OHCA

Office of Health Care Affordability

Department of Health Care Access and Information

Patient and Consumer Forum on Health Care Affordability

March 10, 2026

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Welcome and Agenda

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Agenda

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Welcome and Introduction

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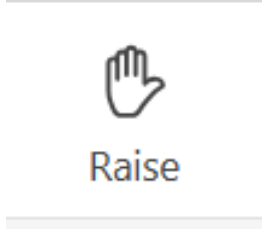
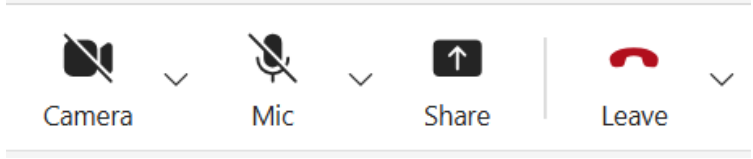
Open Forum

Meeting Expectations for Participants

- Microphones will be enabled during discussion periods and open forum. Please limit discussion and questions to the topic being presented.
- To raise your hand, click the “Raise Hand” feature at the top of your screen.
- Participants will be called upon in order.



- Once your name is called, please select the microphone icon in the top bar of your screen to unmute.



- Please keep comments brief to ensure everyone has a chance to provide comments.

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Introduction to the Patient and Consumer Forum

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Forum Overview

The Patient and Consumer Forum on Health Care Affordability is a meeting where the Office of Health Care Affordability (OHCA) will engage directly with patients, consumers, and advocates on OHCA's work to promote more affordable health care while maintaining or improving access, equity, and quality.

In each forum OHCA staff will present on office topics, followed by a discussion period where attendees can engage with staff about the presented topics.

OHCA staff will attempt to answer all questions. If the office is unable to address all questions, it will strive to answer them offline or at future forum meetings. You may also send questions directly via email to OHCA at OHCA@HCAI.CA.GOV.

Other OHCA Public Meetings

While this forum is geared toward patients and consumers, and patient and consumer advocacy groups, there are other public meetings available to engage with the Office and the Board.

Health Care Affordability Board	Health Care Affordability Advisory Committee
These are public meetings of the 8-member board. Held 9-12 times per year. Attendees include: the general public, patients and consumers, health care entities, unions, consumer advocacy organizations, and trade associations.	These are public meetings of the 32 member advisory committee with representatives from various aspects of the health care delivery system. Held Quarterly. Attendees include: the general public, patients and consumers, health care entities, unions, consumer advocacy organizations, and trade associations.

OHCA convenes other groups to provide input on technical implementation issues, such as, data submission, primary care measurement and reporting, and measuring alternative payment model adoption.

To learn more about these and other OHCA public meetings, please visit: https://hcai.ca.gov/affordability/ohca/#public-meetings.

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An Overview of the Office of Health Care Affordability

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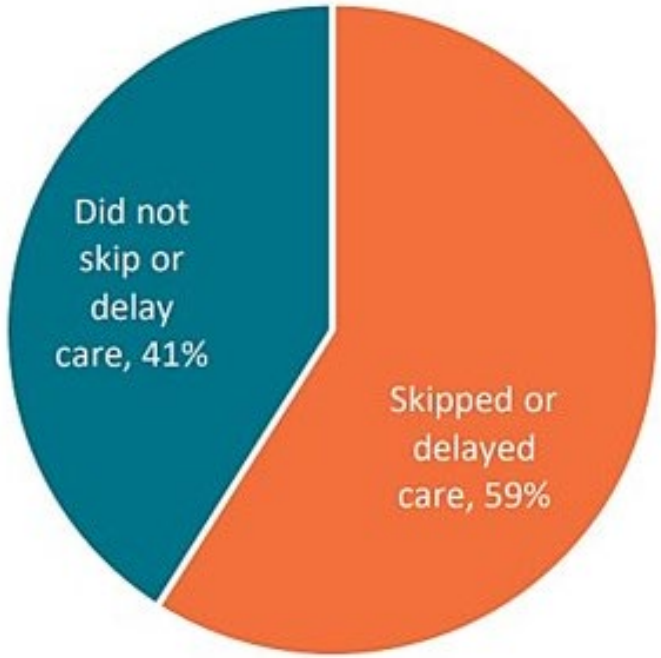
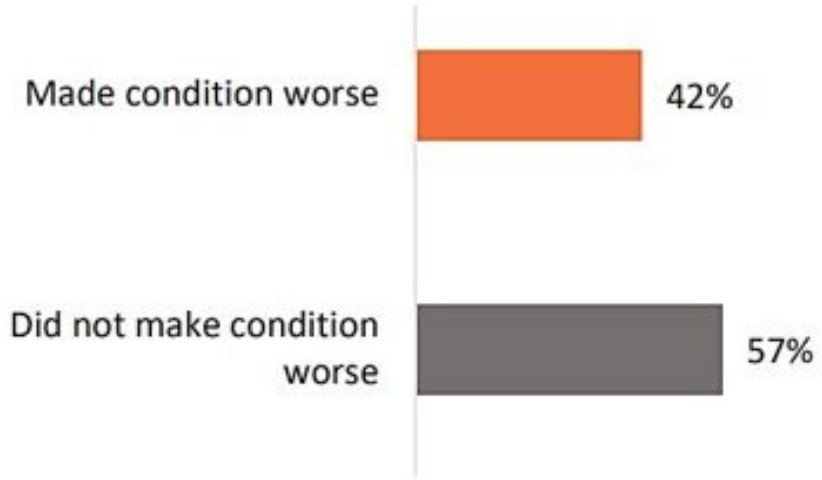
Health Care is Unaffordable

- Six in 10 Californians skipped or delayed care due to cost.
  - For low-income families, this number rises to 74%.
- More than 8 in 10 Californians (83%) say that making health care affordable is an “extremely” or “very” important priority for state policymakers in 2026.
- Costs in the health care system have grown unchecked for decades.
- Data shows there are significant opportunities to reduce excess spending in the health care system.
  - Around 25 cents of every health care dollar spent, as much as 73 billion dollars a year in California, does not go towards better patient care.
- 3 Main Reasons Why
  - Administrative waste
  - Unfair pricing and too few choices
  - Not enough prevention in health care

High Health Care Costs Lead to Worsened Health Conditions

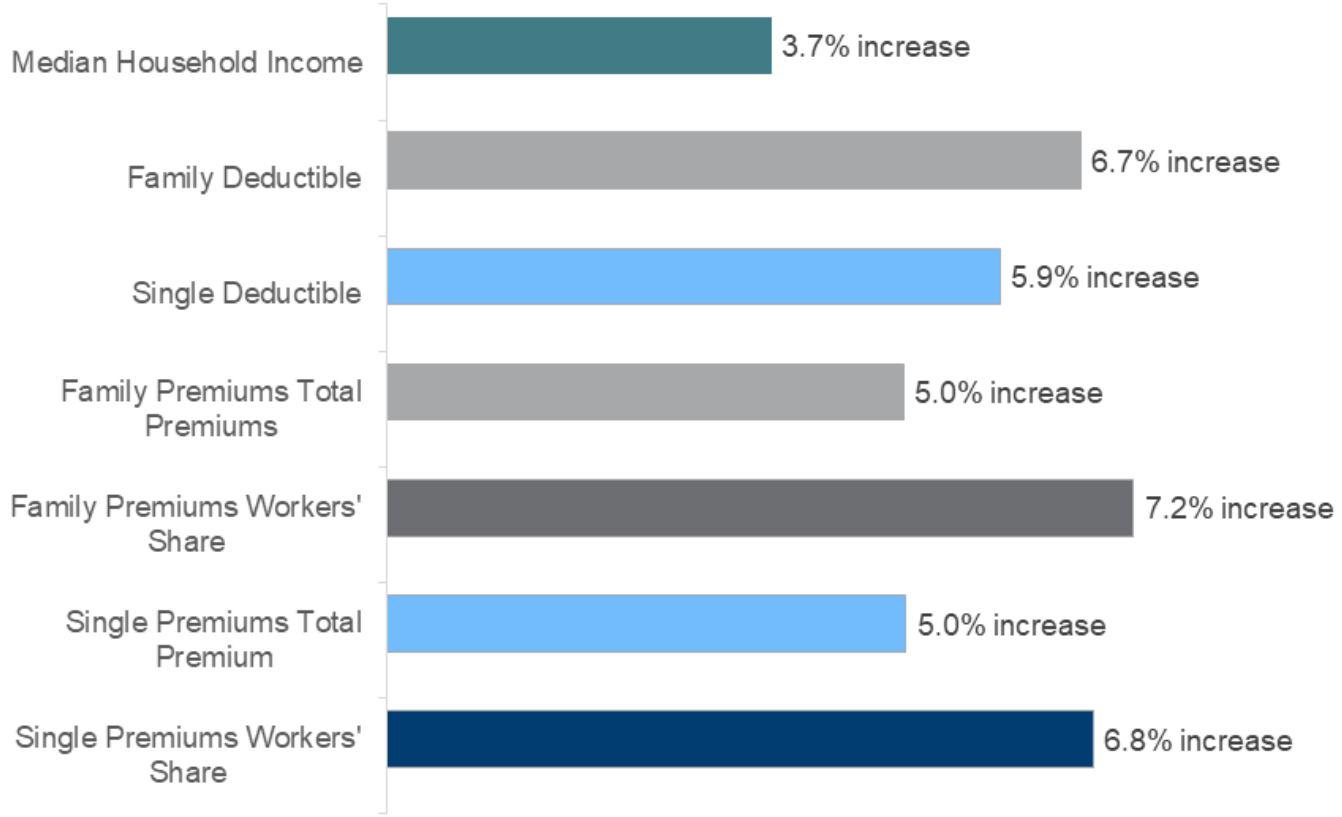
Figure 21. Six in 10 Californians Report Skipping or Delaying Care Due to Cost; 4 in 10 of Those Say Skipping Care Made Their Condition Worse





