare PTCR formula using only Medicare FFS in the denominator for calculating relative price, and 2) postpone adoption of hospital sector targets until analyses on hospital cost efficiencies and the impacts of federal budget cuts have been completed to understand the impacts on patients.

Sincerely,



Chris Howard
President & CEO
Sharp HealthCare

Attachment - February 2025 OHCA "Hospital Engagement" presentation

cc: Members of the Health Care Affordability Board
Elizabeth Landsberg, Director of Department of Healthcare Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
State Senator Catherine Blakespear
State Senator Brian Jones
State Senator Steve Padilla
State Senator Akilah Weber Pierson, MD
Assemblymember David Alvarez
Assemblymember Tasha Boerner
Assemblymember Carl DeMaio
Assemblymember Darshana Patel, PhD
Assemblymember LaShae Sharp-Collins, PhD
Assemblymember Chris Ward

[14] California Code, HSC 127504.

OHCA

Office of Health Care Affordability

Department of Health Care Access and Information

Hospital Engagement

February 2025

HCAi

Department of Health Care Access and Information

Hospital Sector

Board Approved Motion to Establish a Hospital Sector

The Board voted unanimously to define a health care sector consisting of all hospitals as defined in Health and Safety Code section 1250 et seq.

The Office will draft regulations with the approved sector definition, present it a public meeting of the Board, and then seek approval by the Office of Administrative Law.

Hospital Sector Rulemaking Timeline for OHCA's Recommendation

OHCA
Office of Health Care Affordability
Department of Health Care Access and Information

Identifying Disproportionately High-Cost Hospitals

Definitions of Metrics

- **Commercial Inpatient Net Patient Revenue (IP NPR) Per Case Mix Adjusted Discharge (CMAD):** the amount of money a hospital generates for inpatient services, excluding charity care, bad debt, and contractual allowances adjusted by the number of hospitalizations to account for inpatient volume and inpatient intensity of services for third party payers only. Data for commercial enrollees as well as other government programs are reported in the Other Third Party category for HCAI Hospital Annual Disclosure Reporting.

- **Commercial to Medicare Payment to Cost Ratio**: Medicare and Commercial net patient revenue divided by Medicare and Commercial costs. This ratio compares the amount a commercial payer pays for a medical service compared to what Medicare would pay for the same service, showing how much more or less the commercial pays relative to Medicare's standard rate for that service.

Note: Net Patient Revenue (NPR) consists of the actual amount of revenue received from patients and third-party payers after subtracting the deductions from revenue from the sum of gross patient revenue and capitation premium revenue. NPR includes Medicare, Medi-Cal, County and Other Indigent Programs, Other Third Parties, and Other Payers (uninsured and self pay patients). Data for commercial patients as well as other government programs are reported in the Other Third Parties category for HCAI Hospital Annual Disclosure Reporting.

Options to Identify Disproportionately High-Cost Hospitals

How to identify disproportionately high-cost hospitals that merit a lower target value?

Option 1: Repeat Outlier on Unit Price as Measured by Commercial Inpatient NPR per CMAD

- Unit Price represents dollar amounts. Accounts for the amount and intensity of care delivered, which better isolates the price per unit of inpatient service for Commercial payers.

Option 2: Repeat Outlier on Relative Price as Measured by Commercial to Medicare Payment to Cost Ratio (PTCR)

- Relative = Commercial payments relative to Medicare payments. Medicare is chosen as a benchmark due to its nationally consistent pricing algorithms, which includes cost-sensitive adjustments (e.g., wage index, teaching status).

Option 3: Repeat Outlier on Both Unit and Relative Price Measures

Measures: Advantages and Limitations

Measure	Description	Advantages	Limitations
Commercial Inpatient NPR per CMAD	Price per standard unit for Commercial inpatient care	• Consistent estimate of inpatient prices • May be calculated for almost all hospitals • More directly applicable to Commercial cost growth and targets	• Limited to inpatient revenue • More sensitive to coding intensity
Commercial to Medicare Payment to Cost Ratio	Relative price comparing cost coverage of Commercial to Medicare	• Contextualizes commercial payments based on standard, national benchmark • Includes inpatient and outpatient revenue	• Not an appropriate measure for hospitals with low Medicare or Commercial revenue • Medicare may pay some hospitals differently for the same service (e.g., Critical Access Hospitals, Sole Community Hospitals)

Descriptive Statistics Among Comparable Hospitals, 2018-2022

Before showing the set of hospitals identified as high-cost outliers, we first present averages – both within-year and across the five-year time-series – to help illustrate how the outlier hospitals compare to the broader population of comparable hospitals.

Year	Average Commercial Inpatient NPR Per CMAD	Average Commercial to Medicare Payment to Cost Ratio
2018	$20.7K	207%
2019	$20.6K	207%
2020	$20.9K	207%
2021	$21.3K	197%
2022	$22.0K	204%
Pooled average	**$21.1K**	**205%**

Descriptive statistics weighted by the number of inpatient discharges.

Option 1: Repeat Outlier on Unit Price – Commercial Inpatient NPR Per CMAD

Approach

- OHCA identified 23 hospitals that met all the following criteria:
  1. Unit Price Repeat Outlier: Commercial Inpatient NPR Per CMAD is above the inpatient discharge-weighted 80th percentile in **3 out of the past 5 years from 2018-2022.**
  2. Payer Mix Threshold: At least 5% gross patient revenue for Medicare and Commercial.
  3. Inpatient Discharge Threshold: Above the average number of inpatient discharges.
- OHCA removed hospitals for which comparable financial data is not available (i.e., Kaiser hospitals, LTC Emphasis hospitals, Psychiatric Health Facilities, Shriner's Hospitals, and State hospitals).

Option 1: Repeat Outlier on Unit Price – Commercial Inpatient NPR Per CMAD

	List of Hospitals
Above 90th percentile	Community Hospital of The Monterey Peninsula
	Doctors Medical Center – Modesto
	Dominican Hospital
	Northbay Medical Center
	Salinas Valley Memorial Hospital
	Santa Clara Valley Medical Center
	Stanford Health Care
	UCSF Medical Center
	University of California Davis Medical Center
	Zuckerberg San Francisco General Hospital & Trauma Center
Above 85th percentile	California Pacific Medical Center - Van Ness Campus
	Regional Medical Center of San Jose
	Ronald Reagan UCLA Medical Center
	Santa Barbara Cottage Hospital
	Washington Hospital – Fremont
Above 80th percentile	Alta Bates Summit Medical Center - Alta Bates Campus
	Alta Bates Summit Medical Center - Summit Hawthorne
	Cedars-Sinai Medical Center
	El Camino Health
	Highland Hospital
	Natividad Medical Center
	Orange County Global Medical Center
	Sutter Medical Center - Sacramento

Option 2: Repeat Outlier on Relative Price – Commercial to Medicare Payment to Cost Ratio

Approach

- OHCA identified 23 hospitals that met all the following criteria:
  1. Relative Price Repeat Outlier: Commercial to Medicare Payment to Cost Ratios above the inpatient discharge-weighted 80th percentile in **3 out of the past 5 years from 2018-2022.**
  2. Payer Mix Threshold: At least 5% gross patient revenue for Medicare and Commercial.
  3. Inpatient Discharge Threshold: Above the average number of inpatient discharges.
- OHCA removed hospitals for which comparable financial data is not available (i.e., Kaiser hospitals, LTC Emphasis hospitals, Psychiatric Health Facilities, Shriner's Hospitals, and State hospitals).

Option 2: Repeat Outlier on Relative Price – Commercial to Medicare Payment to Cost Ratio

	List of Hospitals
Above 90th percentile	Community Hospital of The Monterey Peninsula
	Doctors Medical Center – Modesto
	Dominican Hospital
	Emanuel Medical Center
	Marin General Hospital
	Memorial Hospital Modesto
	Mercy Medical Center – Merced
	Orange County Global Medical Center
	Salinas Valley Memorial Hospital
	Santa Barbara Cottage Hospital
	Stanford Health Care
	Washington Hospital – Fremont
Above 85th percentile	Eden Medical Center
	El Camino Health
	Mills-peninsula Medical Center
	Northbay Medical Center
Above 80th percentile	Alta Bates Summit Medical Center - Summit Hawthorne
	Cedars-Sinai Medical Center
	Community Hospital of San Bernardino
	Los Alamitos Medical Center
	Mercy Medical Center – Redding
	Methodist Hospital – Sacramento
	Sharp Chula Vista Medical Center

Option 3: Repeat Outlier on Both Unit and Relative Price Measures

Approach

- OHCA identified 12 hospitals that met all the following criteria:
  1. Unit Price Repeat Outlier: Commercial Inpatient NPR per CMAD is above the 80th percentile in **3 out of the past 5 years**
  2. Relative Price Repeat Outlier: Commercial to Medicare Payment to Cost Ratio is above the 80th percentile in **3 out of the past 5 years**
  3. Payer Mix Threshold: At least 5% gross patient revenue for Medicare and Commercial.
  4. Inpatient Discharge Threshold: Above the average number of inpatient discharges.
- OHCA removed hospitals for which comparable financial data is not available (i.e., Kaiser hospitals, LTC Emphasis hospitals, Psychiatric Health Facilities, Shriner's Hospitals, and State hospitals).

Option 3: Repeat Outlier on Both Unit and Relative Price Measures

	List of Hospitals	County	Pooled Average Commercial Inpatient NPR per CMAD, 2018-2022	Pooled Average Commercial to Medicare Payment to Cost Ratio, 2018-2022
Above 90th percentile	Community Hospital of The Monterey Peninsula	Monterey	$39.9K	353%
	Doctors Medical Center – Modesto	Stanislaus	$36.0K	347%
	Dominican Hospital	Santa Cruz	$34.5K	331%
	Salinas Valley Memorial Hospital	Monterey	$46.7K	475%
	Stanford Health Care	Santa Clara	$51.5K	340%
Above 85th percentile	Northbay Medical Center	Solano	$42.8K	269%
	Santa Barbara Cottage Hospital	Santa Barbara	$32.8K	305%
	Washington Hospital – Fremont	Alameda	$32.9K	359%
Above 80th percentile	Alta Bates Summit Medical Center – Summit Hawthorne	Alameda	$29.3K	297%
	Cedars-Sinai Medical Center	Los Angeles	$29.9K	278%
	El Camino Health	Santa Clara	$28.4K	282%
	Orange County Global Medical Center	Orange	$27.8K	406%

Descriptive statistics weighted by the number of inpatient discharges.

