



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

Office of Health Care Affordability News

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Statewide health care spending target approved

The Office of Health Care Affordability's Board in April [approved](#) a statewide health care spending target starting at 3.5 percent for 2025 and 2026, then lowering to 3.2 percent for 2027 and 2028 and reaching 3 percent for 2029.

Performance Year	Per Capita Spending Growth Target
2025	3.5%
2026	3.5%
2027	3.2%
2028	3.2%
2029	3.0%

The spending target is a signal that health care spending should not grow faster than the incomes of California families. It is based on the average growth rate of median household income from 2002-2022.

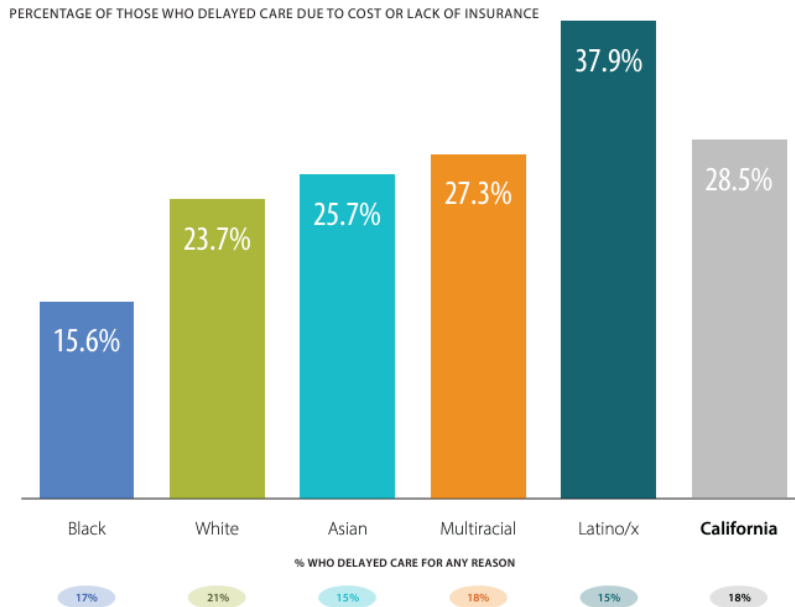
The spending target would apply to health care entities, including health plans, physician organizations (with at least 25 physicians) and hospitals.

Beginning with the calendar year 2026 target, OHCA can begin taking progressive enforcement action against health care entities that exceed the spending target. Progressive enforcement approaches include technical assistance, potentially requiring an explanation at public meetings, imposing performance improvement plans, and ultimately, if warranted, assessing financial penalties.

WHY THIS MATTERS: 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. Overall [health care spending](#) has been increasing at a rapid clip in California: It was up about 30 percent between 2015 and 2020, reaching \$10,299 per person and \$405 billion overall.

Spotlight on data

Delayed Care Due to Cost or Lack of Insurance, by Race/Ethnicity, California, 2021



Notes: Source uses Black or African American, Latino, and Two or more races. American Indian and Alaska Native and Native Hawaiian and Pacific Islander are not shown because the results were statistically unstable.
Source: "AskCHHS," UCLA Center for Health Policy Research, accessed May 9, 2023.

Health Disparities by Race and Ethnicity Access to Care

In 2021, one in six Californians reported delaying care. Of those who delayed care, nearly 30% cited cost or lack of health insurance as the reason. Of the 15% of Latino/x people who delayed care, 38% reported cost or lack of insurance as the reason for the delay.

Data Source: Thomas, Leruth, Johansen. (May 2024). *Health Disparities by Race and Ethnicity in California*. California Health Care Foundation. <https://www.chcf.org/wp-content/uploads/2024/05/DisparitiesAlmanacRaceEthnicity2024.pdf>

Promoting high value system performance

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.

Alternative payment model standards and adoption goals approved by Board

In June, the Health Care Affordability Board approved [APM Standards and Adoption Goals](#) to promote increased APM adoption. The APM Standards provide a set of ten best practices to approach contracting decisions between payers and providers that are

common across APMs. The APM Adoption Goals are a set of two-year goals, that differ by payer and product type, leading to a final ten-year goal for the percent of members attributed to Health Care Payment Learning and Action Network (HCP-LAN) Categories 3 and 4 by 2034. These APM Standards and Adoption Goals were developed over the last year through a process that allowed OHCA to gather feedback and gain consensus among members of the [Investment and Payment Workgroup](#) and sibling state departments (Covered California, CalPERS, and the Department of Health Care Services). OHCA is pleased these state departments have endorsed OHCA's APM Adoption Goals. As public purchasers, these departments combined make up approximately 50% of the market, and this will go a long way towards moving the health care system away from fee-for-service payment models and towards value-based payment models that incentivize equitable, high-quality, and cost-efficient care.