Joynt, J., Catterson, R. Alvarez, E. (2026, February). *The 2026 CHCF California Health Policy Survey*. California Health Care Foundation. https://www.chcf.org/resource/2026-california-health-policy-survey/

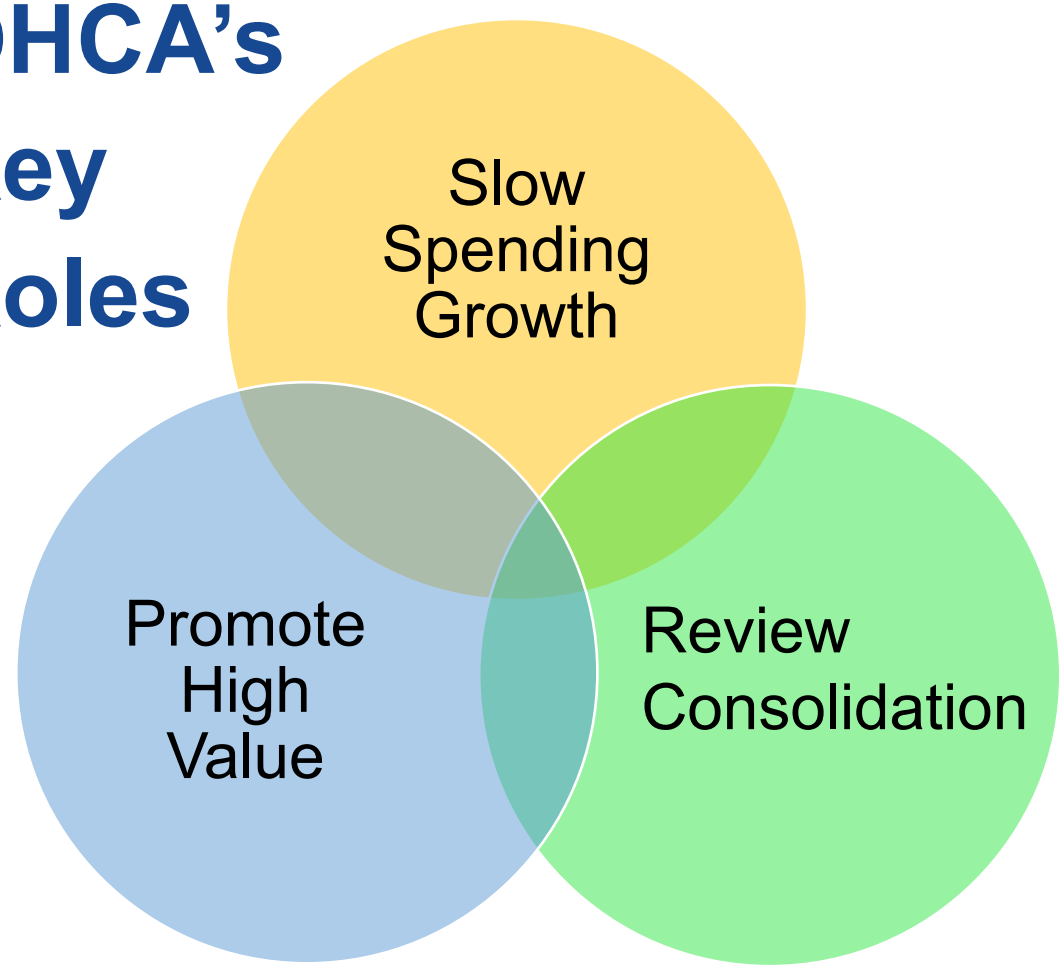
Average Annual Growth Rates for Premiums and Deductibles for Private Sector Workers and Median Household Income in California, 2004 – 2024



OHCA Enacted in 2022

In response to the health care affordability crisis, Governor Newsom proposed creation of the OHCA, and it was established in 2022 within the Department of Health Care Access and Information (HCAI).

OHCA's Key Roles



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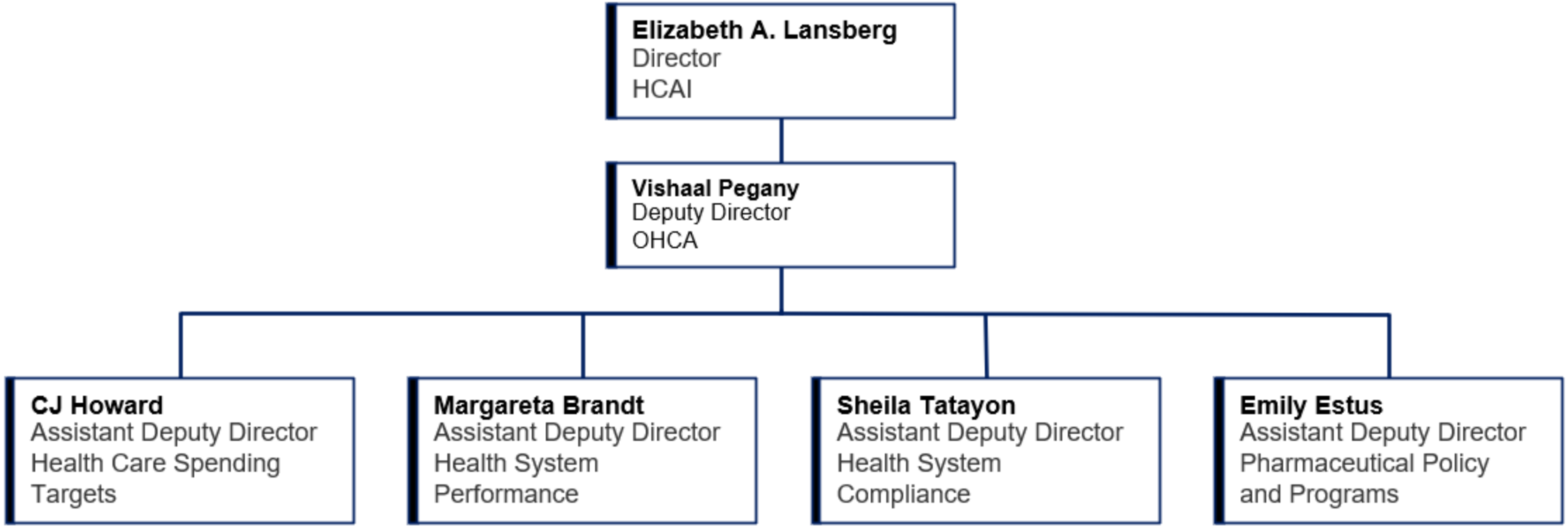
OHCA Organization Chart



Health Care Affordability Board and Advisory Committee

Health Care Affordability Board

- Set spending targets, both statewide and sector-specific, and inform enforcement of the spending targets
- Approve key benchmarks, such as statewide goals for alternative payment model adoption
- Appoint a Health Care Affordability Advisory Committee to provide input on a range of topics

Advisory Committee

Provide recommendations and input to the Board on:

- Statewide health care spending target and specific targets by health care sector and geographic region
- Method for setting spending targets and adjustment factors to modify targets when appropriate
- Definitions of health care sectors
- Benchmarks for primary care and behavioral health spending
- Statewide goals for the adoption of alternative payment models and standards
- Quality and equity metrics
- Standards to advance the stability of the health care workforce
- Other areas requested by the Board or Office

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Slow Spending Growth: Facts About the Spending Target

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Defining Health Care Spending

What is health care spending?

Health Care Spending or **Total Health Care Expenditures (THCE)** measures the amount of money a health care entity spends on patient health care for the year.

What is a health care entity?

Health care entities include providers and payers of health care services, as well as fully integrated delivery systems.