Discussion Questions

Do you have any feedback on OHCA's proposed options for identifying disproportionately high-cost hospitals that may merit a lower spending target value? (Note options for a sector target methodology (slides 56-68) was discussed at the January 28th meeting of the Health Care Affordability Board. Several board members indicated support for Option 3).

a. What are your thoughts on using the unit price measure of Commercial Inpatient Net Patient Revenue per Case Mix Adjusted Discharge to identify high-cost hospitals?
b. What are your thoughts on using the relative price measure of Commercial to Medicare Payment to Cost Ratio to identify high-cost hospitals?
c. What are your thoughts on using a percentile cut off to identify outlier hospitals?
d. What are your thoughts on using 3 out of the last 5 years above a threshold on these metrics to identify repeat outliers?
e. Is there a different measure you recommend OHCA use to identify outlier hospitals?

OHCA

Office of Health Care Affordability

Department of Health Care Access and Information

Appendix

HCAi

Department of Health Care Access and Information

Applying Case Mix Index to Hospital Discharges

Description: Hospitals provide different types and intensities of care, which may change over time. Accounting for service mix aims to dull the impact of those changes.

Provisional approach for Inpatient Service Mix: Apply case mix index (CMI).

Rationale: OHCA collects TME by age and gender to account for changes at the population level. For hospital services, case mix index is more appropriate.

Option	Description	Considerations
Case Mix Adjusted Discharges (CMADs)	Uses a standardized factor (i.e., MS-DRG average relative weights) to account for the complexity of inpatient care (or discharges).	• Widely accepted standardized approach; CMI is a factor in many hospitals' payments from Medicare. • Accounts for changes in resource intensity, complexity, and severity of care across entities or over time. • Dulls shift to more expensive services, regardless of whether necessary or appropriate. • Depends on quality, consistency, and accuracy of coding; incentives for diagnostic intensity are difficult to control. • Facilities with fewer resources to dedicate to coding may be penalized.

Inpatient Intensity Methodology

What is Case Mix Index (CMI)?

- The average intensity of care provided by a hospital.

How is it determined?

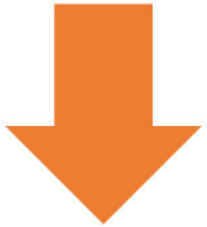
- For most inpatient stays, a diagnostic-related group (DRG) can be applied to categorize what the hospitalization was for with an estimate of the typical resources required to deliver the service.
  - An average service would have a weight of 1 with higher weights for more resource-intensive care.

$$\boldsymbol{CMI} = \frac{Total\ DRG\ Weights}{Number\ of\ Discharges}$$

Example: Inpatient Provisional Approach

$$CMAD = Total\ inpatient(IP)\ discharges\ * CMI$$

*Example: 1,400 discharges * 1.25 CMI = 1,750 Case Mix Adjusted Discharges*



$$Estimated\ IP\ NPR\ per\ CMAD\ = \frac{IP\ NPR}{CMAD}$$

Example: $35 million Net IP Revenue ÷ 1,750 CMADs = $20,000 Estimated IP NPR per CMAD

From: svftylazar@everyactioncustom.com on behalf of Shaun Farber
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:09:17 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Shaun Farber


From: safutrell@everyactioncustom.com on behalf of Sherrill Futrell
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 15, 2025 4:59:53 PM

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.

I can't get timely medical appointments even if I could pay for them! Kaiser Permanente refuses to hire more doctors and so I have had to wait nearly 3 months for a HEARING TEST! To get mental health care for my depression I had to beg 6 different people on the phone in their bureaucracy and still failed; I had to have a friend who works there phone 4 different people to finally get the right number to call. I'm 82. Why do I have to be treated like crap? Kaiser is "non-profit" but manage to pay their CEO over $13 million? The government should pull their tax-exemption and sue them. NO ONE SHOULD THINK MEDICARE ADVANTAGE WILL HELP THEM. IT'S JUST A RIP OFF OF THE PUBLIC.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Sherrill Futrell


From: safutrell@everyactioncustom.com on behalf of Sherrill Futrell
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:35:07 PM

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.

Kaiser refuses to give me spine fusion and now even injections despite my bad case of spinal stenosis. Why? Probably because I'm 82 and they're waiting for me to die. Typical of them to withhold or deny care. So their "care" is absent as well as expensive. And Kaiser's CEO makes $13 million a year. For what? How is that a non-profit company?

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Sherrill Futrell


Dignity Health
Sierra Nevada Memorial Hospital

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Sierra Nevada Memorial Hospital Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Sierra Nevada Memorial Hospital, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Sierra Nevada Memorial Hospital remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

Dignity Health Sierra Nevada Memorial Hospital, a Leapfrog Group Top Rural Hospital (one of only 15 nationwide), is the only acute care hospital in Western Nevada County and is vital to the health of the more than 100,000 people we serve. The hospital provides a full spectrum of medical services, including critical coronary, cancer care, intensive care, perinatal, and emergency care through its 21-bed emergency department. The community it serves has a significant senior population (32% are 65+, compared to California's average of 16%), a demographic often facing poverty, chronic illness, and transportation barriers, challenges compounded by the limited resources typical of rural hospitals. Sector-specific spending targets would strain the hospital, potentially leading to service reductions and forcing residents to travel longer distances for basic healthcare.

Maintaining a healthy balance of commercial and government-sponsored payments is crucial to Sierra Nevada Memorial Hospital's ability to sustain its essential services. Commercial payments are vital, helping to offset the costs of providing high-quality care to all community members, especially government sponsored, and enabling investments in much needed technology upgrades that improve patient outcomes. In contrast, government reimbursements consistently fall short of covering the actual costs of inpatient care, increasing the burden of uncompensated care.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, Sierra Nevada Memorial Hospital will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination.

Several service lines, such as obstetrics, general medicine, pediatrics, and outpatient surgery, already operate with minimal margins, or in some instances at an actual loss. Implementing spending targets risks pushing these vulnerable services into unsustainable financial losses, exacerbating the problem of uncompensated care.

Sierra Nevada Memorial Hospital shares a commitment with others to improve the health of our community and promote health equity, and delivers programs and services to help achieve that goal. We are proud of the outstanding programs, services and other community benefits our hospital delivers, and are pleased to report to our community. In fiscal year 2024 (FY24), Sierra Nevada Memorial Hospital provided $4,940,964 community benefits. Added to the hospital's incurred $6,742,562 in unreimbursed costs of caring for patients covered by Medicare fee-for-service. These costs totaling $11.6M have not been taken into consideration for purposes of this exercise.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the

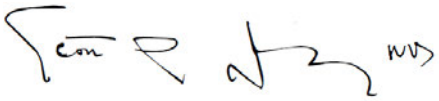
spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Sierra Nevada Memorial Hospital is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,



Scott Neeley, MD
President and CEO

Dignity Health
Sierra Nevada Memorial Hospital
155 Glasson Way
Grass Valley, CA 95945
(530)274-6227

Wednesday, April 9, 2025

Megan Brubaker
Office of Health Care Affordability
Department of Health Care Access and Information
2020 West El Camino Ave., Ste. 1200
Sacramento, CA 95834

OHCA@hcai.ca.gov

Proposed Hospital Sector Spending Target
Recommendations to the Health Care Affordability Board: SUPPORT

Dear Ms. Brubaker,

Our organizations representing consumers, purchasers of employer coverage, labor unions and others join together to support the proposed hospital sector spending target values that would set lower cost growth targets for a small number of very, very high-cost hospitals. These highest cost hospitals in California are paid twice as much as the average California hospital. Setting a lower cost growth target for these really, really high- cost hospitals would force the cost of these hospitals to slow over time, bringing much needed relief to Californians and our health care system.

Don’t Delay: High Hospital Costs Hurt Now

Hospital costs are the single largest reason for medical debt. Half of California consumers report delaying or skipping care because of high health care costs and half of them got worse as a result. High hospital costs are leading consumers to avoid preventive care visits and even “non-avoidable” ER visits, those visits for care that cannot be provided in a doctor’s office. Consumers lack access today.

Really, Really High-Cost Hospitals:
Twice as Expensive as Average, Four Times as Much as Medicare

Eleven California hospitals out of a total of 439 California hospitals were found to be the highest cost hospitals in California. These hospitals are really, really high cost:

- These 11 hospitals are literally *twice as expensive as the average California hospital*, costing $40,000 per hospital visit at these really, really high-cost hospitals as opposed to $20,000 per hospital visit at the average hospital, after adjusting for how sick patients are.
- Employer coverage and individual consumers pay these hospitals four or five times or even seven or eight times as much as what Medicare pays as a proportion of costs.
- Californians cannot afford these really, really high-cost hospitals. We need the Office of Health Care Affordability to live up to its name and set a lower cost target for these really, really expensive hospitals.

Please do it now. Don’t delay. We have waited too long. Too many Californians can’t afford to go to the hospital now even if they have insurance.

Our organizations support the Health Care Affordability Board setting lower cost targets for these outrageously expensive hospitals.

