HCAi
Department of Health Care Access and Information

Office of Health Care Affordability (OHCA): Implementation Update

CalPERS Board Education Day

January 16, 2024

Vishaal Pegany, Deputy Director, Office of Health Care Affordability

HCAi
Department of Health Care Access and Information

Agenda

1. HCAI Overview
2. Background: Health Care Spending Trends
3. OHCA Overview
4. Health Care Spending Target
5. High Value System Performance
6. Cost and Market Impact Review

Overview of the Department of Health Care Access & Information (HCAI)

HCAI Mission

HCAI expands equitable access to quality, affordable health care for all Californians through resilient facilities, actionable information, and the health workforce each community needs.

HCAI Program Areas

Facilities: Monitor the construction, renovation, and seismic safety of California's hospitals and skilled nursing facilities.

Financing: Provide loan insurance for nonprofit healthcare facilities to develop or expand services.

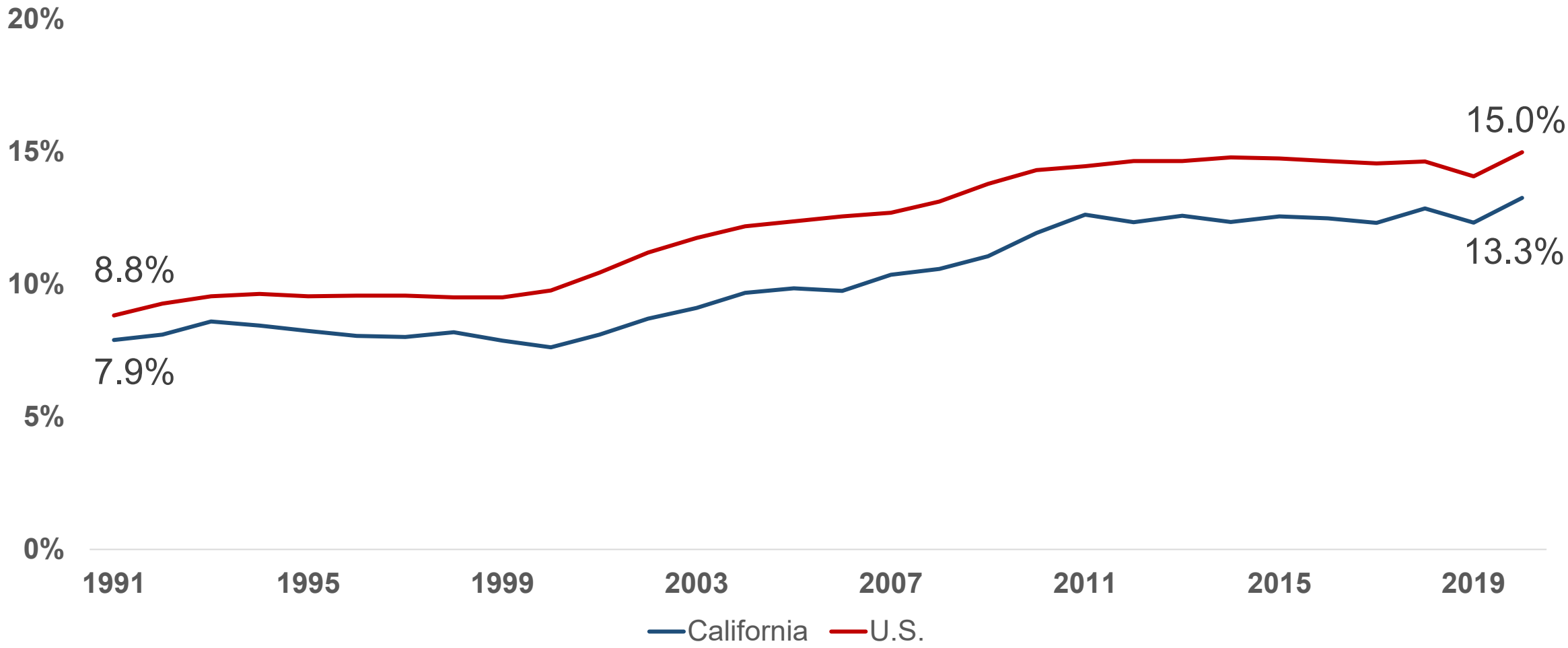
Workforce: Promote a culturally competent and linguistically diverse health workforce.