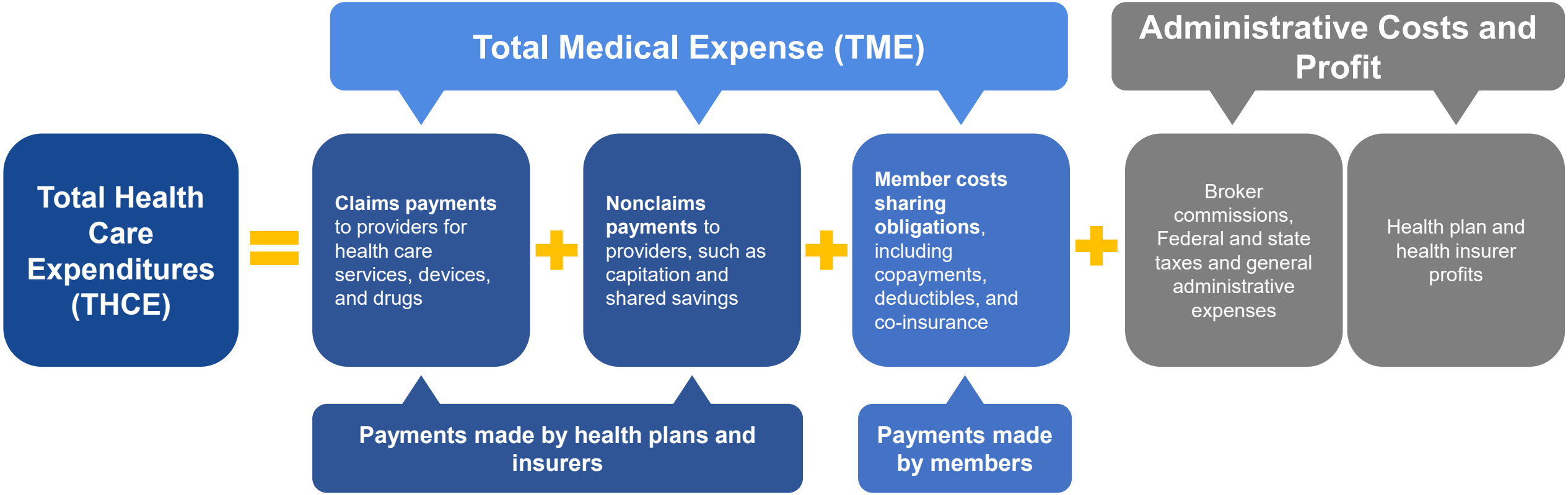
How does OHCA calculate a health care entity's spending (THCE)?

The Total Health Care Expenditures (THCE) calculation includes two major parts*:

- **Total Medical Expense (TME):** Payments made by health plans, insurers, and members
- **Administrative costs and profits:** Non-medical expenses and additional costs such as health plan and health insurer profits, broker commissions, Federal and State taxes and general administrative expenses.

*Depending on the type of entity, the calculation method can differ, but the overall goal is the same: to understand how much entities are spending and how fast those costs are rising.

Components of Total Health Care Expenditures



Why are THCE and TME important?

The Total Health Care Expenditure (THCE) calculation and Total Medical Expense (TME) measurement will be used to:

- Calculate an entity's spending increase and performance against spending targets.
- Develop OHCA's Reports on Statewide Spending.
- Inform OHCA recommended policies and strategies to make care more affordable.

What is an Entity's Spending Growth?

Spending growth is a percentage that a health care entity's spending (THCE) grows per person from one year to the next.

Example: An entity spent $1,000 per person in 2010 and $1,300 per person in 2011. That's 30% spending growth from one year to the next.

What is the Spending Target?

In April 2024, the Health Care Affordability Board established a 3.5% spending target for the year 2025 that would gradually decrease to 3.0% in 2029.

The targets are based on the average median household income growth from 2002-2022, ***signaling that health care spending should not grow faster than the income of California families***.

Year	Target
2025	3.5%
2026	3.5%
2027	3.2%
2028	3.2%
2029	3.0%

Spending Growth and Spending Targets

Spending Growth	Spending Target
Spending growth is the percentage that a health care entity's spending (THCE) grows per person from one year to the next.	Spending targets are the percentages that a health care entity's spending (THCE) can grow per person from one year to the next.
Example: An entity spent on average $10,000 per person in 2010 and $11,000 per person in 2011. That's **10% spending growth** from one year to the next.	**Example (continued):** The Board established a 3.5% spending target. After establishing the spending target, the entity that spent $10,000 per person in year 1 would then be required to spend up to $10,350. That's **3.5% spending growth** from one year to the next.

Hospital Sector Target

In response to many months of public testimony about high hospital costs and many additional months of analysis of hospital cost data, at the January 2025 Health Care Affordability Board meeting, the Board voted unanimously in favor of defining a health care sector consisting of all hospitals.

- CMS data shows that nearly 40% of health care spending in California occurs in hospitals, making this a potentially high-impact area to improve affordability for consumers.
- Hospital prices vary widely across the state, with over five times price variation that is not attributed to higher quality care or better health outcomes, but is instead correlated with market concentration.

Defining a hospital sector enabled the board to set a lower target for high-cost hospitals.

Wilson, K. (2023, March 14). “2023 Edition – California Health Care Spending.” California Health Care Foundation. https://www.chcf.org/publication/2023-edition-california-health-care-spending/#related-linksand-downloads. These findings were presented by Christopher Whaley at the August 2024 board meeting and is based on analysis of data from the following study: Whaley, C. M., Kerber, R., Wang, D., Kofner, A., & Briscombe, B. (2024). Prices paid to hospitals by private health plans: findings from round 5.1 of an employer-led transparency initiative

Variability of Hospital Prices

Disproportionately high-cost hospitals are those that are **repeat outliers on both unit and relative price measures**. Repeat outliers are defined as being above the 85th percentile for 3 out of the past 5 years.

- **Commercial Unit Price:** Price per standard unit for Commercial inpatient care. Represents dollar amounts and accounts for the amount and intensity of inpatient care delivered.
- **Relative Commercial to Medicare Price:** Ratio contextualizes commercial payments based on standard, national benchmark. Includes inpatient and outpatient revenue.

Measure 1 = Commercial Unit Price

Hospital Group	Pooled Average 2018-22
All Other Comparable Hospitals	$20.3K
7 High-Cost Hospitals	$40.4K

Measure 2 = Relative Commercial to Medicare Price

Hospital Group	Pooled Average 2018-22
All Other Comparable Hospitals	198%
7 High-Cost Hospitals	351%

Adjusted Spending Target for High-Cost Hospitals

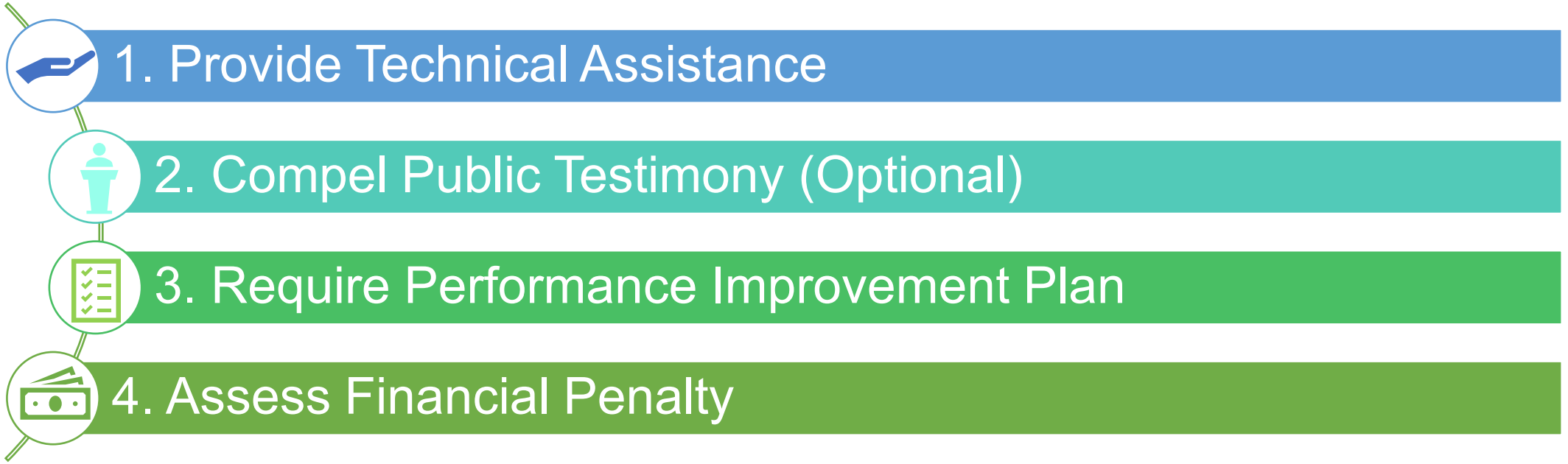
In April 2025, the Health Care Affordability Board voted unanimously to set a lower target for high-cost hospitals.

- Most hospitals are subject to the statewide spending target.
- For seven high-cost hospitals, and the Board set the spending target at 1.8% in 2026, 1.7% in 2027 and 2028, and 1.6% in 2029.
    - Community Hospital of The Monterey Peninsula, Doctors Medical Center – Modesto, Dominican Hospital, Salinas Valley Memorial Hospital, Santa Barbara Cottage Hospital, Stanford Health Care, and Washington Hospital – Fremont.
- Each year, the Office will provide the Board with an updated list of hospitals which meet the high-cost criteria and an updated list of factors to be considered in identifying high-cost hospitals.

Assessing Performance Against the Spending Target

Entity's that exceed the spending target will enter into the progressive enforcement process.

- All entities that miss the target will start at step 1 – Technical Assistance.
- Depending on director's discretion, the entities may move on to the next enforcement steps.



What are the potential enforcement considerations?

OHCA may consider factors that caused an entity to exceed the spending target during enforcement.

The intent is to consider spending increases driven by factors outside the entity's control (e.g., high-cost patient outliers) and increases that could be potentially beneficial in improving the system long-term (e.g., investments in primary care).

OHCA is in the process of developing enforcement considerations with input from the public and Board. As such this list is not final and subject to change.