American Federation of State, County and Municipal Employees, AFL-CIO
Asian Americans Advancing Justice Southern California
California Nurses Association
California Pan-Ethnic Health Network
CFT, A Union of Educators and Classified Professionals
Community Health Initiative of Orange County
Friends Committee on Legislation of California
Health Access California
Mixteco/Indigena Community Organizing Project (MICOP)
Monterey Bay Central Labor Council, AFL-CIO
National Health Law Program
National Union of Healthcare Workers
NextGen CA
Robert F Kennedy Farmworkers Medical Plan
Salinas Valley Federation of Teachers
SEIU California
Western Center on Law & Poverty

CASSANDRA JAMES
District 1, (707) 553-5363
MONICA BROWN
District 2, Vice-Chair, (707) 784-3031
WANDA WILLIAMS
District 3, Pro-Tem, (707) 784-6136
JOHN M. VASQUEZ
District 4, (707) 784-6129
MITCH MASHBURN
District 5, Chair, (707) 784-6030

BOARD OF SUPERVISORS

SOLANO COUNTY

BILL EMLEN
County Administrator
(707) 784-6100

675 Texas Street, Suite 6500
Fairfield, CA 94533-6342
Fax (707) 784-6665

www.solanocounty.com

April 11, 2025

California Department of Health Care Access and Information
2020 West El Camino Avenue, Ste. 800
Sacramento, CA 95833

RE: CONCERNS – Impacts of Proposed Spending Cap on Hospitals

Dear OHCA Board Members,

On behalf of the Solano County Board of Supervisors, I write to express serious concern about the impact a proposal from the Office of Health Care Affordability (OHCA) will have on NorthBay Health. OHCA's proposed 3.5% spending cap on hospitals will have dangerous, unintended consequences on the ability of NorthBay Health to deliver the high-quality, lifesaving services that it is known for and could put in jeopardy the broader health and well-being of my constituents. Additionally, we're concerned about the inclusion of NorthBay Health on a list of alleged "high cost" hospitals. This list represents less than 4% of the entire state's total patient discharges and unfairly targets efficient, community-based health care systems like NorthBay.

The proposed 3.5% cap is well below inflation and doesn't account for rising costs in staffing, medicine, or supplies (estimated to be between 6% and 10%). This spending cap will restrict NorthBay's ability to continue to provide its top-rated services and will significantly impact its plans to invest $250 million throughout the region over the next six years in order to close the primary care gap. Additionally, preventative care services are key to helping lower the overall cost of healthcare for our patients and the state.

As an independent, nonprofit hospital, NorthBay is committed to serving all residents of Solano County including a high volume of Medicare and Medi-Cal patients. More than 76% of NorthBay's patients rely on Medi-Cal or Medicare for their health care coverage. It also provides many services that other hospitals in the region are unable to provide at an unmatched level of quality – NorthBay was recognized by U.S. News & World Report as the #1 hospital in Solano County.

The OHCA's proposal will set a dangerous precedent and could lead to a reduction in services, hospital closures and ultimately negative health outcomes for Solano County residents. The Solano County Board of Supervisors strongly encourages you to reconsider this one-size-fits-all approach and help institutions like NorthBay continue to offer essential services.

Respectfully,

Mitch N. Mashburn

Mitch Mashburn, Chair
Solano County Board of Supervisors

cc:

The Honorable Christopher Cabaldon, California State Senator
The Honorable Lori Wilson, California State Assemblymember
The Honorable Solano County Board of Supervisors
Paragon Government Relations
Karen Lange, SYASL Partners, Inc.

SOLANO PRIDE CENTER

Tuesday, April 10, 2025

Dear friends at Office of Health Care Affordability's,

My name is Will McGarvey and I'm the Executive Director at the Solano Pride Center. We offer mental health counseling, HIV prevention and Youth and Senior wellness programs for Solano County's LGBTQ+ community.

I'm writing in opposition to Office of Health Care Affordability's (OHCA) inclusion of NorthBay Health on a list of "high cost" hospitals and the proposed hospital spending cap that will directly impact NorthBay's ability to offer many of the essential services it has been recognized and awarded for. NorthBay is a prized member of the Solano County community and serves a wide range of residents including the most vulnerable populations, with more than 3/4ths of NorthBay patients relying on Medi-Cal or Medicare for healthcare coverage. At the Solano Pride Center, we know that mission well.

This proposed spending cap will create many unintended consequences for our community including the potential gutting of many essential services like trauma care and labor and delivery, and preventative services that help lower the overall cost of health care for patients and hospitals that are often not available anywhere else in the area like primary care and behavioral health services. This proposal will lead to potential layoffs, longer wait times, and a loss of many life-saving services.

Anyone living in Solano County knows that NorthBay is an extremely efficient, high-quality, community-oriented hospital system and that their ability to deliver care for our residents needs to be protected. I strongly urge the OHCA to reconsider this proposal and examine the unintended consequences it will unleash on the health and well-being of some of the most vulnerable populations in Solano.

"*Let's build the Queer world we all need, together*"

Will McGarvey
SPC Exec. Director
will@solanopride.org
707.200.7916 office
925.597.9797 mobile

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
HEALING HERE AT HOME

April 04, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Sonoma Valley Hospital Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Megan:

Thank you for the opportunity to provide feedback to you directly.

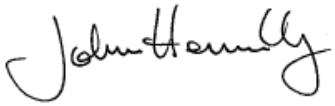
Sonoma Valley Hospital serves over 50,000 community members in Sonoma Valley, an overwhelming majority are Medicare and Medi-Cal recipients. The hospital struggles to break even each year. We are the sole provider in Sonoma Valley. Emergency care, inpatient care, surgical care, and diagnostics are only available at Sonoma Valley Hospital.

Over the past 5 years, the hospital has seen 5 to 10% increases in expenses each year. Unfortunately, reimbursement has not kept pace. Of greatest concern are labor costs that are rising dramatically. Pharmaceutical costs are an important factor in our financial health as well. Both have grown by 10-20% in the past 24 months. While the past catastrophic increases during the pandemic have cooled, expense inflation continues to outpace revenue growth.

Sonoma Valley Hospital would be forced to review and reduce services if limits were put in place with the proposed targets. Limits would greatly impact the care the hospital could provide and our ability to recruit and retain a highly skilled workforce.

We know that this low statewide target will greatly impede our patient care and community members. It will compound issues that already exist. We at Sonoma Valley Hospital greatly implore OSCA to delay the implementation of a hospital sector target until a thorough analysis of the impact on patient care can be conducted.

Sincerely,



John Hennelly
President and CEO
Sonoma Valley Hospital

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Cecilia Aguiar-Curry, Assembly Majority Leader, District 4
2721 Napa Valley Corporate Drive Napa, CA 94558
Christopher Cabaldon, Senate District 03
1021 O Street Suite #7320 Sacramento, CA 95814

From: scottvill1@everyactioncustom.com on behalf of SR Hinrichs
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 12:18:52 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.
As prices rise across the board for other health needs—dentistry, optomology, etc.—the personal budget money of regular people is spread thinner, making it necessary to eliminate other health needs to continue to get medical care.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
SR Hinrichs


From: Srdjan Stakic
To: HCAI OHCA
Subject: OHCA's Cost Cutting Measures Hurt Patients Like Me
Date: Wednesday, April 9, 2025 12:23:57 PM

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: OHCA's Cost Cutting Measures Hurt Patients Like Me
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Ms. Brubaker:

Thank you for the opportunity to share my story. As a Californian who relies on care from INSERT NAME OF HOSPITAL, I'm concerned that the Office of Health Care Affordability's attempts to cut health care costs will cause me and my family to lose the care we need.

Share a little bit about your experience with your local hospital.When did you first seek care, and what prompted it? How long have you been receiving treatment? Was it a one-time interaction, or do you need ongoing care?

What was the outcome of your interaction with the hospital? How would you describe your experience? How did hospital staff help you get back on your feet?

Express your gratitude for the care you received. What did it mean to you to have support in your time of need? Where do things stand with you and your family now?

Please protect the lifesaving care patients like me rely on.

Sincerely,

Srdjan Stakic

Srdjan Stakic, EdD, MA, MFA
[redacted]

Dignity Health.
St. Elizabeth Community Hospital

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **St. Elizabeth Community Hospital Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of St. Elizabeth Community Hospital, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and St. Elizabeth Community Hospital remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

St. Elizabeth Community Hospital is a 76 acute care bed Level III Trauma center and the only hospital serving Tehama County providing essential healthcare to the entire population. Some of our key services include trauma/ general surgery, orthopedics, inpatient and outpatient imaging including mammography, nuclear medicine, intensive care, perinatal services that include OB/GYN along with pediatrics, and emergency care. The hospital is dedicated to delivering quality, compassionate patient care to all, regardless of their financial situation. Sector-specific spending targets would threaten the availability of comprehensive healthcare services in our community. St. Elizabeth's labor and delivery department is the only one in the county and is critical to the Tehama county population. Sector-specific spending targets could cause a number of narrow margin service lines to become negative and eliminating or reducing this service would force expectant mothers to travel over 40 - 80 miles for safe childbirth.

Maintaining a healthy balance of commercial and government-sponsored payments is crucial to St. Elizabeth Community Hospital's ability to sustain its essential services. Commercial payments are vital, helping to offset the costs of providing high-quality care to all community members and enabling investments in innovative technologies that improve patient outcomes. In contrast, government reimbursements consistently fall short of covering the actual costs of inpatient care, increasing the burden of uncompensated care.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, St. Elizabeth Community Hospital will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. Several service lines, such as obstetrics, already operate with minimal or no margin. Implementing unrealistic spending targets risks pushing these vulnerable services into financial losses, exacerbating the problem of uncompensated care.

Less than 16% of gross charges come from commercial payers; that means that more than 85% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 7 out of 10 patients, who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 77% of patients and reimbursement under these programs falls far short of covering our costs - For St. Elizabeth Community Hospital, this dynamic resulted in over $11 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

St. Elizabeth Community Hospital is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Rodger Page
President
Dignity Health- North State Market &
Mercy Medical Center Mt. Shasta
St. Elizabeth Community Hospital

Dignity Health.

. John's Regional Medical
nter
00 North Rose Avenue
nard, CA 93030
5.988.2500
DignityHealth.org/StJohnsRegional

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

April 7, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **St John's Hospitals Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Dignity Health St. John's Regional Medical Center and Dignity Health Hospital, Camarillo (the St. John's Hospitals), I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and St. John's Hospitals remain committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

The St. John's Hospitals treat the highest number of disadvantaged patients in Ventura county. With the St. John's Hospitals treating the highest volume of underserved patients in Ventura County, we are an integral part of the community. St. John's Regional Medical Center has been designated by Ventura County as a STEMI Receiving Center, as well as the only Comprehensive Stroke Center in Ventura County. Therefore, without our facility, the community would not have adequate access to quality care.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, the St. John's Hospitals will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination.

