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Health Care Affordability Board October 24, 2023 MEETING MINUTES

Members Attending: Secretary Mark Ghaly, David Carlisle, Ian Lewis, Elizabeth Mitchell, Richard Pan, Sandra Hernandez, Richard Kronick, Don Moulds

Members Absent: None

Presenters: Elizabeth Landsberg, Director, HCAI; Vishaal Pegany, Deputy Director, HCAI; CJ Howard, Assistant Deputy Director, HCAI; Brian Kearns, Assistant Chief Counsel; Michael Bailit, Bailit Health.

Meeting Recording: <https://www.youtube.com/watch?v=cYKGVAQdkBU>

Meeting Materials: <https://hcai.ca.gov/public-meetings/october-health-care-affordability-board-meeting/>

Agenda Item # 1: Welcome, Call to Order and Roll Call

Secretary Mark Ghaly, chair

Secretary Mark Ghaly opened the October meeting of California's Health Care Affordability Board. All members were present, establishing a quorum. Director Elizabeth Landsberg provided an overview of the agenda.

No public comment given on this item.

Agenda Item # 2: Executive Updates

Elizabeth Landsberg, Director, HCAI

Vishaal Pegany, Deputy Director, HCAI

Director Landsberg and Deputy Director Pegany provided updates on the work of the Department of Healthcare Access and Information including:

- Senate Bill 326 which recast the Mental Health Services Act as a Behavioral Health Services Act.

- Senate Bill 525 which sets a new minimum wage for those working for health care entities.
- Health Workforce Development work and three new programs.
- Cost and Market Impact Review (CMIR) and OHCA's proposed revisions to proposed regulations.

Public Comment on agenda item 2. (See [recording](#) for comments).

Agenda Item # 3: Approval of September Meeting Minutes

Secretary Mark Ghaly, chair

The Chair introduced the action item to approve the September 19 meeting minutes. Secretary Mark Ghaly invited a motion to approve. Board member David Carlisle motioned to approve, and member Sandra Hernandez seconded.

No public comment given on this item.

The Board voted to accept. Board member Mark Ghaly abstained due to absence during the September meeting. The motion passed.

Agenda Item #4: Spending Target Discussion including Historic Trends by Market and Historic and Forecasted Data on Growth Rates of Economic- and Population-Based Indicators

Vishaal Pegany, Deputy Director, HCAI; CJ Howard, Assistant Deputy Director, HCAI; Michael Bailit, Bailit Health

Deputy Director Pegany presented this agenda item. Discussion and comments from the Board included:

- Whether data on per capita spending and market spending growth were adjusted for inflation and if figures were based on nominal dollars.
- Observation on commercial spending data and suggestion that dollar amounts may be higher.
- Suggestion that the Office clarify source of data, along with adjustments.
- Regarding individual market, how much of it is Covered California versus non-Covered California, exchange versus nonexchange.
- Consideration that the trajectory of the large group market is following what has happened in the individual and small group markets.
- Suggestion to see the CMS projections.
- Concern about potential measures for affordability.
- Concern that while 5% is a good aspirational, they need to consider the impact of picking a percent with people getting the care they need.
- Using historical cost trends and considering periods of uncertainty in the past to determine target values.
- Adjusting the target for high utilization.

- Use of multi-year smoothing of historic data to inform the target.
- Noting that the policies for enforcement have yet to be developed and other states have different ways of addressing enforcement.