Historical Spending Growth
Entity Baseline Costs
Impact on Consumer Access and Affordability
Population Characteristics
High-Cost Patient Outliers
High-Cost Drugs
Investments in Primary and Preventive Care
Changes in State and Federal Law
Acts of God or Catastrophic Events

Concluding Points on Spending Growth

What OHCA Does	What OHCA Does Not Do
• Track and publicly report health care spending across California • Set statewide spending growth targets and sector targets • Enforce spending targets	• Does not set prices or cap prices for health care services • Does not reduce services or decide what care patients receive • Does not control entities financial decisions

Why this matters: Health care costs keep rising faster than household median income. Our job is to slow the growth of spending over time and promote affordable and accessible health care.

If you have any questions or comments on the **OHCA Overview** and **Spending Growth and Targets sections**, this is your opportunity to speak.

Staff will do our best to answer questions, but may need to follow up offline or at a future forum date.

You may send additional questions and comments to our inbox at OHCA@HCAI.CA.GOV.

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Review & Monitor Health Care Consolidation

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About Health Care Consolidation

What is Health Care Consolidation?

Health care consolidation refers to the mergers, acquisitions, and affiliations of health care entities to combine. While consolidation may achieve some efficiencies, it may also negatively impact costs, quality, and access to care.

What is a Material Change Notice (MCN)?

When health care entities enter into consolidation agreements, the entities (health care entities and other entities) may need to file a Material Change Notice (MCN) with OHCA so that OHCA can review the merger.

What is a Cost and Market Impact Review (CMIR)?

If OHCA finds the transaction may negatively impact competition, affordability, access, quality, or the state's ability to meet health care cost targets, OHCA will conduct a cost and market impact review (CMIR) to investigate the merger further.

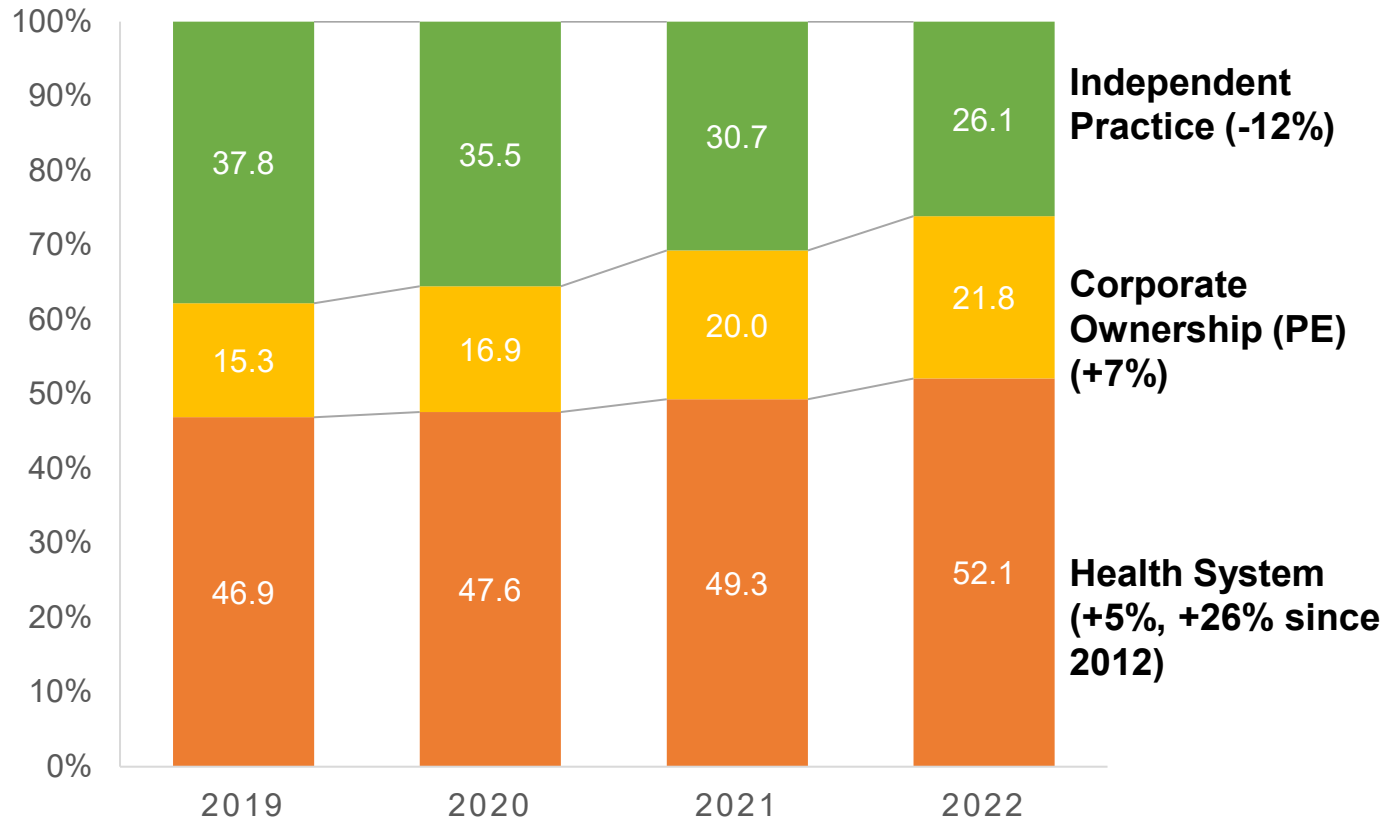
Impact of Hospital Mergers and Consolidation

Cost Impacts: Within Market Consolidation	• Hospital price increases of 20-44% (some as high as 55-65%) • Bystander hospitals also raise prices following a merger
Cost Impacts: Cross-Market Consolidation	• Prices rise 7-9% at acquiring hospitals, 17% at acquired hospitals with out-of-state purchaser • Bystander hospitals also raise prices
Quality	• Most studies find no significant quality benefits • A few have shown modest improvements in a few measures • Other studies indicated higher mortality and worse quality when there is less competition

Merger Trend: Acquisition of Physicians

- Vertical integration *could* reduce administrative costs, streamline care, and reduce unnecessary services.

- But the evidence is…
  - **Health system ownership**:
    - Higher prices and spending (10-20%)
    - Higher use of high intensity services
  - **Private equity ownership**:
    - Higher prices
    - Increased utilization of high-cost services
    - Mixed quality measures
    - Lower patient experience scores



Data from PAI-Avalere Health Report on Trends in Physician Employment and Acquisitions of Medical Practices: 2019-2021

OHCA's Oversight Role in Reviewing Health Care Consolidation

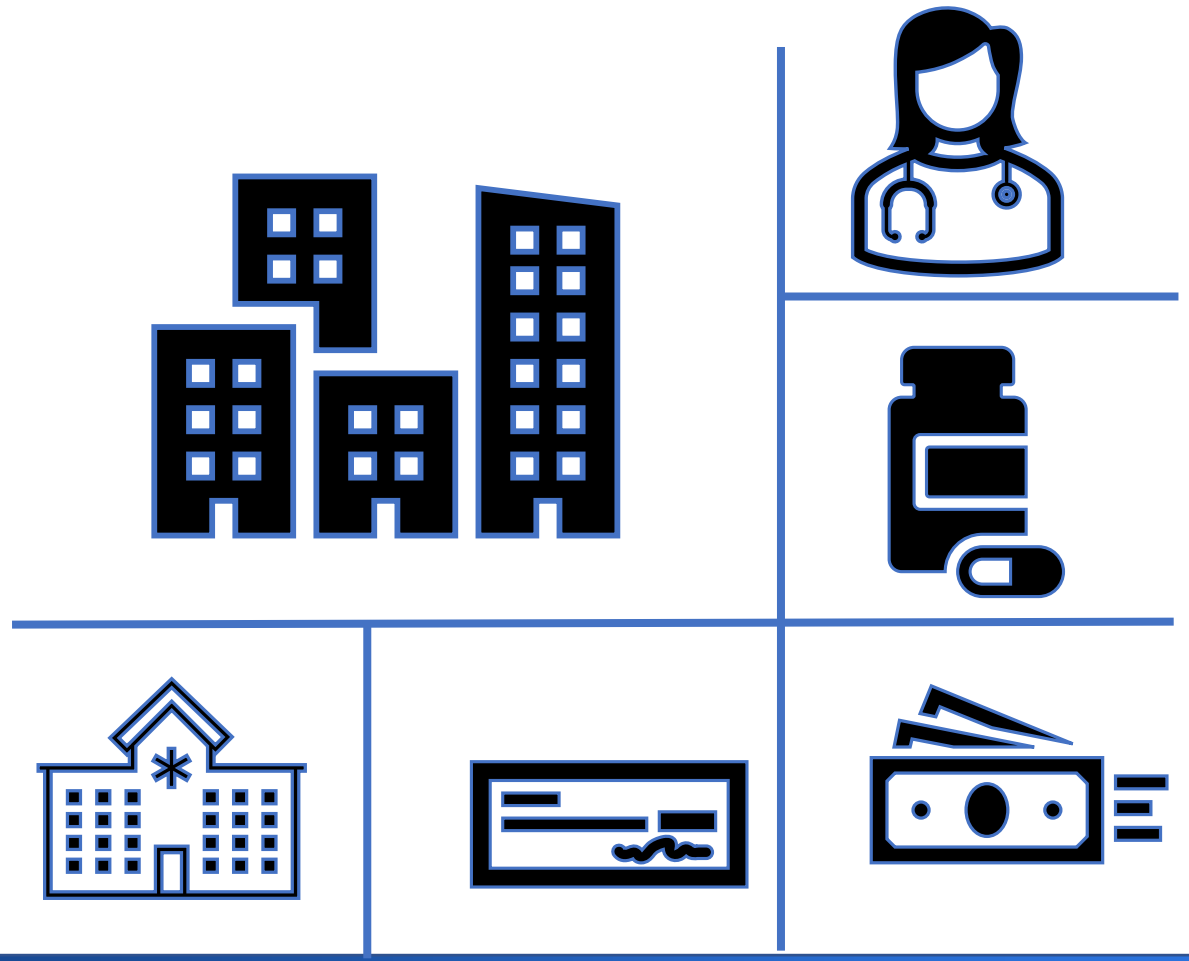
Support the Attorney General, the Department of Managed Health Care, and the Department of Insurance and examine impact, both negative and positive, on cost for consumers, access, and quality.