Less than 20% of gross charges come from commercial payers; that means that more than 80% of our patient care results in government payers, self-pay, or charity care. The St. John's Hospitals provide more than $25M in uncompensated care for Medical patients and more than $40M in uncompensated care for Medicare patients annually.

Dynamics between commercial and government payers need to be accounted for:
Approximately, 6 out of 10 of those who come to our hospital rely on Medi-Cal or Medicare products for their health coverage.
We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

The St. John's Hospitals are already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

4/7/2025

Sincerely,

Patrick Caster,
President & CEO
Dignity Health St. John's Regional Medical Center
Dignity Health St.John's Hospital Camarillo

Dignity Health.
St. Joseph's Medical Center

Administration
1800 North California Street
Stockton, CA 95204
direct 209.467.6315
fax 209.461.3299
dignityhealth.org

April 8, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **St. Joseph's Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of St. Joseph's Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and St. Joseph's Medical Center remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

St. Joseph's Medical Center serves residents of Stockton along with members of neighboring communities within San Joaquin County. The Medical Center offers Emergency, Surgical, Cardiac, Cancer, Stroke, Obstetrics, Pediatrics, Neonatology, and comprehensive Behavioral Health services. Many of these are the only services provided in Stockton. In addition, St. Joseph's Medical Center is an Academic Teaching Hospital overseeing 16 programs and 275 learners, with more scheduled in the upcoming years. The overall service area consists of 24 ZIP codes. The population of San Joaquin County is approximately 800,000, while the City of Stockton is home to roughly 387,000 residents. St. Joseph's Medical Center lies in one of the fastest growing counties in California, containing both rural and urban areas, with individual cities separated by agriculture and open space lands. The county is celebrated for its diverse communities but there is also a big gap in health outcomes between economic and ethnic groups. It is a county of contrasts, holding in one-hand growth opportunities and a variety of assets and resources to support health, and on the other hand significant challenges in terms of economic security, health and health disparities.

Total Population	799,267
% Below Poverty (families)	10.5%
Unemployment	6.2%
No High School Diploma	20.1%
Medicaid	33.4%
Uninsured	5.8%

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, St. Joseph's Medical Center will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. In particular, Behavioral Health and Women & Children services would be at risk.

Less than 16.5% of gross charges come from commercial payers; that means that more than 83.5% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 8 out of 10 patients, 80%, of those who come to our hospital rely on Medi-Cal or Medicare products for their health coverage. This results in 80% of patients and reimbursement under these programs falls far short of covering our costs - For St. Joseph's Medical Center, this dynamic resulted in over $59.5 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the

spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

St. Joseph's Medical Center is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

David Ziolkowski
President & CEO
St. Joseph's Medical Center

April 11,2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **St. Mary Medical Center Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of St. Mary Medical Center, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and St. Mary Medical Center will remain committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

St. Mary Medical Center is located in Long Beach, California and is a city within Los Angeles County. Long Beach is the 36th largest city in the nation, the seventh largest city in California and in the second largest city within the greater Los Angeles area. It is home to approximately 681,000 people and one of the most ethnically diverse communities in the United States with a strong sense of community and unique neighborhoods. The hospital is located in Service Planning Area 8 (SPA 8) and also provides services to SPA 6 in Los Angeles County. St. Mary Medical Center is level IIIB NICU, level II trauma center and the Paramedic Base Station for the area and LA County designated STEMI receiving center. Major programs and services include: cardia care, prenatal and childbirth services, families and seniors, bariatric surgery, stroke recovery, critical care and an ICU. Community services include: 1.) CARE Clinic is a Pre-Exposure Prophylaxis (PrEP) Center of Excellence, which helps meet the needs of those affected or at risk of HIV in our community through medical and dental treatment, education and social services and a food bank, 2.) Mobile unit provides health education and health screenings to communities that lack or are short of primary care, 3.) Every Woman counts provides mammography services and breast cancer care for low-income women, 4.) Families in Good Health provides outreach

and education to vulnerable populations 5.) Low Vision Center provides no cost vision screenings, optical aids, education and referrals for persons with limited vision, 6.) Family clinic of Long Beach serving underinsured adults and seniors, 7.) Mary Hilton Family Clinic provides prenatal and OB care, and 8.) Sparks Family Clinic provides internal medicine and preventative care,

While a few of the communities enjoy a higher standard of living, the majority of the communities served have greater needs. Our Long Beach community consists of residents that are 16% are at or below the 100% of the federal poverty level(FPL) and 36.2% are at 200% of FPL or below, 34% receive Medicaid and 9% are uninsured. There are four areas in SPA 8 and three areas in SPA 6 that are designated as medically underserved areas for primary care for high needs and low-income populations. St. Mary Medical Center is a safety net DSH hospital and cares for a large number of low-income patients, many of whom are on Medicaid or uninsured. St. Mary also provides service to a large population of unhoused individuals.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

If these factors are ignored, St. Mary Medical Center will need to reconsider certain investments in the community and in access, making some service lines vulnerable for reduction or even elimination. Service lines that are most vulnerable include our Women's services maternal child health including labor and delivery. Preventive Care and Educational services offered to the community through our clinics and outreach programs will be impacted by reductions or consolidation of programs.

Less than 10.6% of gross charges come from commercial payers; that means that more than 86.6% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 67,793 out of 85,432 patients, 79.35% of those who come to our hospital rely on Medi-Cal or Medicare products for their health

coverage. This results in 100% of patients and reimbursement under these programs falls far short of covering our costs - For St. Mary Medical Center, this dynamic resulted in over $16, 978 million in losses last fiscal year. St. Mary also has a short fall every year in the unpaid costs of financial assistance, unpaid costs of Medicaid $30,995,250, unreimbursed costs for Medicare fee-for-service $7,480,620 and community health improvement services, community grants and other community benefits of $23,776,365.

We have significant concerns with the premature development of the sector target, a “high-cost hospitals” list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

St. Mary Medical Center is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community’s most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector’s spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Carolyn Caldwell, FACHE
Hospital President and Chief Executive Officer
St. Mary Medical Center

Stanford MEDICINE Health Care

April 11, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Stanford Health Care Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear Ms. Brubaker,

At Stanford Health Care (SHC), we integrate clinical care, research, and education to enhance personalized patient care within our extensive Stanford Medicine ecosystem, which includes the School of Medicine and our pediatric and adult health care delivery systems. As one of the eleven designated high-cost hospitals, we value the opportunity to provide feedback on the Office of Health Care Affordability's proposed hospital-sector spending target recommendations.

About Stanford Health Care

As a world-renowned academic medical center specializing in complex cases, we embrace the most challenging medical conditions. Consequently, SHC has one of the highest case mix indexes in the nation, and we are passionate about caring for and pioneering new innovative methods for our patients and beyond. Our awards and industry recognition speak to this passion and our responsibility to contribute to our patients' well-being and communities' health[1].

We primarily serve as tertiary and quaternary sites of care. We are concerned that adherence to the proposed 1.6% to 1.8% spending growth as a high-cost designated hospital will adversely impact our complex patients. The proposed sector rate would effectively hinder our ability to deliver essential specialized services– including, but not limited to complex oncology care, critical organ transplantation procedures, highly advanced cardiothoracic surgeries, and level one trauma adult and pediatric services.

SHC employs 18,400 dedicated staff, operating over 600 licensed beds, including 119 ICU beds. In the latest fiscal year, we serviced over 1.4 million outpatient visits, 83,000 adult and 30,000 pediatric emergency visits, and 502,000 video visits.[2] **With nearly half of our operating costs tied to labor, a mandated 1.6% and 1.8% spending growth rate annually would also mean forcing us to choose between cutting our lifesaving patient care and providing security and stability for our workforce and their families.**

Additionally, uncertainties concerning widely anticipated federal cuts to Medicaid and Medicare pose threats to health care in California. Additionally, the foreseen reductions in federal biomedical research funding

[1] Stanford Health Care: About Our Awards

[2] Stanford Health Care: About Us Quality & Safety 2025.pdf

would significantly hinder our mission to train physician researchers. **Our focus to innovate clinical medical research that is translated into bedside care for complex cases is at the heart of our mission, and the proposed sector and sector rates will simply stifle future medical breakthroughs.**

Unintended Consequences

At stake to our patient population and local community are reductions in critical service lines, providing stability to our workforce, investments in biomedical research, specialized physician training, and community investments. Simply, the 1.6% to 1.8% growth rate defined in OHCA's proposed hospital sector definition will make it impossible to provide the comprehensive acute services we do today.

Stanford Medicine researchers have achieved significant medical breakthroughs, from pioneering the nation's first U.S. adult heart transplant surgery to serving as one of the first clinical laboratories in the nation to offer SARS-CoV-2 RT-PCR testing. Our commitment to research promotes not just patient care but global medical advancement. While federal funding supports our research infrastructure, a substantial portion of costs are borne by SHC. We are deeply concerned that the proposed spending target could hinder innovation and future medical advancements.

Stanford Health Care provides programmatic support to expand access to care and address social determinants of health for our most vulnerable patients and communities. Last fiscal year, we invested $791 million in community benefits, including financial assistance, charity care, subsidized health services, and community health improvement initiatives. For instance, we subsidize Stanford Life Flight, which offers critical transport for ill and injured patients across a broad area, from the Oregon/California border to Reno, Nevada, and as far south as Santa Barbara. Additionally, we collaborate with non-Stanford providers to offer second opinion services, which are critical for enhancing patient care and supplementing patients with Stanford expert assessments. These clinical services operate at a financial loss to help meet essential community needs.

Methodology Concerns

OHCA's commercial reimbursement measure penalizes hospitals operating in high-cost areas. Our main hospitals at 300 and 500 Pasteur Drive in Palo Alto are geographically situated in the heart of Silicon Valley. With median home values reaching $1,517,190 in Santa Clara County and $1,558,790 in San Mateo County, CA, keeping up with Silicon Valley's high costs plays a large factor in how we choose to operate. At SHC, we prioritize supporting our workforce with living wages, competitive salaries, and comprehensive benefits which exceed the statewide average employer costs.