Data: Collect, manage, analyze and report information about California's healthcare landscape.

Affordability: Improve health care affordability through data analysis, spending targets, and measures to advance value. Enforce hospital billing protections, and provide generic drugs at a low, transparent price.

Context for OHCA: National and State Health Care Spending Trends

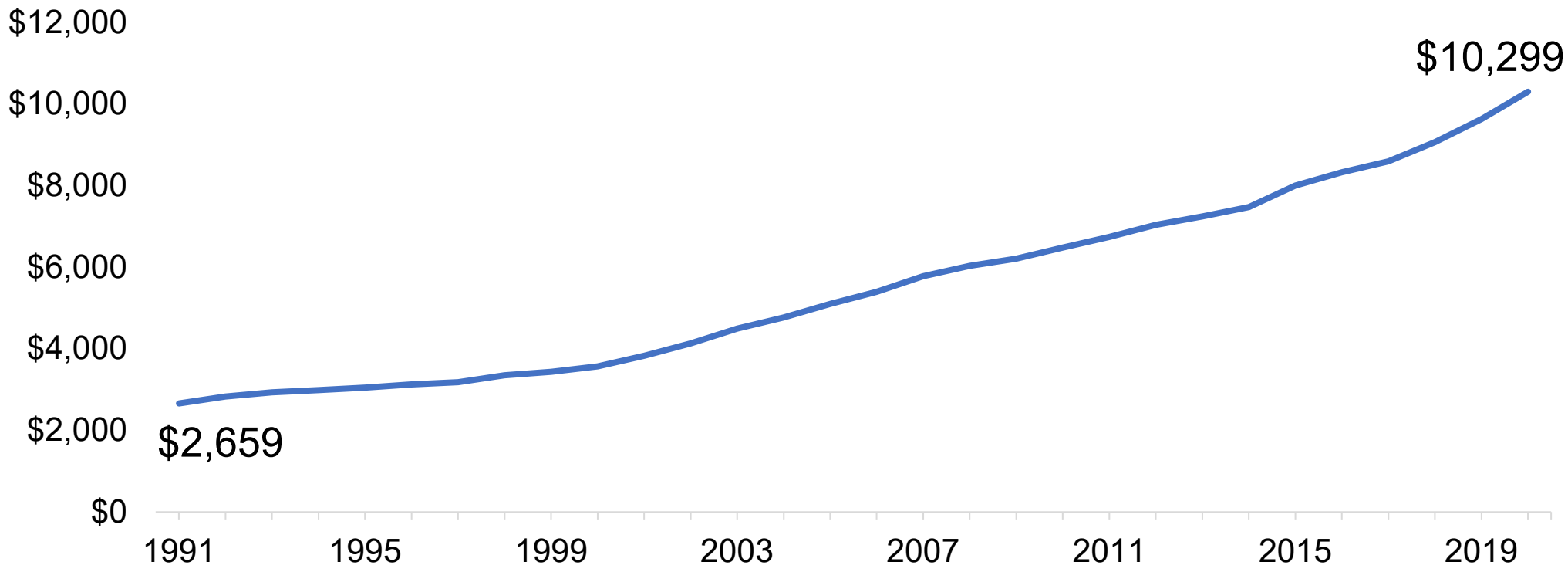
Per Capita Health Care Spending as a Percent of Median Income: CA & US 1991-2020



U.S. Census Bureau, Current Population Survey; estimated per capita health spending from Centers for Medicare and Medicaid Services, Health Expenditures by State of Residence