Seek input from the parties and the public and report on the anticipated impacts to the health care market.

Collect and report information to the public.

Refer transactions that may reduce market competition or increase costs to the Attorney General for further review.

Promoting Market Competition: Material Change Transaction Notices and AB 1415



Entities Required to File:

- Payers
- Providers
- Hospitals
- Pharmacy Benefit Managers
- Parents, affiliates, subsidiaries acting as an agent of a payer.

AB 1415 Expanded Requirements to:

- Private Equity Groups and Hedge Funds.
- Management Service Organizations (MSOs)
- Authorize OHCA to collect data and information from MSOs.

OHCA Review of Material Change Notices Cost and Market Impact Reviews (CMIR)

Material Change Notice (MCN) must be submitted

90 days before the transaction is scheduled to close

OHCA's preliminary review – within 45 days if OHCA will waive the transaction from CMIR or 60 days if CMIR warranted

Possible Cost and Market Impact Review (CMIR)

Concluding Points on Reviewing Market Consolidation

What OHCA Does	What OHCA Does Not Do
• Review proposed mergers and acquisitions involving health care entities • Conduct cost and market impact reviews (CMIRs) when a transaction is likely to affect competition, affordability, or the state's ability to meet health care cost targets • Work with other state and federal regulators to share analysis and coordinate oversight when appropriate	• Does not automatically block or approve mergers

Why this matters: When health care organizations combine, it can reduce competition and lead to higher prices for patients, employers, and taxpayers. Independent review helps the state understand the potential impact of these transactions and respond in a way that protects affordability and access.

Market Consolidation Information

- To date, OHCA has reviewed over 40 transactions with two CMIRs currently pending.
- OHCA conducted a Study of Hospital Market Competition in Monterey County. https://hcai.ca.gov/document/investigative-study-of-hospital-market-competition-in-monterey-county/
- FAQs are available on OHCA's website. https://hcai.ca.gov/mcn-cmir-faqs/
- OHCA maintains a public list of past and ongoing material change notices.
- OHCA routinely responds to questions by email about the CMIR Program. CMIR@HCAI.ca.gov

If you have any questions or comments on the **Assessing Health Care Market Competition** section, this is your opportunity to speak.

Staff will do our best to answer questions, but may need to follow-up offline or at a future forum date.

You may send additional questions and comments to our inbox at OHCA@HCAI.CA.GOV.

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Promoting High Value Care

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Promoting High Value System Performance: Focus Areas

Primary Care Investment	Increasing investment in primary care that promotes better population health and lower total costs.
Behavioral Health Investment	Increasing investment in behavioral health to promote improved outcomes for Californians with behavioral health conditions.
Alternative Payment Model Adoption	Incentivizing equitable, high-quality, and cost-efficient care by moving away from paying for each service to paying for keeping patients healthy.
Quality and Equity Performance	Promoting high-quality and more equitable health care for all Californians by evaluating quality and equity performance.
Workforce Stability	Promoting high-quality jobs for workers and affordable access to care by monitoring the California health care workforce.

OHCA webpage: https://hcai.ca.gov/affordability/ohca/promote-high-value-system-performance/

OHCA Sets Strong Primary Care Investment Benchmark

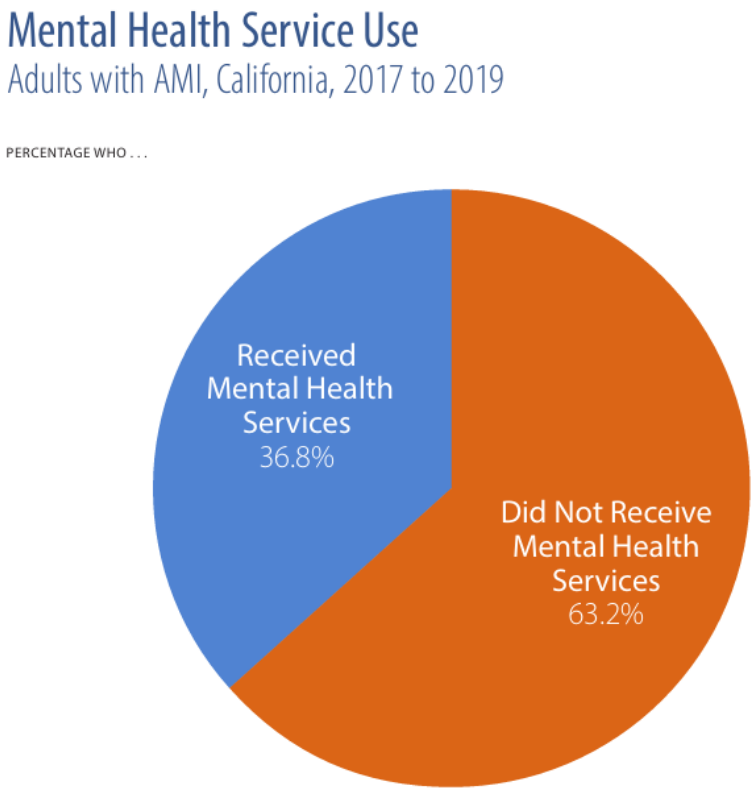
One vision for primary care in California

- California currently spends as little as 7 cents per health care dollar on primary care. **OHCA's primary care investment benchmark aims to increase that to 15 cents per health care dollar over 10 years** – in line with the highest performing health systems internationally.
- OHCA collects spending data yearly from health plans, to measure their progress toward the benchmark.

Why this matters: High-quality primary care can keep people healthier for longer, while also lowering overall health care spending.

Source: https://hcai.ca.gov/california-sets-benchmarks-for-primary-care-investment-to-promote-high-quality-equitable-health-care/

OHCA Measures Behavioral Health Spending



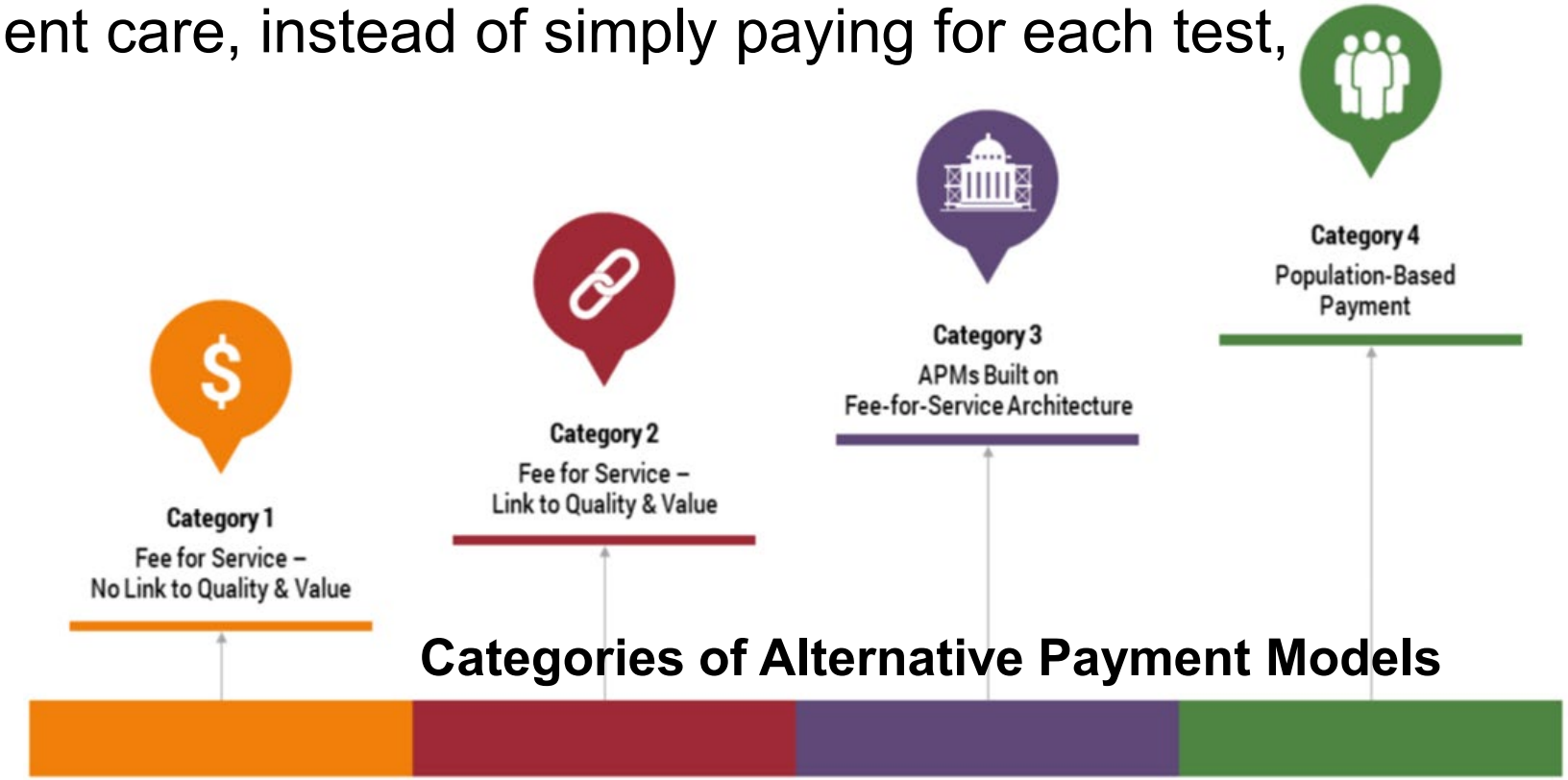
- In California, behavioral health conditions are common, but many affected people do not receive treatment.
- To improve access to behavioral health treatments for Californians, OHCA will measure health plan spending on behavioral health starting in fall 2026 and will set benchmarks for health plan investments in behavioral health.