Payor Mix Considerations

OHCA's measure for identifying high-cost hospitals singles out hospitals whose commercial payments cover their costs better than Medicare. Medicare and Medicaid constitute 65% of our payor mix. Our largest payor is Medicare, followed by commercial insurers, then Medi-Cal, and then other (i.e., self-pay, workers' compensation, etc.) As you are familiar, Medicare and Medicaid are not fully reimbursed by the dollar. In 2022, Medicare paid just 82 cents for every dollar spent by hospitals caring for Medicare patients.[3] With Medicare constituting nearly half of our payor mix, we experience a substantial shortfall from government payors that critically impact our overall operations. Moreover, Californians face the imminent reality of Medicaid cuts at the federal level which will continue to create increased financial instability statewide.

[3] Infographic: Medicare Significantly Underpays Hospitals for Cost of Patient Care

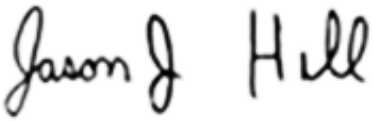
SHC incurs very substantial costs as part of an academic medical center where we train resident physicians, fellows, and medical students. Much of the cost to train these physicians and future physicians is not reimbursed by Medicare's Graduate Medical Education (GME) and is borne by us. We know that 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.[4] OHCA's methodology does not take these cost trends into account and will inevitably contribute to an increased physician shortage. Quite simply, without AMCs, there would be no infrastructure for medical education that affords physicians the crucial experience and exposure that our communities need.

As such, commercial payments play a vital role in our financial sustainability. For example, they enable us the capacity to attract and retain a highly qualified workforce, sustaining services that may otherwise operate at a loss, and supporting clinical infrastructure within our community. Another factor OHCA lacks in consideration are the increased state mandates on hospitals such as seismic compliance. As a result, California hospital construction costs continue 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, must be considered.

In conclusion, we respectfully request a delay in implementing the proposed hospital sector and high-cost 1.6% to 1.8% targets until a comprehensive impact analysis on patient care can be conducted. The proposed spending growth rate caps jeopardize our ability to sustain essential specialized services for our complex patients. This will force us to choose between workforce stability, patient care, and community investments which will undermine the health of our communities. Finally, OHCA's proposed methodology must account for the unique challenges posed by the high cost of living and employment in Silicon Valley, our substantial educational and training obligations as an academic medical center, and the limitations imposed by federal reimbursement rates, which all contribute to our operational realities.

We appreciate the opportunity to share these critical insights and advocate for a more balanced approach that considers the nuances of delivering complex, high-quality health care in our community.

Respectfully,



Linda Hoff
Executive Vice President, Chief Financial Officer
Stanford Health Care

Jason Joseph Hill
Associate Vice President, Government Affairs
Stanford Health Care

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.

[4] AHA Fact Sheet: Increased Graduate Medical Education Needed to Preserve Access to Care. Source: AHA

Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Senator Josh Becker
Assemblymember Marc Berman
Assemblymember Diane Papan

From: roddys@everyactioncustom.com on behalf of Stephen Roddy
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:24:23 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Stephen Roddy


From: sgkonstantine@everyactioncustom.com on behalf of Steven Konstantine
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:51:46 AM

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.

Availability and access to affordable health care is an essential human right for all families and individuals living in California.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Steven Konstantine
[redacted]

From: sunydays33304@everyactioncustom.com on behalf of Steven M Rosenberg
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Monday, March 10, 2025 9:46:06 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Steven M Rosenberg
[redacted]

From: swstandard@everyactioncustom.com on behalf of Steven Standard
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 12:58:49 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Steven Standard
[redacted]

From: sk1981sk@everyactioncustom.com on behalf of Sue Krause
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:08:21 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

It's a shame that we have to speak out regarding our health care! Trump & Musk are scammers & want to make good n their promises to cut their wealthy constituents taxes! Shame on you two! Impeach Trump & fire Msk!!!

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Sue Krause


From: suelea5@everyactioncustom.com on behalf of Susan Lea
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 12:50:01 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. I am unable to afford the medicine I need and have been prescribed. I don't have the $600/month needed to buy it. My SSA is $1100/month, and I am unable to afford to live in any kind of housing.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Susan Lea


From: bias@everyactioncustom.com on behalf of Susan Vogt
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 10:33:58 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Susan Vogt
[redacted]

From: Smccand653@everyactioncustom.com on behalf of Suzi McCandless
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 1:09:55 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Suzi McCandless
[redacted]

From: symphonybarnes@everyactioncustom.com on behalf of Symphony Barnes
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 11:08:21 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Symphony Barnes


From: tadashin@everyactioncustom.com on behalf of Tadashi Nakadegawa
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 11:47:18 AM

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.

The cost of healthcare in this country is criminally high. With no real plans or controls on our increasingly privatized health care the cost of health insurance is taking a painful bite out of our retirement savings and threatening our financial and physical health.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Tadashi Nakadegawa
[redacted]

TAHOE FOREST
HOSPITAL DISTRICT

April 10, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: Tahoe Forest Hospital District Opposes Proposed Hospital Sector Spending Target Recommendations

(Submitted via email to OHCA@HCAI.ca.gov)

Dear Megan:

On behalf of the Tahoe Forest Hospital District (TFHD), I thank you for the opportunity to provide input on the current proposal.

Tahoe Forest Hospital District

TFHD is a "District" hospital created in 1949 by California enabling legislation. We serve the Truckee and North Lake Tahoe region. TFHD is also a Critical Access Hospital (CAH) limited to 25 beds, which serves full-time residents, a large second homeowner population as well as the tourists who visit Lake Tahoe year-round. We must be large and small at the same time given our seasonal population swings.

Part of our recovery journey following the COVID pandemic is population growth of the Truckee/North Lake Tahoe region. The fastest growing demographic is 65 years and older, a demographic that increasingly requires more health care services. Impacts upon services such as Cardiac/Pulmonary, Cancer Care, Gastroenterology, Endoscopy and Colonoscopy are in greater demand.

Additionally, access to our Primary Care and Urgent Care clinics due to our post COVID population growth has also proven challenging. Access issues will in part, require capital investment in "brick and mortar" to meet capacity and clinical growth demand.

Timely access to care has become one of our greatest challenges.

Additionally, TFHD faces regulatory seismic compliance improvements due in 2030. The cost of construction in the Sierra is nearly double that of flatland construction due to heavier earthquake, snow load and energy requirements. Regulators do not typically understand these impacts.

Workforce recruitment and retention for Tahoe Forest Hospital and all rural hospitals is challenging. Remote regions have lower volumes than urban systems. Therefore, hospitals in the rural environment have not the economy of scale to bend the cost curve.

In the Truckee/North Tahoe region housing costs and availability are impediments to recruitment. Competition for talent is competitive and costly. Not everyone loves snow contrary to popular belief. MediCare or MediCal does not recognize TFHD's higher operational costs as reimbursable expenditures. The proposed rate cap negates the ability of rural hospitals, including TFHD to adjust to these forces on cost of care.

The 3.5% Spending Growth Target will be a Challenge for Many Rural Hospitals

Inflationary cost factors in the health care space exceed the 3.5% rate target. This is true for supplies, pharmaceuticals, labor, energy and regulatory compliance. It is frighteningly more uncertain in the face of tariff trade activity currently facing all industry.

Prior to COVID, inflation escalation for TFHD would have been 83% of a 3.5% rate adjustment. It far exceeds that figure today.

According to Becker's Hospital Review (April 10, 2025), "Drug...expenses were up 9% year over year in February, according to Kaufman Hall's "National Hospital Flash Report" released April 8. Compared to 2022 year to date, drug expenses per calendar day grew 15%."

This is consistent with our experience here at TFHD and in particular in the Cancer Center. This is only one segment of our cost structure impacted by inflation and the fallout of the pandemic.

The 3.5% rate target will likely not pace with the rates of inflation on goods and supplies.

Rural Hospitals will face Tough Decisions

Rural hospitals are exceptionally vulnerable and have many of the pressures upon them as described above. For TFHD, financial security ebbs and flows with high season and "shoulder season" due to our rural location and tourist based economy.

The typical payer mix in the rural environment is predominantly MediCare and MediCal where every penny counts. In many instances, neither the property valuations nor public exists to support floating a General Obligation Bond to meet the capital needs of seismic compliance, let alone "brick and mortar" to meet modern health care delivery needs.

As it is, costs in the rural environment are greater than in urban environments. TFHD currently faces ground-up construction costs of nearly $2,000 per square foot. TFHD faces this challenge over and above day-to-day operational expense and delivery of quality health care to our patients.

Capped rate requirements will likely require tough decisions on service lines that are no longer financially viable. Already, many hospitals, both rural and urban, are shuttering services like Labor and Delivery because they cannot meet regulatory requirements or operate in a financial safe zone.

TFHD may face these tough decisions if the 3.5% cap is imposed.

Rate Methodology Must be Fact Based

No two hospitals or health systems are alike. Differences between urban and rural health care delivery costs are strikingly different and must be accounted for in any methodology regarding rate setting or caps.

A "one size fits all" approach to rate caps will not serve the mission of OCHA. While it may slow rate growth, it will prove a disservice to tens of thousands of patients impacted by the inevitable closures that are certain to follow.

I fear that If OCHA imposes the 3.5% capped rate; Tahoe Forest Hospital District will have to make heartbreaking decisions in the future that will negatively affect our patients and the communities we serve.

Humbly, I request OCHA slow its approach, spending extra and worthy time to develop a rate methodology that benefits patients, maintains their care, and recognizes the unique environments, payer mixes and cost drivers each hospital and system has.