HCAI Department of Health Care Access and Information

Per Capita Health Spending in California 1991-2020

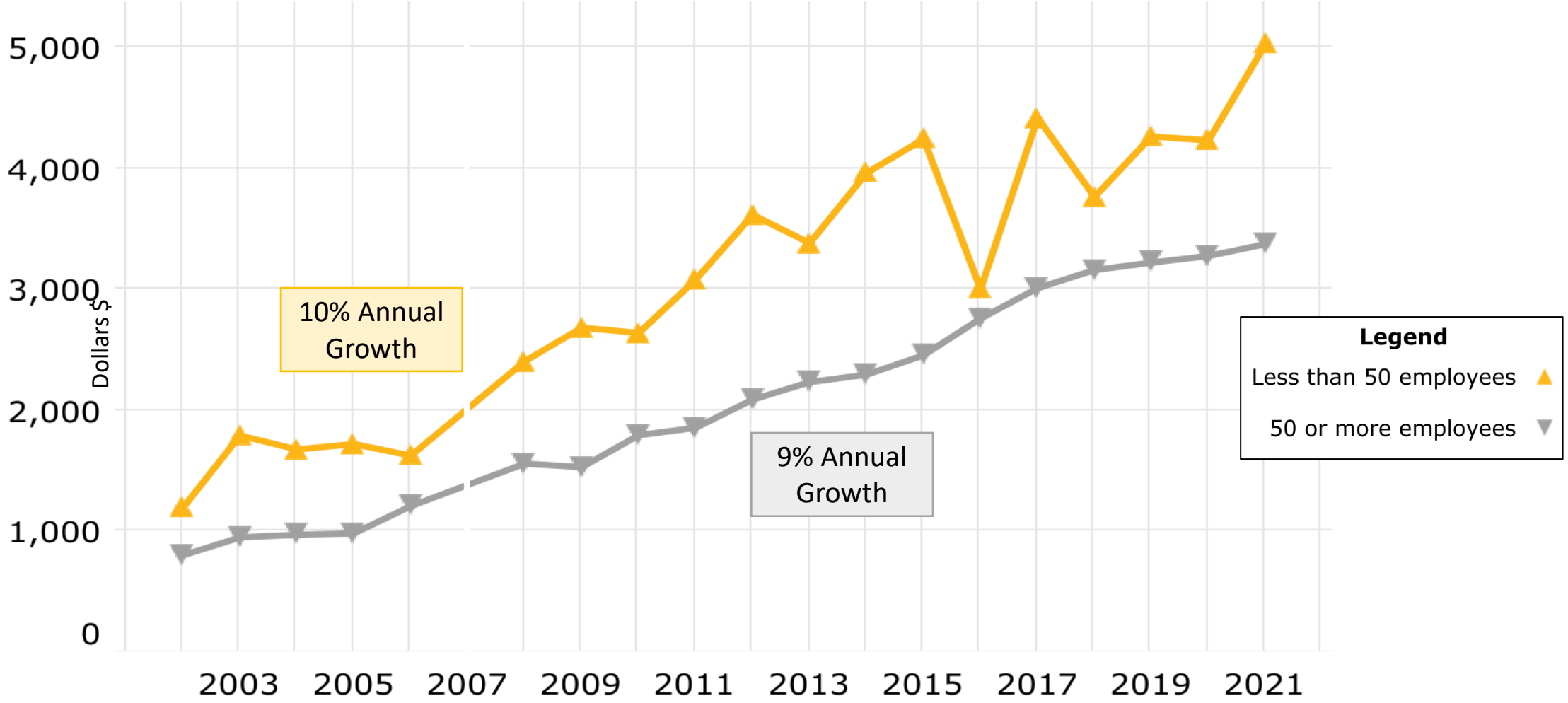


- California health care spending reached $10,299 per capita in 2020.
- Average annual growth between 1991 and 2020 was 4.8%.

Health Expenditures by State of Residence, 1991 2020, Centers for Medicare & Medicaid Services.