Why this matters: Effective treatment of behavioral health conditions can contribute to better overall health.

Source: https://www.chcf.org/wp-content/uploads/2022/07/MentalHealthAlmanac2022.pdf

How Providers are Paid for Care

- Traditional fee-for-service payment models pay providers per service they provide. This *may* incentivize providers to provide unnecessary care.
- An **alternative payment model (APM)** is a different way of paying for health care that rewards better patient care, instead of simply paying for each test, visit, or procedure.
- To avoid these possible negative impacts, OHCA has set goals for adopting APMs such as population-based payments (Category 4) or bundled payments (Category 3).



OHCA Sets Alternative Payment Model (APM) Adoption Goals

APM Adoption Goals for Percent of Members Attributed to Categories 3 and 4 by Payer Type				
	Commercial HMO	Commercial PPO	Medi-Cal	Medicare Advantage
2026	65%	25%	55%	55%
2028	75%	35%	60%	65%
2030	85%	45%	65%	75%
2032	90%	55%	70%	85%
2034	95%	60%	75%	95%

Dept. of Health Care Access and Information (2024). *APM Standards and Adoption Goals.* https://hcai.ca.gov/affordability/ohca/promote-high-value-system-performance/apm-standards-and-adoption-goals/#apm-adoption-goals

Aim of OHCA's APM Adoption Goals

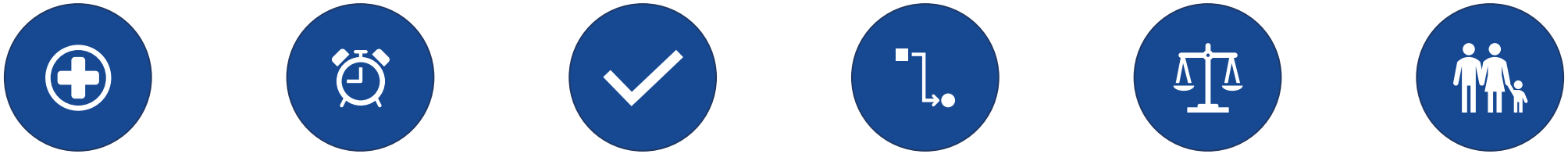
What APMs Aim To Do	OHCA's APM Adoption Goals
• Link how health care providers are paid to quality of care, health outcomes, and managing costs • Improve access to primary care services • Increase use of preventive care • Encourage care coordination	• Increase adoption of APMs by health plans • Adoption targets increase every two years from 2026 to 2034 • Promote payments that focus on improving the health of patients rather than only the number of services provided

Why this matters: Payments that pay only for the number of services provided may not encourage keeping patients healthy. APMs reward providers for keeping patients healthy and help manage overall health care costs.

OHCA Measures Quality and Equity

- To promote high-quality and more equitable care, OHCA will measure quality and equity performance.
- OHCA adopted measures used by other state departments and health plans to provide a clear signal to create meaningful change.

Six domains of health care quality:



SAFE | TIMELY | EFFECTIVE | EFFICIENT | EQUITABLE | PATIENT-CENTERED

Why this matters: These measures track progress towards improving access, quality, and equity of health care for all Californians.

Role in Promoting High Value Health Care

What OHCA Does	What OHCA Does Not Do
• Monitor primary care and behavioral health spending and set benchmarks • Track APMs, which reward high-quality care, and set adoption goals • Measure access, quality, equity, and workforce stability • Promote transparency and accountability from the health care system	• Mandate how to increase primary care and behavioral health spending • Force providers into specific payment models • Reduce services or limit patient choice • Manage or hire the health care workforce

Why this matters: While OHCA works on slowing spending growth to make care more affordable, we also work to improve the system for all Californians by measuring and monitoring access, equity, and high-quality care.

If you have any questions or comments on the **Promoting High Value Care** section, this is your opportunity to speak.

Staff will do our best to answer questions, but may need to follow up with answers at a later date.

You may send additional questions and comments to our inbox at OHCA@HCAI.CA.GOV.

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Findings of Baseline Report

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Background on OHCA's Baseline Report

Using data collected from payers and other state and federal data sources, OHCA was statutorily required to publish a report on total health care expenditures (THCE) and its growth in California for calendars years 2022 and 2023 on or before June 1, 2025.

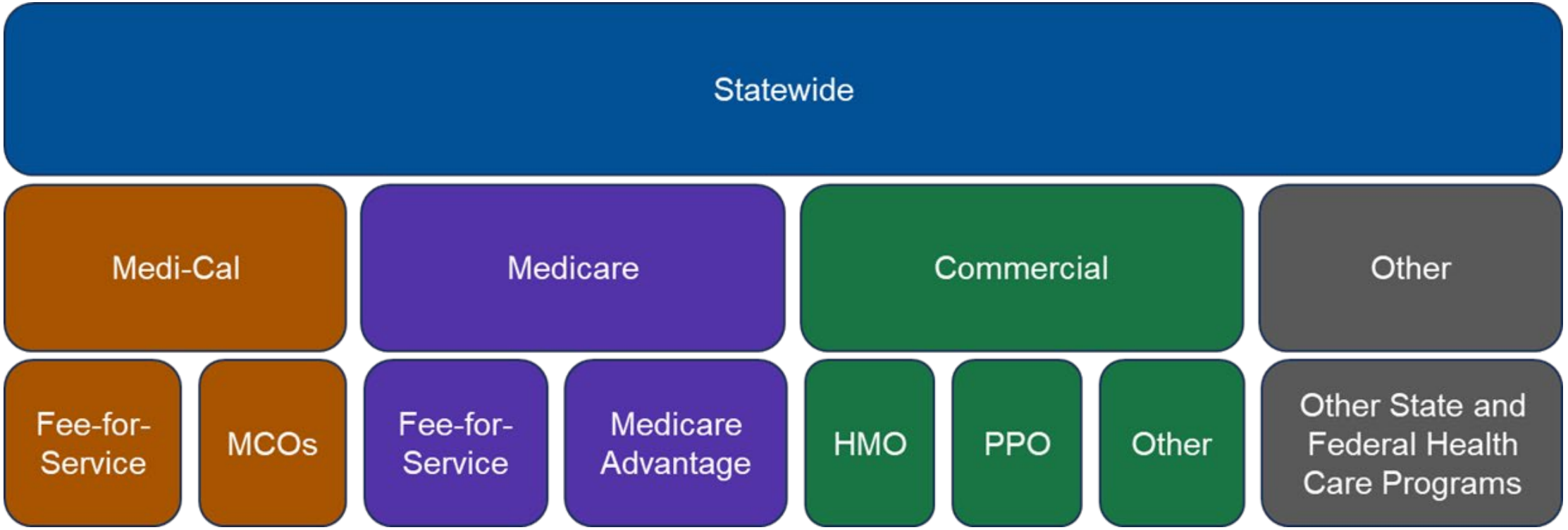
The spending data from this report provided the first picture of California's total spending on health care in the years prior to the first reporting of spending growth relative to the spending target.

- The 2025 target is a reporting year only and will measure changes in spending from years 2024 to 2025.
- The 2026 target is enforceable and will measure changes in spending from years 2025 to 2026.

Health Care Spending by Market Category

OHCA tracks and reports spending by the three major market* categories: Commercial, Medicare, and Medi-Cal. OHCA also includes spending from other state and federal sources such as California Department of Corrections and Rehabilitation.

This report includes statistics at both the statewide and market categories broken down by color, as shown here.



*A healthcare market refers to the system in which healthcare services are bought, sold, and delivered. It includes all the participants, resources, and forces that influence how people access care, how providers deliver it, and how payers (like insurers or government programs) finance it.