Sincerely yours,

Anna Roth, RN, MS, MPH
President and Chief Executive Officer
Tahoe Forest Hospital District

cc: Members of the Health Care Affordability Board:
David M. Carlisle, MD, PhD
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Darci Delgado, Assistant Secretary, California Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Megan Dahle, Senator District 1
Heather Hadwick, Assemblymember District 1

From: thomas.andrae@everyactioncustom.com on behalf of Thomas Andrae
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:14:50 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Thomas Andrae
[redacted]

From: tom@everyactioncustom.com on behalf of Thomas Burt
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:10:58 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Thomas Burt
[redacted]

From: tom.lane47@everyactioncustom.com on behalf of Thomas Lane
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:32:00 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially. It seems clear to me that our health care providers no longer view their patients as their customers but view our insurance companies as their customers and that, combined with private equity firms purchasing providers, have driven up costs for patients, while increasing profits for groups in between the providers and their patients. A good first step would be to ban private equity firms from owning healthcare providers. The next step would be to Nationalize healthcare.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Thomas Lane


From: tnultyjr@everyactioncustom.com on behalf of Thomas Nulty
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:10:32 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Thomas Nulty
[redacted]

From: print_70130@everyactioncustom.com on behalf of Thomas Tews
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 7:17:05 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Thomas Tews


From: thtaz2011@everyactioncustom.com on behalf of Tobey Thatcher
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:02:56 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Tobey Thatcher


From: beintheblk@everyactioncustom.com on behalf of Trisha Pahmeier
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:27:56 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Trisha Pahmeier


From: tmmacc15@everyactioncustom.com on behalf of Twyla M Meyer
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 1:25:24 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Twyla M Meyer
[redacted]

UNIVERSITY OF CALIFORNIA, BERKELEY

UC BERKELEY LABOR CENTER

UC Berkeley Labor Center
Institute for Research on Labor and Employment
2521 Channing Way
Berkeley, CA 94720-5555

office (510) 642-0323
fax (510) 643-4673
laborcenter@berkeley.edu
https://laborcenter.berkeley.edu

April 11, 2025

Kim Johnson, Chair, Health Care Affordability Board

Elizabeth Landsberg, Director, Department of Health Care Access and Information

Vishaal Pegany, Deputy Director, Office of Health Care Affordability
2020 W. El Camino Ave, Ste. 800
Sacramento, CA 95833

Dear Ms. Johnson, 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 policy making related to access to health coverage and health care affordability for workers and their families.

These comments are in response to the Office of Health Care Affordability (OHCA) Proposed Hospital Sector Spending Target Recommendations to the Board released February 25, 2025.

A large body of research has found significant variation in hospital prices after accounting for quality differences[1] and local wage differences.[2] In California, some hospitals are paid five times Medicare prices by commercial payers while other hospitals are paid commercial prices that are close to Medicare prices.[3] The high-end of this variation causes severe health care affordability challenges for consumers living in areas with high-cost outlier hospitals, as the Board has heard repeatedly in testimony from workers and consumers. Defining hospitals as a sector and adjusting targets for 11 high-cost outlier entities is an important way for OHCA to begin to address this problem using an approach outlined in the OHCA statute.[4]

1) Beginning with high-cost outlier hospitals is aligned with affordability focus

While the Board may consider defining additional sectors and adjusting targets for particular entities in those sectors in the future, starting with a small number of high-cost outlier hospitals is a logical and impactful first step given OHCA's charge of improving consumer affordability. Hospital spending is a major driver of premium affordability, privately-insured hospital patients face high out-of-pocket costs, and hospital costs are a major contributor to medical debt.

While this is true for the hospital sector overall, high-cost hospitals have a particularly severe impact on premium affordability, high out-of-pocket costs, and medical debt. For example, two

of the identified high-cost outlier hospitals are in Monterey County, and Covered California premiums in the region encompassing Monterey, Santa Cruz, and San Benito counties are significantly higher than the statewide average and that region has consistently had higher rate increases than other regions.[5] Additionally, the rate of having medical debt in collections is twice as high in Monterey County (6%) as it is in California as a whole (3%).[6]

Hospital care makes up the largest portion of premiums

Hospital care makes up a larger share of private insurance premiums than any other service category, which means hospital spending not only affects health care affordability for hospital patients but it is also a significant driver of premium affordability for all privately insured Californians. Hospital care made up 38.4% of all private insurance spending in the U.S. in 2023, compared to 26.3% for physician and clinical services and 12.1% for retail drugs.[7]

Out-of-pocket costs are high for privately insured Californians with a hospital admission

While only 5% of privately insured individuals are hospitalized each year,[8] individuals who are hospitalized can face very large out-of-pocket costs. An analysis by the Health Care Cost Institute found that the average annual out-of-pocket cost for individuals with employer-sponsored insurance who used inpatient hospital services was $3,151 in 2020, compared to an average of $660 for those who did not use inpatient care.[9] Affording several thousand dollars in out-of-pocket costs is likely to be difficult for many if not most households with private insurance given that 37% of Americans would not be able to cover an unexpected expense of $400 or would need to put it on a credit card, take a loan from a bank or a friend, or sell something, according to the Federal Reserve.[10]

Changes in employer health plan benefit design over the last couple of decades, including the growing prevalence and size of deductibles and coinsurance, have resulted in greater direct exposure to high hospital costs for consumers. Between 2007 and 2017, out-of-pocket spending among people with large employer coverage in the U.S. grew by a cumulative 205% for deductible spending and 74% for coinsurance spending, compared to 18% cumulative inflation growth over that same time period.[11] Benefit design changes are directly related to the growth in overall hospital and other health care spending. Even very large employers have limited bargaining power with hospitals;[12] as a result, employers' primary response to rapidly rising health care prices has been to shift costs to employees.[13]

How much out-of-pocket cost exposure did private sector California workers with job-based coverage have if they were hospitalized in 2022?

- 81% of covered workers had a general annual deductible for single coverage. The average deductible amount was $1,665, meaning most hospitalized individuals had to pay that full amount before coinsurance or copayments are applied. More than one in ten (12%) had a single deductible of more than $3,000.[14] Family deductibles are often double the single deductible amount.
- 71% had coinsurance for hospital admissions. Coinsurance rates, or the percentage of the hospital bill patients are required to pay after they've reached their deductible, were

typically in the range of 11-20% and nearly one-quarter of covered workers had a coinsurance rate that exceeds 20%.[15]

Unaffordable hospital bills are a common contributor to medical debt
Most Americans with medical debt incurred at least some of that debt using hospital care. A 2022 national survey by the Urban Institute indicated that 73% of U.S. adults with past-due medical debt reported that hospitals were either the sole source of medical debt or one of multiple health care settings contributing to medical debt. Those who had debt owed to a hospital were almost four times more likely to have debt of $5,000 or more (26.4%), compared to those with debt only from non-hospital providers (6.2%).[16]

2) <u>Recommended methodology for identifying high-cost hospitals is strong</u>

OHCA's recommended methodology for identifying high-cost outlier hospitals is transparent and relies on publicly available financial data reported by the hospitals to the Department of Health Care Access and Information. The methodology appropriately focuses on commercial spending, which is the area of greatest concern for consumer affordability. Additionally, the methodology uses two different approaches to measuring "high-cost" – a unit price measure and a relative price measure - and high-cost hospitals need to be repeat outliers above the 85th percentile on both measures in three out of five years. This combination of criteria helps to ensure that the hospitals on the list are true high-cost outliers.

The high-cost hospitals identified by this methodology are clear outliers. These hospitals' commercial inpatient net patient revenue per case mix adjusted discharge is twice the average for California hospitals as a whole. The identified hospitals are paid significantly more for commercial patients than what Medicare pays for the same services at the same hospital.[17]

Lastly, OHCA's recommended pace is cautious given that it would take 20 years for commercial net patient revenue per discharge for the high-cost outlier hospitals to converge with net patient revenue for hospitals at the 85th percentile, assuming that all hospitals in this example meet their specific spending targets.[18]

If adopted, OHCA's recommendation for hospital high-cost outlier targets would be an important step forward in beginning to address the affordability problems faced by California workers and their family members at hospitals that are particularly high-cost.

Sincerely,

Laurel Lucia
Director, Health Care Program

Endnotes

[1] See for example: Cooper, Zack, Stuart V. Craig, Martin Gaynor, and John Van Reenen. "The Price Ain't Right? Hospital Prices and Health Spending on the Privately Insured." *The Quarterly Journal of Economics* 134, no. 1 (February 1, 2019): 51–107. https://doi.org/10.1093/qje/qjy020.
[2] See for example: Scheffler, Richard M., Daniel R. Arnold, and Brent D. Fulton. "The Sky's the Limit: Health Care Prices and Market Consolidation in California." California Health Care Foundation, October 3, 2019. https://www.chcf.org/publication/the-skys-the-limit/.
[3] Presentation by Christopher Whaley, Office of Health Care Affordability Board Meeting, August 28, 2024, https://hcai.ca.gov/wp-content/uploads/2024/09/August-2024-OHCA-Board-Meeting-Presentation-1.pdf.
[4] State of California Health and Safety Code Division 107, Part 2, Chapter 2.6, Section 127502(e).
[5] Presentation by Jessica Altman, Executive Director, Covered California, Office of Health Care Affordability Board Meeting, August 28, 2024, https://hcai.ca.gov/wp-content/uploads/2024/09/August-2024-OHCA-Board-Meeting-Presentation-1.pdf.
[6] Urban Institute. "Debt in America: An Interactive Map," September 2024. http://urbn.is/2AnVzHa.
[7] Center for Medicare and Medicaid Services. "National Health Expenditures Accounts, Historical." https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html.
[8] 4.8% of people with private insurance used hospital care in 2019. Center for Disease Control and Prevention, "People with hospital stays in the past year, by selected characteristics: United States, selected years 1997–2019," https://www.cdc.gov/nchs/data/hus/2020-2021/HospStay.pdf.
[9] The Health Care Cost Institute (HCCI) also analyzed 2019 data and found similar results. HCCI. "ESI Enrollees Paid $853 on Average Out-of-Pocket for Health Care in 2020, But Some People Paid Over Four Times as Much." Accessed April 4, 2025. https://healthcostinstitute.org/hcci-originals-dropdown/all-hcci-reports/esi-enrollees-paid-853-on-average-out-of-pocket-for-health-care-in-2020-but-some-people-paid-over-four-times-as-much.
[10] Board of Governors of the Federal Reserve System. "Report on the Economic Well-Being of U.S. Households in 2022 - May 2023," May 2024. https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-expenses.htm.
[11] Peterson-KFF Health System Tracker. "Tracking the Rise in Premium Contributions and Cost-Sharing for Families with Large Employer Coverage." Accessed April 7, 2025. https://www.healthsystemtracker.org/brief/tracking-the-rise-in-premium-contributions-and-cost-sharing-for-families-with-large-employer-coverage/.
[12] Eisenberg, Matthew D., Mark K. Meiselbach, Ge Bai, and Aditi P. Sen. "Large Self-Insured Employers Lack Power to Effectively Negotiate Hospital Prices." *The American Journal of Managed Care* 27, no. 7 (July 2021). https://doi.org/10.37765/ajmc.2021.88702.
[13] David Blumenthal, "The Decline of Employer-Sponsored Health Insurance," December 5, 2017, https://doi.org/10.26099/dnqz-4g48.
[14] Claxton, Gary, Matthew Rae, and Anthony Damico. "California Employer Health Benefits: Cost Burden on Workers Varies — 2023 Edition." California Health Care Foundation, April 17, 2023. https://www.chcf.org/publication/2023-edition-california-employer-health-benefits/.
[15] Claxton, Gary, et al, 2023.
[16] Karpman, Michael. "Most Adults with Past-Due Medical Debt Owe Money to Hospitals." *Urban Institute*, March 2023. https://www.urban.org/sites/default/files/2023-03/Most%20Adults%20with%20Past-Due%20Medical%20Debt%20Owe%20Money%20to%20Hospitals_0.pdf.
[17] Office of Health Care Affordability Board Meeting, February 25, 2025, https://hcai.ca.gov/wp-content/uploads/2025/03/February-2025-OHCA-Board-Meeting-Presentation.pdf.
[18] OHCA, February 25, 2025.