OHCA APM Adoption Goals for Percent of Members Attributed to HCP-LAN Categories 3 and 4 by Payer and Product 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%

OHCA adopts workforce stability standards

OHCA is charged with monitoring the effects of spending targets on health care workforce stability, to ensure that workforce shortages do not undermine affordability, access, quality, equity, and culturally and linguistically competent care. California already has workforce challenges that contribute to lack of access to needed services, including preventive services; delays in receiving appropriate care; and preventable hospitalizations – it is critical that spending targets do not worsen the shortages. OHCA presented draft recommendations for workforce stability standards to the Health Care Affordability Board at the April meeting, revised the workforce stability standards based on the Board’s feedback, and presented these revised standards to the Board in June. [OHCA adopted the workforce stability standards in June.](#)

OHCA continues work on primary care definition and benchmark

Primary care provides the foundation of high-functioning health care systems. Evidence shows that in addition to improving health outcomes and equity, primary care

contributes to lower overall health care spending. To promote sustained systemwide investment in primary care, OHCA will measure the percentage of total health care expenditures allocated to primary care and set primary care investment benchmarks. OHCA presented a [draft primary care spending definition and investment benchmark to the Board](#) in May and June with a goal of Board approval by August or September.

Cost and Market Impact Review Program proposes revisions

OHCA's regulations regarding notices of material change transactions went into effect in December 2023. Based on feedback with the new program, OHCA is proposing a few revisions to the regulations. The proposed revisions were first posted on OHCA's website and public comments were due June 20, 2024. The proposed revisions were discussed at the June 26th Board Meeting. Following receipt of comments from the public and the Board, OHCA anticipates posting the Advance Notice of Submitting Emergency Regulations on its website in early August before submitting updated revisions to the Office of Administrative Law. If you would like notice of the posting, please join the *Notice of Regulatory Actions – Health Care Affordability (OHCA) – Health Care Market Oversight* listserv at <https://hcai.ca.gov/mailling-list/>.

OHCA's analysis of recent Healthcare Payments Data (HPD) report reveals key points of interest

OHCA analyzed the data from HCAI's [Healthcare Payments Data \(HPD\) Fee-For-Service Drug Costs in the Commercial Market Report](#), finding [several key points of interest](#). Most notably, OHCA found that insulin and other biosimilars are major drivers of drug costs, representing good current and future potential targets for the CalRx program.

OHCA in the news

[A new California rule tries to hold down your health care costs. Here's how it works.](#) CalMatters, April 26: You won't notice it right away, but a new California state agency took a major step this week toward reining in the seemingly uncontrollable costs of health care. The Office of Health Care Affordability approved the state's first cap on health industry spending increases, limiting growth to 3% by 2029. This means that hospitals, doctors and health insurers will need to find ways to cut costs to prevent annual per capita spending from exceeding the target. Between 2015 and 2020, per capita health spending in California grew more than 5% each year, according to federal data.

[As health care gets more expensive, California looks to limit cost increases.](#) Capital Public Radio (Sacramento), April 29: Prices for health care — everything from

monthly insurance premiums, doctor's visits and stitches — have gone up over the years, becoming a bigger cost burden for Californians. That leads many to postpone or skip needed care. To rein in costs, California formed the Office of Health Care Affordability in 2022, and on Wednesday the board voted to phase-in a statewide spending target. The target will limit spending growth by payers — including individuals, employers, and governments — to 3.5% next year, steadily decreasing to 3% by 2029.

New California rule aims to limit health care cost increases to 3% annually.

Associated Press, April 24: Doctors, hospitals and health insurance companies in California will be limited to annual price increases of 3% starting in 2029 under a new rule state regulators approved Wednesday in the latest attempt to corral the ever-increasing costs of medical care in the United States. The money Californians spent on health care went up about 5.4% each year for the past two decades. Democrats who control California's government say that's too much, especially since most people's income increased just 3% each year over that same time period.

THCE data submission now open

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 submission is now open, and runs through September 1, 2024. A submission link to the data portal is available on the OHCA website at <https://hcai.ca.gov/affordability/ohca/slow-spending-growth/>.

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

Upcoming Health Care Affordability Board meetings

- Aug. 28, 2024, 9 a.m.
Embassy Suites Monterey Bay: 1441 Canyon Del Rey Blvd., Seaside, CA 93955
- Sept. 25, 2024, 10 a.m.
- Oct. 23, 2024, 10 a.m.