HCAI Department of Health Care Access and Information

Over the Past Two Decades Family Deductibles Quadrupled in California

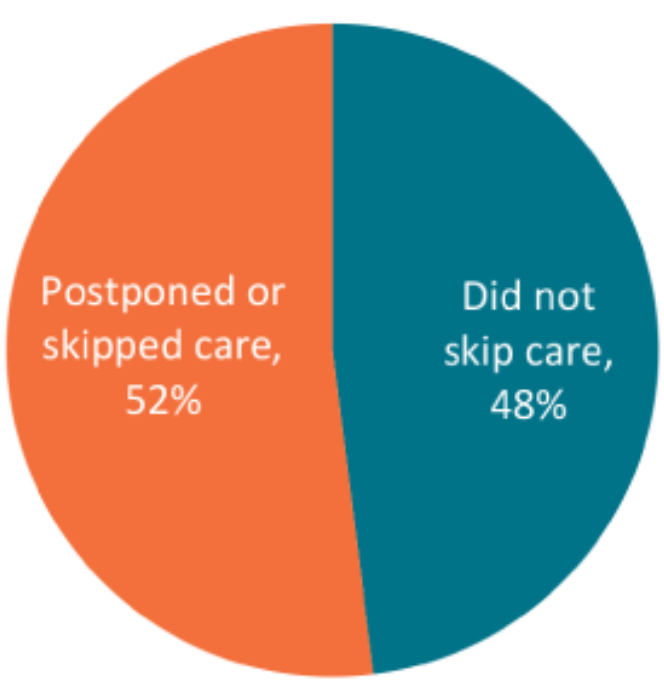


Note: 2007 data were not collected for the Insurance Component of the MEPS
Source: Medical Expenditure Panel Survey (MEPS) Insurance Component (IC)

HCAI Department of Health Care Access and Information

Postponing or Skipping Care

Figure 15. Half of Californians Say They or a Family Member Skipped Health Care in the Past Year Due to Cost; Many Say This Made Their Health Condition Worse