UNITE HERE HEALTH

March 11, 2025

Kim Johnson, Secretary California Health and Human Services
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: Support for Recommendation on Target Values for High-Cost Hospitals

Dear Ms. Johnson, Ms. Landsberg and Mr. Pegany:

We write to support the recommendation made at the February 25 meeting to set lower cost targets for the high-cost hospitals noted in the presentation. While we would prefer even lower cost targets effective even sooner, we understand the Board's desire to move quickly but cautiously.

Of particular interest to our members are the inclusion of the Community Hospital of the Monterey Peninsula, Salinas Valley Health and Stanford in the list of high-cost hospitals as we have paid many outsized claims from these hospitals. As our members have testified, when excessive amounts are paid for care at these hospitals, not only do members face staggering out-of-pocket bills but they also forgo money in wages increases.

We remain unmoved by the hospitals' contention that commercial payers "must" be charged more to make up for alleged shortfalls in payments from Medicare and MediCal as well as to help underwrite deficits in other parts of their systems. These hospitals should find ways to decrease inefficiencies and reduce waste if they're looking for additional funds. Many hospitals have provided examples of projects they plan to undertake to meet the goals OHCA has set.

We hope that instead of arguing about the merits of the targets, the high-cost outlier hospitals will work to reduce their rates. This would be a real benefit to the communities they serve. Our members should not be afraid to go to the hospital because they fear they won't be able to pay the bills.

We greatly appreciate the hard work the OHCA Board and its staff are doing to bring some relief to our members.

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

Sincerely,

Ivana Krajcinovic
Vice President for Healthcare Delivery
UNITE HERE HEALTH

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

USC Schaeffer

Office of Health Care Affordability
c/o: Megan Brubaker
2020 West El Camino Avenue, Suite 1200
Sacramento CA 95834
Email: OHCA@hcai.ca.gov

To The Health Care Affordability Board:

We are writing in response to the request for public comment on the proposed hospital sector spending targets focusing on high-cost hospitals. As faculty at the USC Schaeffer Center for Health Policy & Economics, we have dedicated many years to studying healthcare markets and regulations in California and the U.S.

Our research — and basic economic principles — demonstrate that when you cap revenues and impose price supports on labor costs, then net revenues fall. Ultimately, quality can suffer, access is likely to be harmed and, often, higher cost suppliers exit the market. This risks leaving consumers with low-cost but low-quality care as their only option. When facing these policy-induced constraints, hospitals may also decrease the provision of certain services (such as emergency room care) that truly have value and benefit the public. Ultimately, we encourage the pursuit of high-value healthcare, rather than the current approach of dampening high spending without considering health benefits and value of care.

To the extent that OHCA will enforce spending targets, we have concerns about a specific aspect of the proposed methodology. The starting point of OHCA's approach is to identify high-cost hospitals to reduce their long-term spending growth to align with peers. To identify high-cost hospitals, OHCA relies in part on a constructed measure of Unit Price Repeat Outlier. The formula does not account for wage levels, which are largely related to local cost of living and general labor supply and demand factors beyond the control of the hospital.

Labor costs comprise a substantial portion (at least 46% according to KFF) of hospital operating costs, and hospitals are leading employers in many communities across the state. Legislators recognized the tension between efforts to curb rising hospital spending and labor market stability, including instruction in OHCA's enabling statute that spending target development should incorporate consideration of healthcare workforce stability and quality of jobs (§ 127506) and consider organized labor agreements (§ 127502 (d)(7)). Additionally, recent statutes phase in increasing minimum wages for many employees of healthcare facilities (Sections 1182.14, 1182.15, and 1182.16 of the Labor Code), which counters the spending reduction objectives of OHCA.

The Unit Price Repeats Outlier identification method can be modified to incorporate labor costs by applying the Medicare Wage Index to the calculation of Unit Price. The Medicare Wage Index is an existing public data resource. A feasible approach would be simply dividing the current Unit Price formula by the Medicare Wage Index as follows:

$$\text{Unit Price} = \frac{\text{Commercial Inpatient Net Patient Revenue} * \text{Case Mix Adjusted Discharge}}{\text{Medicare Wage Index}}$$

We would welcome further dialogue on the data and analytic approaches involved in developing hospital spending targets. Thank you for your service to our state.

Respectfully,

Erin L. Duffy, PhD, MPH
John A. Romley, PhD

From: VickyLou0804@everyactioncustom.com on behalf of V S
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Tuesday, March 11, 2025 9:48:31 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
V S


From:	valeriemorishige@everyactioncustom.com on behalf of Valerie Morishige
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Sunday, March 9, 2025 8:00:52 PM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Valerie Morishige
[redacted]

From: olsonmac@everyactioncustom.com on behalf of Valerie Olson
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Wednesday, March 12, 2025 9:05:29 AM

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.

I spent many years paying higher premiums to be sure I had good health coverage after retirement. Recently Medicare denied a claim that they should have paid and indicated they would pay if more information was submitted from hospital billing; however, the hospital said they would not re-bill. The big surprise was a $500+ bill from the hospital for a very simple blood test. Had Medicare approved the claim their maximum reimbursement to the hospital would have been less than $200 with a payout of 80% from Medicare and 20% from supplemental insurance. I believe hospitals should stay within the Medicare allowable amounts when billing patients instead of gouging the people who are paying out of pocket. For many people these excessive out of pocket expenses result in medical bankruptcy and even homelessness, often at a time when people are very old. I was able to pay the bill so I write this not for me, but for all the less fortunate, particularly older people, who the system has forgotten, at a time when out of pocket costs are soaring.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Valerie Olson


From:	care4animals@everyactioncustom.com on behalf of Vic Bostock
To:	HCAI OHCA
Subject:	Public Comment on Sectoral Spending Target Value
Date:	Saturday, March 8, 2025 9:36:41 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Vic Bostock
[redacted]

From: victoria.aja.art@everyactioncustom.com on behalf of Victoria Aja
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 9:15:03 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Victoria Aja


From: wmylius@everyactioncustom.com on behalf of Wanda Mylius
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Saturday, March 8, 2025 10:19:13 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Wanda Mylius


Washington Health

April 11, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

Subject: **Proposed Spending Growth Targets Will Reduce Access and Degrade Quality of Care**
(Submitted via email to Megan Brubaker)

Dear Chair Johnson:

Washington Health writes today to urge the Health Care Affordability Board to abandon its ill-considered attempt to define a group of hospitals as "high-cost" and penalize them with reduced spending growth targets. The methodology used to identify this group of hospitals is fundamentally flawed and based on data riddled with inconsistencies and anomalies.

Our assessment is that the OHCA analysis misrepresents Washington Health's cost profile. We are not a high-cost hospital. All that you have discovered is that our Medicare cost recovery rate is lower than many other hospitals'. As you well know, Medicare reimbursement varies dramatically from hospital to hospital, with academic medical centers receiving much higher Medicare reimbursement than independent, community hospitals like Washington Health. Our lower Medicare reimbursement artificially inflates the two measures on which OHCA's analysis is based. By focusing exclusively on commercial and Medicare revenues and costs, OHCA ignores the work that Washington Hospital does to control costs and promote affordability for our patients. This is a colossal blunder with real-world consequences.

To be sure, the downstream impacts caused by the reduced spending growth targets will be far-reaching and consequential for patients served by Washington Health. In the first instance, access to care will be impacted in a variety of ways. Wait times to see physicians and providers will increase as we are forced to make cuts in our medical group, and patients will be forced to travel out of South County as we close services to control costs.

Which services will the OHCA targets force us to close in the next few years? In February this year, Saint Rose Hospital in Hayward closed its Labor and Delivery unit, which has resulted in more Medi-Cal patients covered by Alameda Alliance delivering at Washington. As a District hospital that accepts all patients, we are happy to welcome these families and their newborns. But the financial impact on our L&D unit has not been positive, and we will have no choice but to evaluate the sustainability of the service. We will also have to re-evaluate how many Alameda Alliance patients we can accept as patients. By saddling Washington Health with this reduced growth target, the Health Care Affordability Board will be directly responsible for stripping healthcare access from the most vulnerable residents of southern Alameda County.

Perhaps the most dismaying aspect of this proposal is how divorced from reality it is. At the March board meeting, there was talk about hospitals needing to find efficiencies and eliminate waste to meet the reduced growth targets. As a health system that implemented LEAN nine

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years ago, we have been laser-focused on continuous improvement and increased efficiency for almost a decade. We have successfully implemented process improvements and driven down costs in supply chain, operating rooms, emergency department, and many other clinical and non-clinical areas. Despite this focus, for a host of external reasons, we have still had to close services that do not break even. Just last year, in October 2024, we shuttered our pediatric unit because it had become cost prohibitive.