Assistant Deputy Director Howard presented on the topic of economic indicators and the use of historical data versus forecasted data to inform setting target values. Howard presented the staff recommendations. Discussion and comments from the Board included:

- Importance of understanding what drives forecasted numbers in terms of workforce participation and wages, with a focus on the impact of healthcare costs on wages and income, with a suggestion that tying affordability to median wage or income could create positive feedback.
- Noting the difference in the growth in forecasted median wage versus median family income.
- Concern that Gross State Product did not relate to the consumer experience in the way that median household income growth does. cautioning that not all increases in median household income should be absorbed by increases in health care costs.
- How to account for an aging population and spending going up, that population is not in the workforce.
- Noting that for total compensation, what the employer is paying on behalf of the employee is important.
- Short- and long-term considerations for an index like median wages.
- Concern that setting a policy that health spending should grow at the rate of median wages would imply that spending as a share of Gross State Product (GSP) would decline over the next 10 to 20 years.
- Concern about a policy of increasing affordability that would put health care spending on a trajectory to decrease as a percent of GSP.
- Need to consider technology advancements, quality improvements, and investments in primary care when determining affordability measures.
- Importance of considering technology in healthcare to improve outcomes, access, and cost technology, noting technology mentioned in the legislation.
- Emphasis on finding ways to improve value in healthcare through effective primary care, integrated mental health services, operational fixes based on evidence, and prevention-focused approaches.
- Need for analysis to identify areas where intervention is needed and expressed concern about pushing down costs without considering the right places to cut.
- Emphasis on the need for investment in primary care and addressing inefficiencies in administration, urging against simply putting a lid on costs without addressing underlying issues.

Lunch

All members were present, establishing a quorum.

Public Comment on agenda item 4 (See [recording](#) for comments).

Deputy Director Pegany and Michael Bailit continued the presentation with population-based

indicators. Discussion and comments from the Board included:

- Observation that the data presented pointed towards the cost of providing health care, but not necessarily relevant to consumer affordability of health care.
- Recommendation of further analysis before reaching a conclusive decision on incorporating population-based metrics into target setting processes.

Deputy Director Pegany and Michael Bailit introduced the topic of multi- or single-year target setting.

Discussion and comments from the Board included:

- Contextualization of spending targets for health care entities in other states and excusing exceeding the target compared to adjusting the target after the year is over.
- Examples of how different states exceeded their targets and reasons for doing so based on various factors such as recent events or public policy decisions.
- Impact of COVID-19 on spending, with states not holding anyone accountable for exceeding targets in 2021.
- Phasing-in the target values over a certain period, with suggestions ranging from two to five years to no phase-in at all.
- Consideration of shorter phases and concerns about potential market failures and artificially high rates if longer phases are implemented.
- Importance of setting clear targets and allowing contextualization while aiming to keep unnecessary spending down.
- Challenges of projecting budget numbers accurately and suggestion to consider rolling projections instead of waiting until the end of each phase to plan for future years.
- Requirements and criteria outlined in the statute when considering adjustments to the spending target values.
- Timeline for finalizing the spending target, with a proposed target recommended by February and posted for public comment by March 1, and that the final decision on the target would be made by the board by June 1.
- Recognition that the board may need to schedule additional or longer meetings to ensure thorough discussion and decision-making on the spending target methodology.

Public Comment on agenda item 4 (See [recording](#) for comments).

Agenda Item #5: Action Items

CJ Howard, Assistant Deputy Director

a) Establish a Subcommittee to Work with Staff on the Spending Target Methodology and Values for Targets

Assistant Deputy Director Howard presented on the topic of whether the Board wanted to establish a subcommittee to work with the Office on the spending target methodology and values for targets. Discussion and comments from the Board included:

- Consideration of the objectives of the creation of a subcommittee.
- Recommendation against the formation of a subcommittee.

No motion was made.

Public Comment on agenda item 5a. (See [recording](#) for comments).

b) Elect a Vice-Chair

The decision to establish a vice chair for the Board to provide support and leadership in the absence of the chair was introduced. Dr. Sandra Hernandez was nominated by Richard Pan and the nomination was accepted. Board member Richard Pan motioned to approve, and Board member David Carlisle seconded. The Board voted in favor unanimously with Sandra Hernandez abstaining.

Public Comment on agenda item 5b. (See [recording](#) for comments).

Agenda Item #6: General Public Comment

The Chair invited general public comment. (See [recording](#) for comments).

Agenda Item #7: Adjournment

Secretary Mark Ghaly adjourned the meeting.