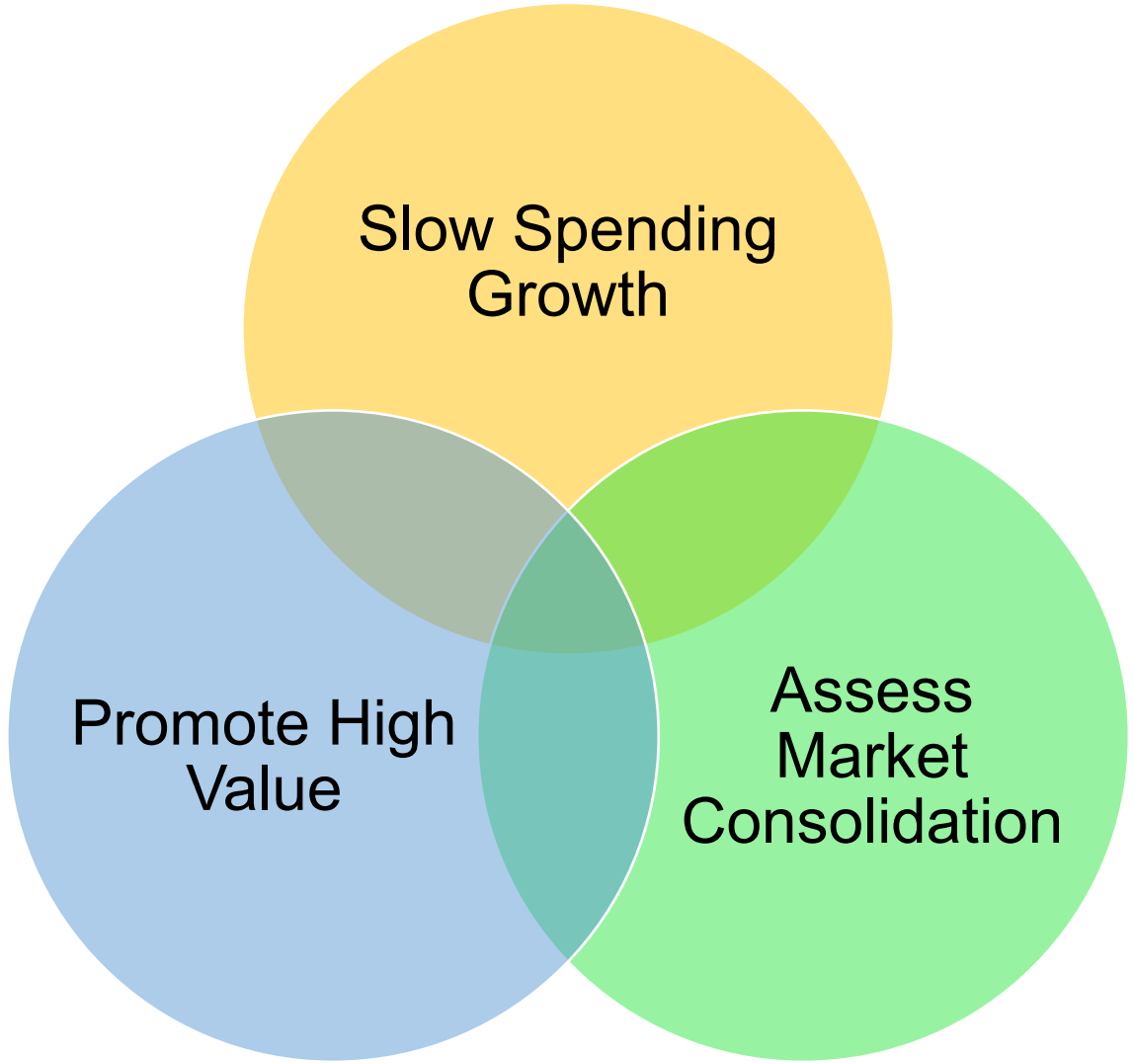


Q: ASKED OF THE 52% WHO POSTPONED OR SKIPPED CARE DUE TO COST: DID ANY OF THE STEPS YOU TOOK BECAUSE OF COST MAKE YOUR CONDITION WORSE?

Source: Lucy Rabinowitz Bailey, Rebecca Catterson, Emily Alvarez, and Sangeetha Noble, NORC at the University of Chicago, The 2023 California Health Policy Survey, CHCF, February 2023

The Office of Health Care Affordability (OHCA)

