



## Office of Health Care Affordability News

April 2024

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## Proposed statewide health care spending target

In January, the Office of Health Care Affordability (OHCA) recommended to the Health Care Affordability Board [target of 3.0%](#) for 2025-2029, which is based on the average growth rate of median household income from 2002-2022.

Basing the target on median household income growth indicates that health care spending should not grow faster than the income of California families and roots the spending target in consumer affordability. High health care costs affect access and equity. According to the California Health Care Foundation, more than half of Californians report skipping care in the past year due to cost, and within this group nearly half say skipping care made their condition worse. Additionally, more than one in three Californians reported having medical debt in 2023, with more than half of Californians who are Black, speak Spanish, or have low incomes reporting having medical debt.

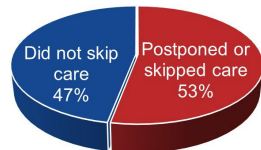
The spending target would apply to health care entities, which are defined in statute as a payer, provider (not individual physicians, but for example, physician organizations and health facilities), or a fully integrated delivery system (such as Kaiser Permanente). The enabling statute exempts certain providers based on the number of physicians (physician organizations with fewer than 25 physicians).

The Health Care Affordability Board is required to vote on and establish a statewide spending target and methodology by June 1. The Board may accept or modify the OHCA recommendation.

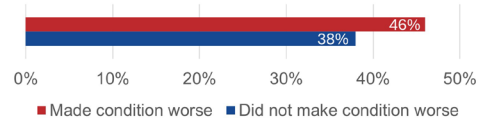
When a final spending target is adopted, the Board will have the authority to revisit the target, if necessary.

## Spotlight on data

### Skipping Care Due to Cost



Of The 53% Who Postponed or Skipped Care Due to Cost, Did Any of These Steps You Took Because of the Cost Make Your Condition Worse?



Data Source: California Health Care Foundation

## Cost-reducing strategies

The Office of Health Care Affordability is working with health plans, hospitals, and physician organizations to highlight examples of cost-reducing strategies – efforts to reduce cost while improving or maintaining quality – that have demonstrated results.

OHCA has interviewed health care entities and stakeholders across California to identify strategies that reduce overall system costs and are sustainable for the entity to implement and maintain. As described below, these strategies can be a resource to support health care entities in meeting OHCA's health care spending targets.

**Improving maternal health quality, equity, and outcomes:** At the January 2024 Board meeting, representatives from Anthem Blue Cross (Elevance) presented on efforts to improve maternal and children's health. Among other efforts, they spotlighted a doula pilot program to improve maternal health quality, equity, and outcomes. In addition to achieving improvements in maternal health, the program also demonstrates cost savings. In the program, doulas helped mothers, especially those at high risk of adverse outcomes, find their voice in the medical setting and better understand their care. Anthem's research found that Medicaid beneficiaries who received certified doula services during pregnancy and delivery had lower preterm birth rates, fewer cesarean births, safer birth weights, fewer hospital admissions during pregnancy, fewer ER visits in the 30 days postpartum, fewer NICU admissions and reductions in postpartum anxiety and depression.

- **Population health and chronic condition management:** Also at the January 2024 Board meeting, representatives of Sharp Rees-Stealy, a multispecialty medical group in San Diego County, presented on their focus on population health management, which has improved care and reduced costs. Approximately 70% of SRS's revenues are derived from capitation for professional services provided to over 180,000 HMO members. Among other strategies, SRS representatives highlighted care management services for patients with diabetes including educational materials, wellness classes, and over-the-phone health coaching and a texting program to help patients manage the chronic condition. Since the program's inception, data on

new diagnosis of acute myocardial infarction, or heart attack, or stroke among patients with diabetes for the years between 2009 and 2021 shows a substantial reduction over time.

- **Lowering the total cost of care through the most appropriate site of care:** In February 2024, representatives of MemorialCare – an integrated health system in Southern California with four hospitals and 100 community-based centers – presented at the Board meeting. MemorialCare has been able to lower costs while maintaining high-quality patient care by selecting the most appropriate setting for an outpatient procedure for an individual patient. For example, while patients with multiple comorbidities and a drug allergy may need a colonoscopy to be performed in a hospital outpatient department, healthier patients can receive care in a community-based ambulatory center, saving more than \$3,800. Similar value occurs by determining the correct setting for knee replacements and chest CT scans.

OHCA is actively seeking additional cost-reducing strategies from health plans, hospitals, and physician organizations. They may be submitted to [ohca@hcai.ca.gov](mailto:ohca@hcai.ca.gov) with “cost-reducing strategies” in the email subject line.

More details are available on the cost-reducing strategies webpage, <https://hcai.ca.gov/cost-reducing-strategies/>.



## **OHCA promotes high-value system performance through APM standards and adoption goals**

The Office of Health Care Affordability promotes high-value system performance through its work in five focus areas: (1) primary care investment, (2) behavioral health investment, (3) alternative payment model (APM) adoption, (4) quality and equity measurement, and (5) workforce stability.

Across all these areas, the goal is to reorient the health care system towards greater value, with the vision of creating a sustainable health care system that provides high-quality, equitable care to all Californians.

OHCA recently presented recommendations for APM standards, definitions, and APM adoption goal to the Health Care Affordability Board at the February meeting, with a goal of Board approval before July 1. These standards were informed by months of discussion in the Investment and Payment Workgroup and additional stakeholder feedback.

OHCA will work with the Investment and Payment Workgroup, sibling state departments, and other stakeholders to revise our APM Standards and Goal based on feedback from the Board and the public.

# Measuring out-of-plan spending

OHCA's Total Health Care Expenditures (THCE) measure includes spending for covered benefits for consumers that enrolled in health coverage. Because spending for health care can occur outside of health coverage, the Board and Advisory Committee have raised concerns about the need to estimate the magnitude of "out-of-plan" spending.

Some reasons that consumers have out-of-plan spending include: a provider's preferences for cash payments (e.g., behavioral health providers who do not accept insurance); barriers to accessing providers/convenience (many patients struggle to find in-network providers, especially behavioral health providers, due in part to provider and prescriber shortages and delays in getting appointments); and changes in benefit design (changes in benefit design and covered services could compel more patients to seek out-of-plan care).

Fewer providers accepting insurance reduces access to care for those unable/unwilling to self-pay and may introduce inequities in access to and quality of care.

To shed light on the scope of this problem and its implications for potential public policy, OHCA proposes a supplemental analysis to estimate out-of-plan spending using the Medical Expenditure Panel Survey Household Component (MEPS-HC), a nationally representative sample of the civilian noninstitutionalized population. OHCA is developing a methodology to estimate out-of-plan spending based on payment source and timing of medical events in MEPS-HC data. OHCA intends to include this analysis in its baseline report to be released in June 2025.

More information is available in Board materials at: <https://hcai.ca.gov/wp-content/uploads/2024/02/February-2024-Board-Meeting-Presentation.pdf>

## THCE data submitter registration

Reminder: for regulated entities subject to the requirements of the recently adopted [California Code of Regulations Title 22, Division 7, Chapter 11.5, Article 2](#), Total Health Care Expenditures (THCE) data submitters must register their organization in the data portal by April 30, 2024. A registration link is now available on the OHCA website.

Note: There is a one-year deferral on data submission for the Medi-Cal Managed Care market category.

## Upcoming Health Care Affordability Board meetings

- April 24, 2024, 10 a.m.
- May 22, 2024, 10 a.m.
- June 26, 2024, 10 a.m.