Recap: Total Health Care Expenditures (THCE) and Total Medical Expenses (TME)

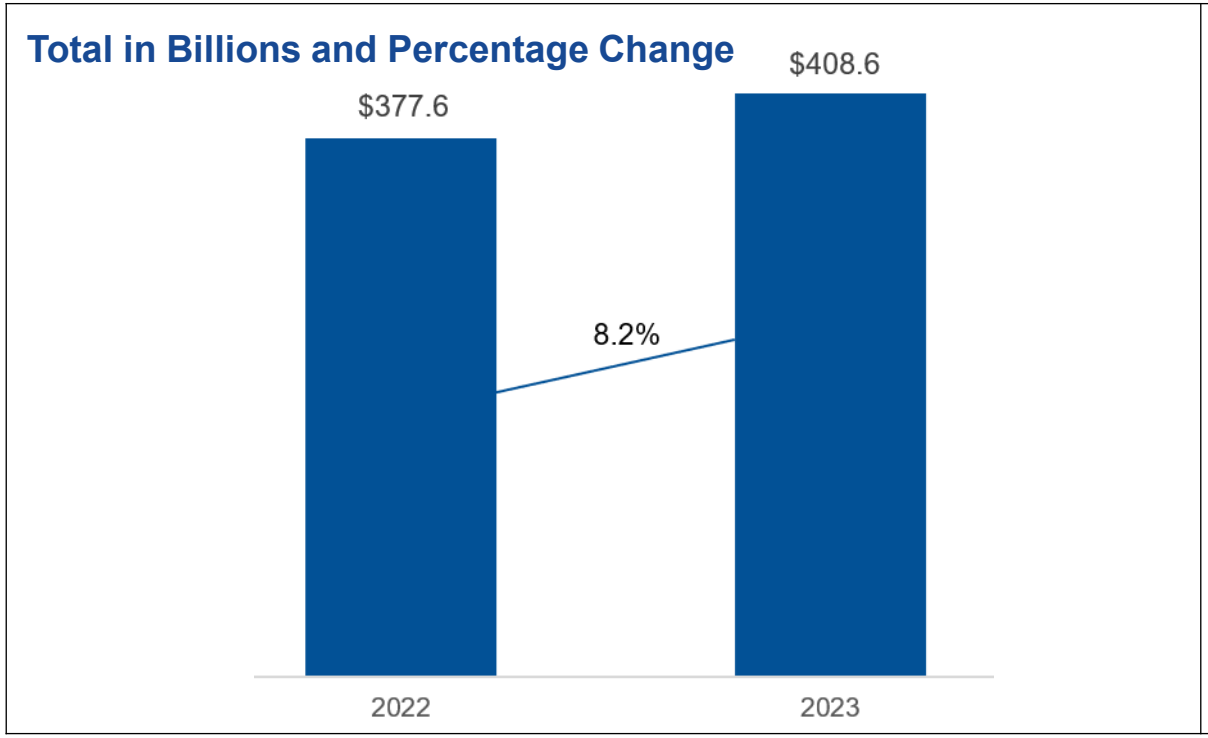
Total Health Care Expenditures (THCE): Health care spending including administrative costs and profits

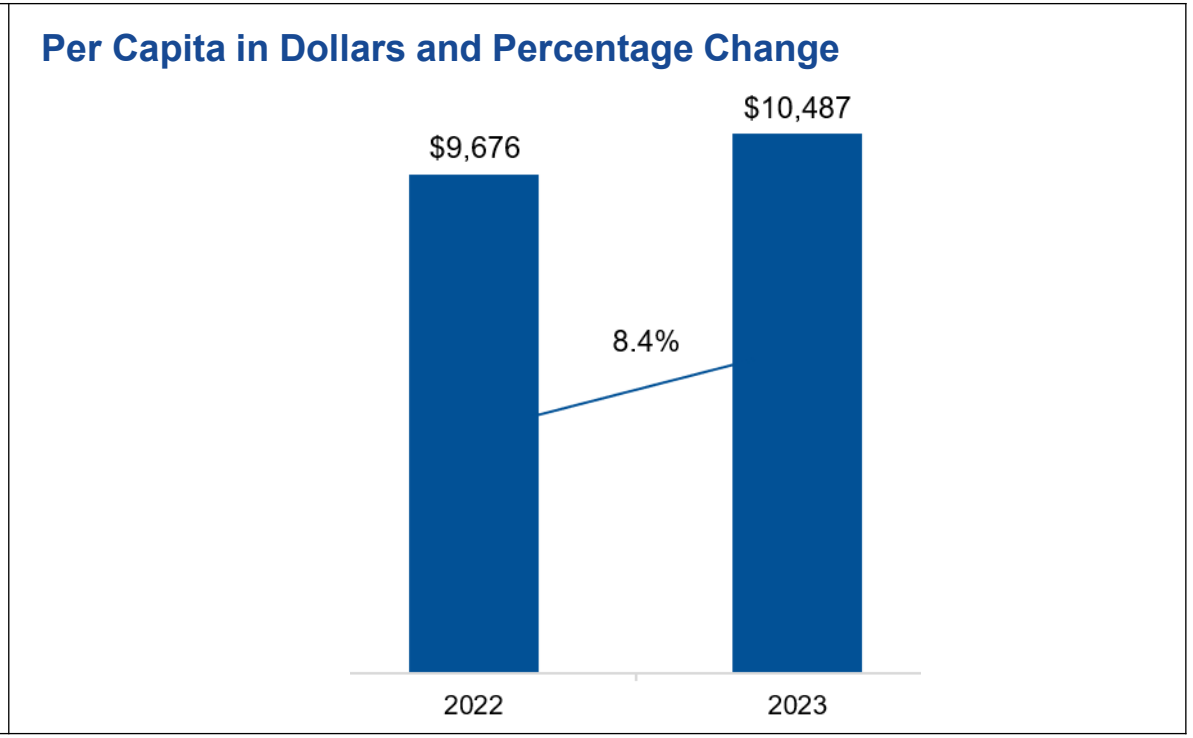
Total Medical Expense (TME): Payments made by health plans, insurers, and members

Administrative costs and profits: Non-medical expenses and additional costs such as health plan and health insurer profits, broker commissions, Federal and State taxes and general administrative expenses.

THCE = TME + Administrative costs and profits

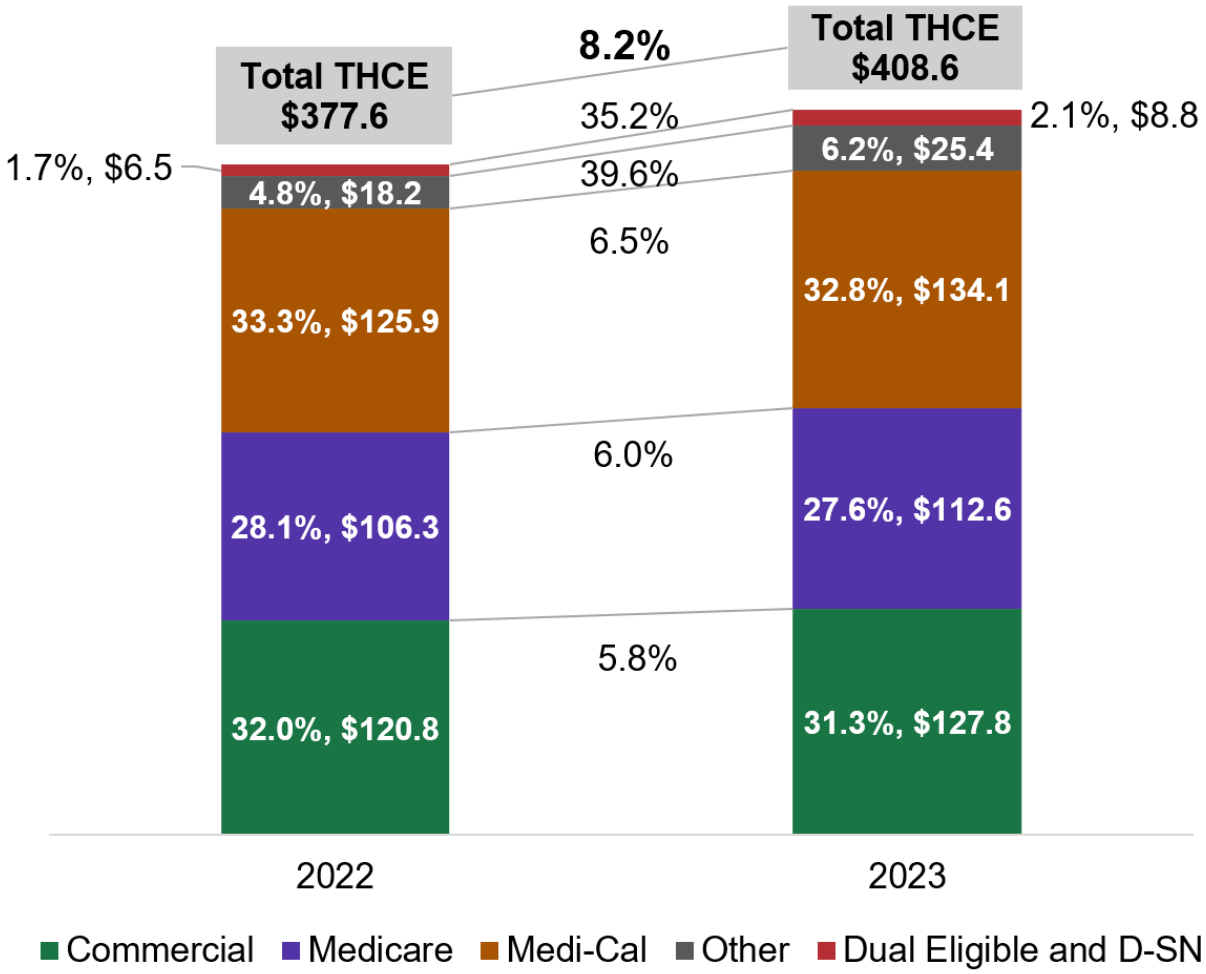
Statewide Total Health Care Expenditures (THCE)





- Statewide THCE were $377.6 billion in 2022 and $408.6 billion in 2023, an increase of $31.0 billion or 8.2%.
- Per person (THCE divided by California's population), spending was $9,676 in 2022 and $10,847 in 2023, an increase of $811 or 8.4%.