OHCA Key Components



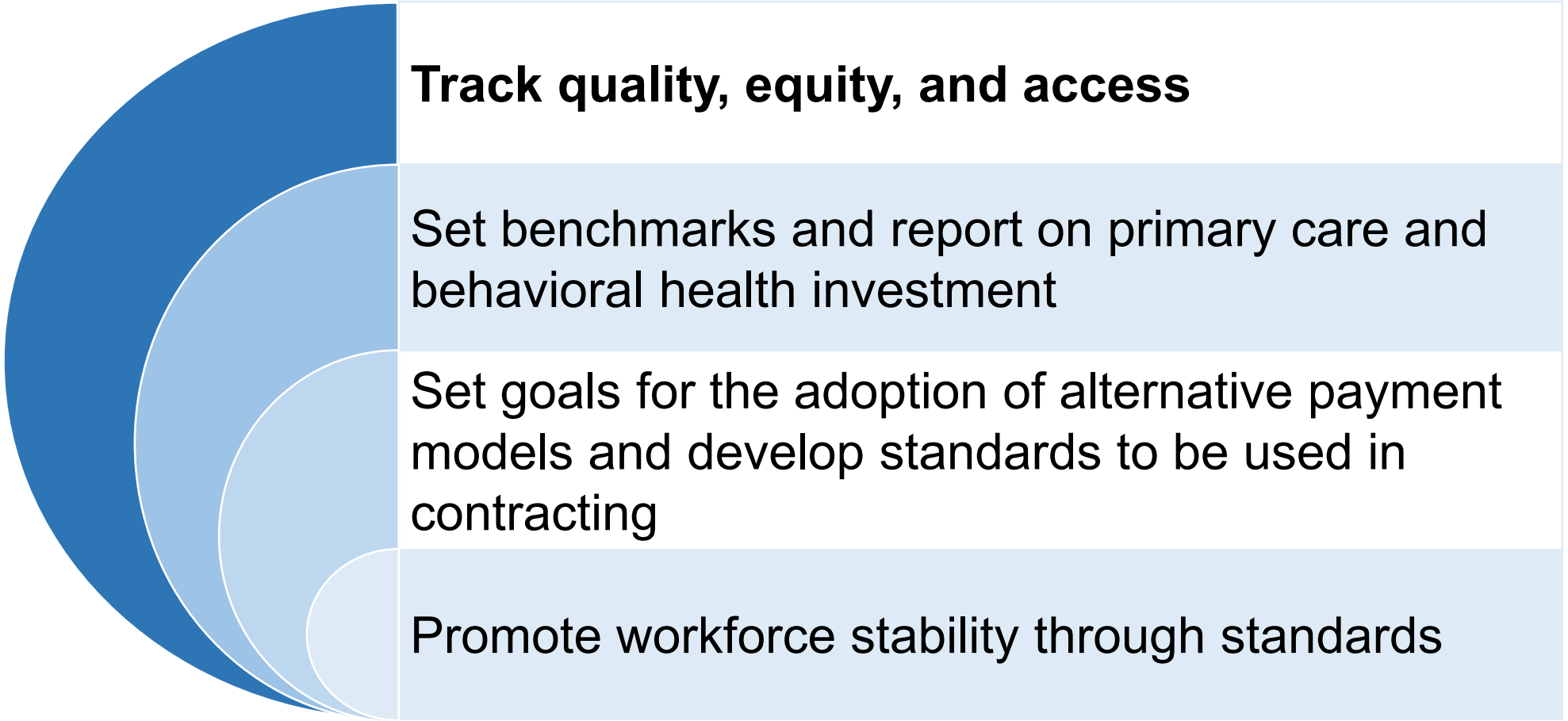
Slow Health Care Spending Growth

Collect, analyze, and report data on total health care expenditures (THCE)

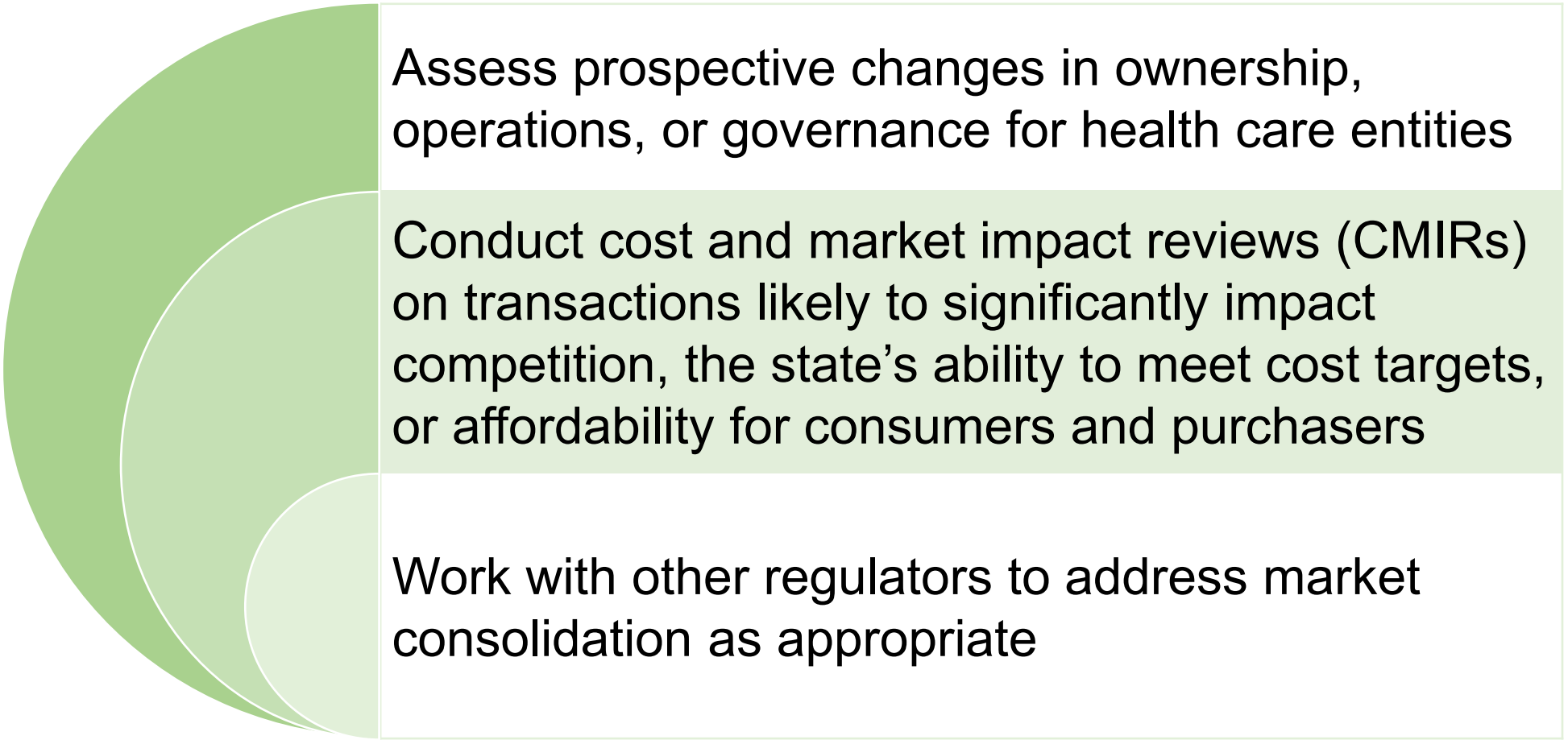
Develop spending growth target methodology and spending targets, initially statewide and eventually sector-specific (e.g., geography, types of entities)