OHCA's approach to the hospital sector and targeting of these eleven hospitals fails to take into account the headwinds that hospitals and health systems face every day from external factors. How exactly are we supposed to absorb inflationary pressures on the cost of pharmaceuticals, surgical supplies, and IT infrastructure with a 1.8 percent growth target, shrinking to 1.6 percent in a few years? How do we match the market with the cost of labor in the Bay Area? How do we absorb an increasing percentage of government-sponsored patients, when Medicare and Medi-Cal do not cover the cost of care? How do we pay for California state mandates that are not funded by the state, including seismic requirements? How do we continue to serve patients when we have not had a positive consolidated bottom line in two years? How do we absorb the cuts in Medicaid being proposed by the federal government? How do we negotiate with commercial payers when we are hobbled by the OHCA growth targets?

To think that health systems can find enough operational efficiencies to balance the books with OHCA's revenue cap is magical thinking. It will be impossible to meet the reduced cost growth targets without cutting services, reducing access, and implementing reductions in force. It is extremely disappointing that the Health Care Affordability Board is unwilling to look the consequences of its actions in the eye. Instead, board members focus on the savings that they imagine this exercise will deliver to consumers. Having dealt with commercial payers for decades, we see this for what it is – a pipedream. Consumers will see only minimal savings. Instead, the insurance industry will reap ever-greater profits.

Finally, in our judgement, OHCA has exceeded its authority as outlined in the Health and Safety Code that addresses statewide health care cost targets. The code requires OHCA to:

1. "Promote the goal of improved affordability for consumers and purchasers of health care, while maintaining quality and equitable care . . ." The approach being pursued by the Health Care Affordability Board does exactly the opposite.
2. "Provide differential treatment of the 2020 and 2021 calendar years due to the impacts of COVID-19 on health care spending and health care entities." Nothing we see in the OHCA methodology takes into account the COVID-19 pandemic in the analysis.

Washington Health has always been committed to providing District residents affordable, high-quality care. We see promoting health care affordability as a shared responsibility. To make a real difference in the cost of care, the entire health care system — insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others — must work together.

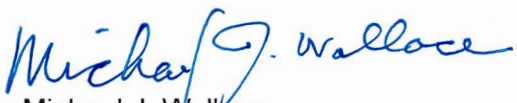
We ask that the OHCA board step back from its current path and seriously consider the impact of its actions. Quality of care and access to care should not be sacrificed in the pursuit of lower costs. Continuing down this path and scapegoating 11 hospitals on the basis of bad data and

faulty analysis will do virtually nothing to reduce costs. Here, in Southern Alameda County, where Washington Health is the safety net provider, the course of action you intend to take will only damage patient care and diminish access for uninsured and underinsured community members.

Sincerely,

Kimberly Hartz
Chief Executive Officer
Washington Health

Sincerely,



Michael J. Wallace
President, Board of Directors
Washington Township Health Care District

cc: Members of the Health Care Affordability Board:
Dr. Sandra Hernández
Dr. Richard Kronick
Ian Lewis
Elizabeth Mitchell
Donald B. Moulds, Ph.D.
Dr. Richard Pan
Elizabeth Landsberg, Director, Department of Health Care Access and Information
Vishaal Pegany, Deputy Director, Office of Health Care Affordability
Senator Aisha Wahab
Assemblymember Alex Lee
Assemblymember Liz Ortega

From: flmwbm@everyactioncustom.com on behalf of Winston Morris
To: HCAI OHCA
Subject: Public Comment on Sectoral Spending Target Value
Date: Sunday, March 9, 2025 11:20:17 AM

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.

High health care expenses, specifically high hospital bills and monthly insurance premiums, have caused me to delay or ration care and make difficult decisions about what to prioritize financially.

I support the Office of Health Care Affordability's recommendation to set a specific, lower, spending target value for disproportionally high-cost hospitals without any further delays. Californians like myself need OHCA to make health care more affordable, especially now when people are struggling to afford food and rent.

Sincerely,
Winston Morris


Dignity Health
A member of CommonSpirit

Woodland Memorial Hospital
1325 Cottonwood Street
Woodland, CA 95695
Direct (530) 669.5356

April 9, 2025

Megan Brubaker
Office of Health Care Affordability
2020 W El Camino Ave., Suite 1200
Sacramento, CA 95833

Subject: **Dignity Health Woodland Memorial Hospital Opposes Proposed Hospital Sector Spending Target Recommendations**
(Submitted via email to OHCA@HCAI.ca.gov)

Dear OHCA Board Members and Staff,

On behalf of Dignity Health Woodland Memorial Hospital, I appreciate the opportunity to provide comments regarding OHCA's consideration of sector-specific spending targets and the methodology for determining a high-cost hospital list. I am deeply concerned about the speed and the process that has been taken to develop this list and the overall hospital sector spending targets and urge the Office to take additional time for analysis and discussion before finalizing sectors or corresponding targets.

Patients' access to care is at stake and Dignity Health Woodland Memorial Hospital remains committed to achieving our shared goals of affordable, high-quality care, and we ask that OHCA proceed with a keen eye toward ensuring that care is not diminished in a hasty pursuit. Establishing a hospital sector-specific spending target first and identifying high-cost hospitals without a comprehensive analysis, including ignoring uncontrollable cost factors like the required 2030 seismic retrofitting, which will cost more than $100 billion statewide, or the new $25/hour minimum wage, risks destabilizing hospitals and reducing access to essential services. These uncontrollable cost factors, paired with significant underfunding from Medicare and Medi-Cal, are making it extremely difficult for us to continue to provide care for our community.

For over 116 years, Woodland Memorial Hospital and Woodland Clinic Medical Group have been dedicated to serving the healthcare needs of the residents of Yolo, Solano, and Colusa counties. A unique and vital component of Woodland Memorial Hospital is our Behavioral Health Unit. WMH is one of only four inpatient psychiatry units in the state of California equipped to treat patients with both primary psychiatric diagnoses and acute medical needs. Woodland Memorial Hospital consistently demonstrates a commitment to high-quality care and patient safety, evidenced by its Leapfrog Safety Grade A, Commission on Cancer accreditation, AACVPR certification, American Heart Association's Get with the Guidelines-Stroke Gold Plus Award and Primary Stroke Center Certification from The Joint Commission (TJC).

Woodland Memorial Hospital primarily serves Yolo County which has one of highest levels of poverty in the state of California. Our payer mix is 23% commercial and 77% government, self-pay, and charity. Our payor mix significantly impacts our financial health.

OHCA's spending targets fail to adequately consider the impact of inflation and other rising costs that are beyond hospitals' control. Ignored areas include pharmaceutical costs, general inflation, and other state or federal mandated spending. Pharmaceutical costs are high and rapidly increasing, particularly with the rise of gene therapies and other advanced treatments. It is a significant driver of hospital expenses. Since 2000, California has experienced a cumulative inflation rate of approximately 67.5%, significantly increasing the cost of supplies and services. Hospital cost inflation trends confirm this pressure:

- FY 2024 Salaries and benefits costs rose 6.4% over the prior year.
- FY 2024 Supplies costs rose 6.1% over the prior year.
- FY 2024 Purchased services costs rose 8.0% over the prior year (adjusted for California's provider fee).
- Recent Kaufman National Hospital Flash Reports validate these trends, showing labor costs rising 5%, supplies 9%, and pharmaceuticals 9%.

We face numerous state and federal mandates that increase costs, including seismic retrofit requirements that must be met by 2030 that will cost hospitals in the billions. These obligations must be factored into spending targets, sector specific spending targets, and any development of a "high-cost" list. OHCA must address these underlying cost drivers or risk imposing artificial constraints that do not actually improve affordability for patients.

Ignoring key factors will force Dignity Health Woodland Memorial Hospital to cut community investments and access, potentially eliminating vital services like maternal child health and cardiac wellness, requiring patients to travel over 45 minutes to Sacramento. High-cost capital investments, including state-required seismic upgrades, operating room retrofits, and imaging services, may also be re-evaluated. Our aging facility and equipment, some beyond repair due to unavailable parts, necessitate costly replacements, challenging our ability to serve the community as we have for over a century.

Less than 23% of gross charges come from commercial payers; that means that more than 77% of our patient care results in government payers, self-pay, or charity care. Dynamics between commercial and government payers need to be accounted for: Approximately 3 out of 4 inpatients, and 72% of those who come to our hospital, rely on Medi-Cal, Medicare and other government products for their health coverage. This results in 72% of patients and reimbursement under these programs falls far short of covering our costs - For Dignity Health Woodland Memorial Hospital, this dynamic resulted in over $41.4 million in losses last fiscal year.

We have significant concerns with the premature development of the sector target, a "high-cost hospitals" list and what staff have used or excluded in their determination of which hospitals fall on this list for many of the reasons mentioned above. One of the most obvious areas for concern for the spending targets that is also very relevant for this sector list: Focusing ***solely*** on the ***commercial*** year over year revenue caps, the office is missing the complete picture, and does not solve the underlying problem causing commercial rates to necessarily bridge the gap.

Dignity Health Woodland Memorial Hospital is already striving to figure out how we would meet the recently set 3.5% spending target. However, setting specific sector targets and lowering the target further for certain hospitals—without a clear understanding of how spending will be measured—would force us to reduce the care we provide. While it is difficult to predict exactly

which services would be impacted, it is clear that further constraints would negatively affect our ability to maintain or expand services for our community's most vulnerable populations.

Health care affordability is a shared responsibility, and we remain committed to working with OHCA and other stakeholders to achieve sustainable cost containment strategies. However, imposing one sector's spending targets without addressing the real cost drivers will only undermine our ability to provide high-quality care. We urge OHCA to take additional time for analysis and continue with further stakeholder engagement before finalizing any sector-specific targets or high-cost hospital determinations.

We appreciate your consideration of our concerns and welcome further dialogue on this critical issue.

Sincerely,

Gena Bravo
Hospital President
Dignity Health Woodland Memorial Hospital