Statewide THCE by Market (in billions)



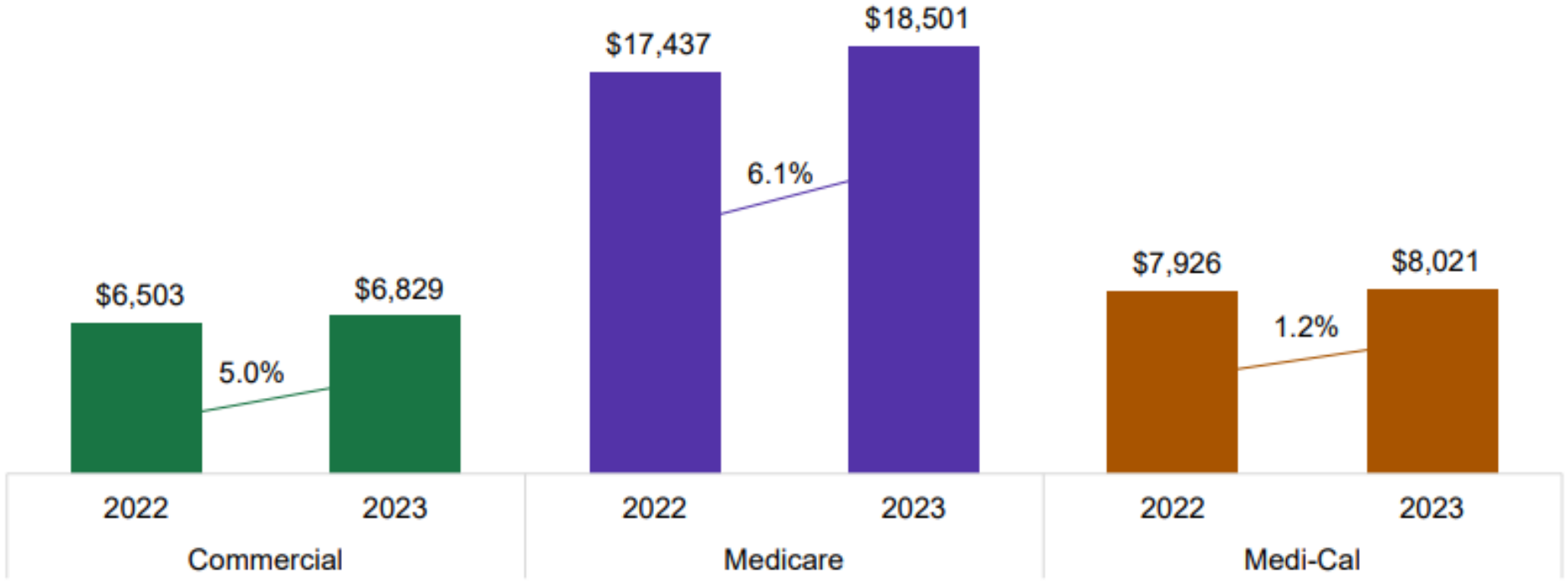
From 2022 to 2023, THCE:

- Commercial spending increased by $6.9 billion or 5.8%.
- Medicare spending increased by $6.4 billion or 6.0%.
- Medi-Cal spending increased by $8.2 billion or 6.5%.
- Dual Eligibles in Medicare Advantage plans and D-SNPs* spending grew by $2.3 billion more than 35%.

* Dual Eligibles are individuals who qualify for both Medicare and Medi-Cal benefits. Dual Eligible Special Needs Plans (D-SNPs) are specialized Medicare Advantage plans designed to deliver tailored care to a subgroup of Dual Eligibles.

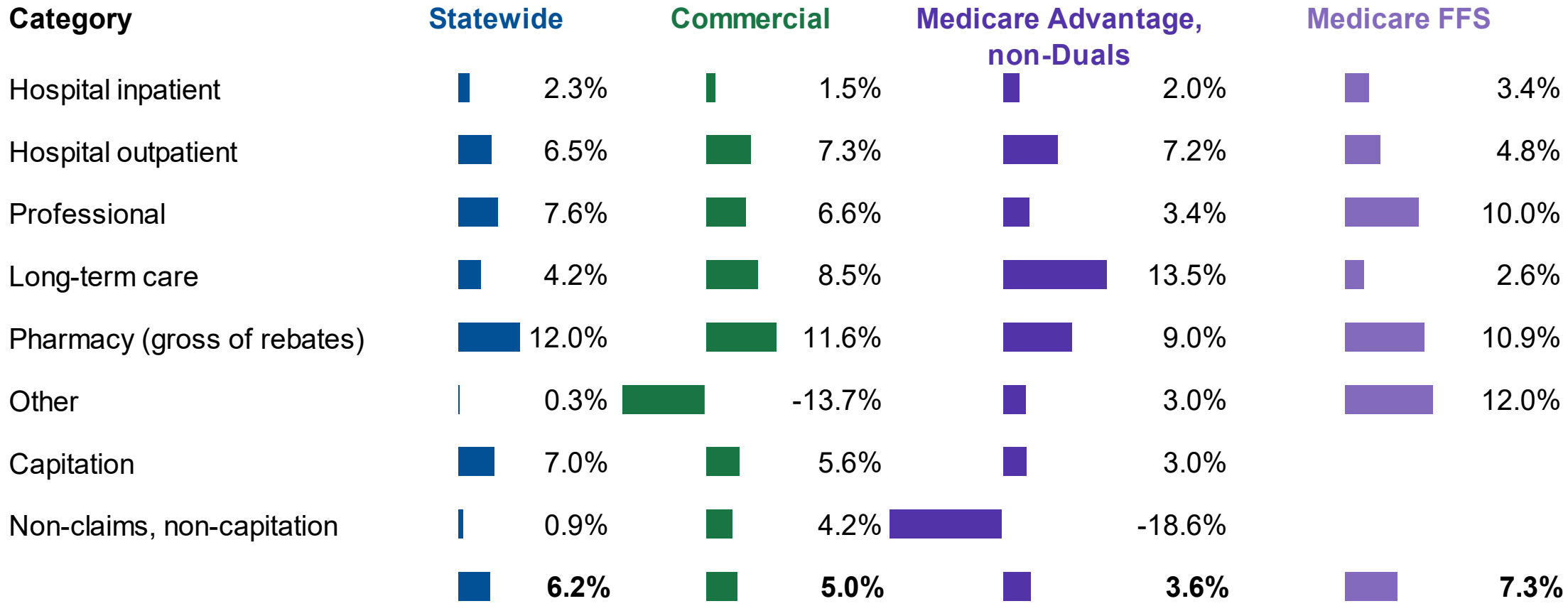
Total Medical Expense Per Member Per Year Growth by Market, 2022-2023

- Commercial Per Member Per Year: TME grew by 5.0%.
- Medicare Per Member Per Year: TME grew by 6.1%.
- Medi-Cal Per Member Per Year: TME grew by 1.2%.



Total Medical Expense Per Member Per Year Growth by Service Category

The largest contributors to total statewide growth, in dollars, were retail pharmacy, per person capitation and hospital outpatient services, accounting for 75% of the overall increase.



*Includes Commercial and Medicare Advantage populations (dual eligibles and D-SNPs). Medicare FFS is limited to claims data; non-claims are excluded.

Key Takeaways

- For the performance years 2025 to 2029, the Board set a spending growth target of 3.5%, eventually phasing down to 3.0%.
- Findings from OHCA's Baseline Report indicate spending growth rates are well above 3.5% in the years prior to the statewide spending growth target:
  - Statewide Total Health Care Expenditures per person increased by 8.4%.
  - Commercial Per Member Per Year: TME grew by 5.0%.
  - Medicare Per Member Per Year: TME grew by 6.1%.
  - Medi-Cal Per Member Per Year: TME grew by 1.2%.
- The baseline report highlights the need for spending targets and the opportunity to create system-wide change that will impact health care spending for the years to come.

If you have any questions or comments on the **Baseline Report** section, this is your opportunity to speak.

Staff will do our best to answer questions, but may need to follow-up offline, or at a future forum date.

You may send additional questions and comments to our inbox at OHCA@HCAI.CA.GOV.

OHCA

Office of Health Care Affordability

Department of Health Care Access and Information

Open Forum

HCAI

Department of Health Care Access and Information

Patient Resources

- For assistance with charity care, please contact HCAI's Hospital Fair Billing Program

- For those struggling to get or maintain coverage, help is available through Health Consumer Alliance

- Need help filing a dispute against your health plan?
  - Contact the Department of Managed Health Care's Help Center

OHCA

Office of Health Care Affordability
Department of Health Care Access and Information

Upcoming Patient and Consumer Public Forum: Fall 2026

For additional questions or comments, please contact:
OHCA@HCAI.CA.GOV

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