Progressive enforcement of targets: technical assistance, public testimony, performance improvement plans, and escalating financial penalties

Promote High Value System Performance



Assess Market Consolidation



Health Care Affordability Board, Advisory Committee, and Stakeholder Engagement

Board and Advisory Committee Responsibilities

Health Care Affordability Board

- Set spending targets, both statewide and sector-specific
- 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
- Methodology 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

Board Members

David Carlisle President and CEO of Charles R. Drew University of Medicine and Science

Mark Ghaly Secretary of the California Health and Human Services Agency

Sandra Hernández President and CEO of the California Health Care Foundation

Richard Kronick Professor in the Herbert Wertheim School of Public Health, University of California, San Diego

Ian Lewis Political and Research director of the National Union of Health Care Workers

Elizabeth Mitchell President and CEO of the Purchaser Business Group on Health

Don Moulds Chief Health Director of the California Public Employee Retirement System (non-voting member)

Richard Pan Pediatrician and former state Senator

Advisory Committee Members

Payers

Aliza Arjoyan
Senior Vice President of Provider Partnership and Network Management, Blue Shield of California

Yolanda Richardson ,
Chief Executive Officer, San Francisco Health Plan

Andrew See
Senior Vice President, Chief Actuary, Kaiser Foundation Health Plan

Hospitals

Barry Arbuckle
President & Chief Executive Officer, MemorialCare Health System

Tam Ma
Associate Vice President, Health Policy and Regulatory Affairs, University of California Health

Yvonne Waggener
Chief Financial Officer, San Bernardino Mountains Community Hospital District

Medical Groups

Hector Flores
Medical Director, Family Care Specialists Medical Group

Stacey Hrountas
Chief Executive Officer, Sharp Rees-Stealy Medical Centers

David S. Joyner
Chief Executive Officer, Hill Physicians Medical Group

Physicians

Adam Dougherty
Emergency Physician, Vituity

Parker Duncan Diaz
Clinician Lead, Santa Rosa Community Health

Sumana Reddy
President, Acacia Family Medical Group

Consumer Representatives & Advocates

Carolyn J Nava
Senior Systems Change, Disability Action Center

Mike Odeh
Senior Director of Health, Children Now

Kiran Savage-Sangwan
Executive Director, California Pan-Ethnic Health Network (CPEHN)

Rene Williams
Vice President of Operations, United American Indian Involvement

Anthony Wright
Executive Director, Health Access California

Purchasers

Ken Stuart
Chairman, California Health Care Coalition

Suzanne Usaj
Senior Director, Total Rewards, The Wonderful Company LLC

Abbie Yant
Executive Director, San Francisco Health Service System

Health Care Workers

Stephanie Cline
Respiratory Therapist, Kaiser

Sarah Soroken
Mental Health Clinician, Solano County Mental Health

Sara Gavin
Chief Behavioral and Community Health Officer, CommuniCare Health Centers

Organized Labor

Joan Allen
Government Relations Advocate, SEIU United Healthcare Workers West

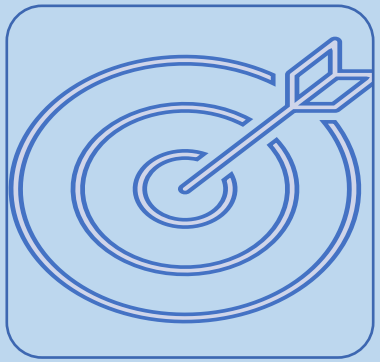
Carmen Comsti
Lead Regulatory Policy Specialist, California Nurses Association/National Nurses United

Ivana Krajcinovic
Vice President of Health Care Delivery, UNITE HERE HEALTH

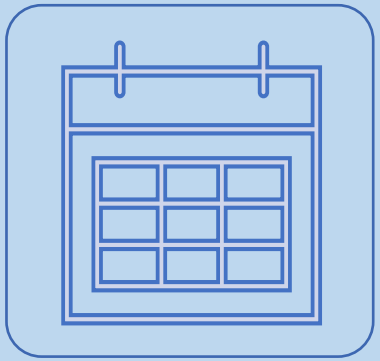
Janice O'Malley,
Legislative Advocate, American Federation of State, County and Municipal Employees

Slowing Spending Growth: Health Care Spending Target

Spending Target - Defined



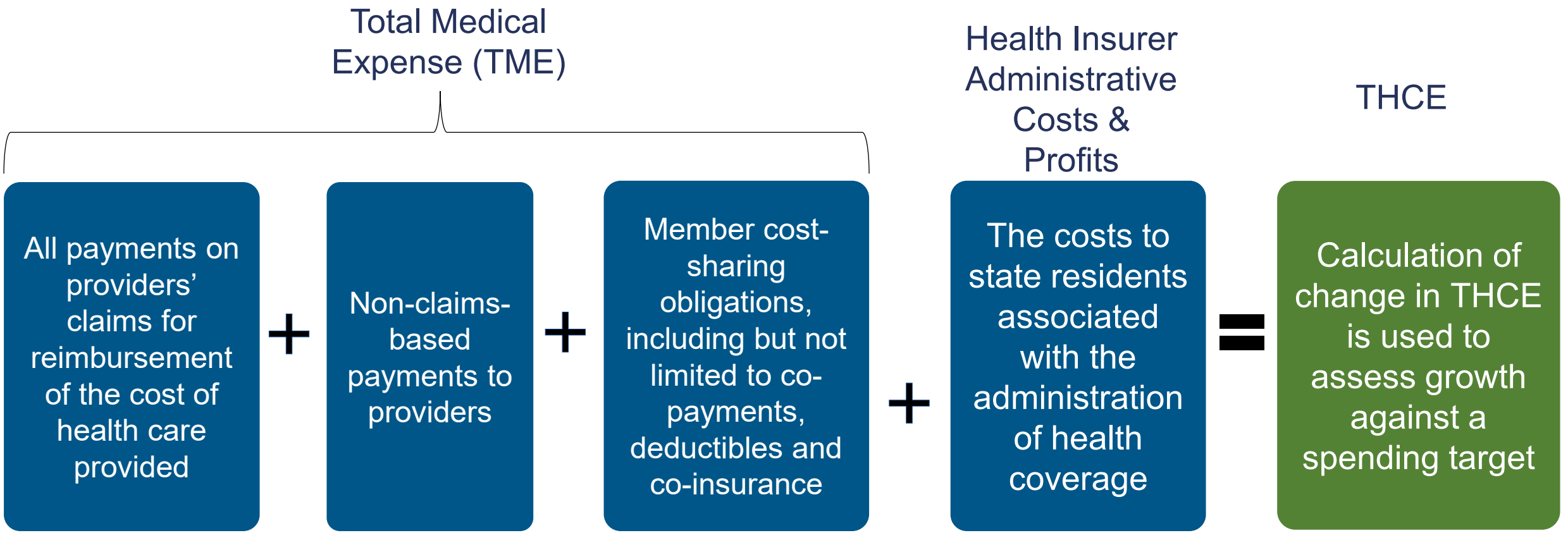
A health care spending target establishes a maximum limit on an acceptable rate of spending growth for health care entities. The goal is to slow the growth of health care spending and make health care more affordable.



The Health Care Affordability Board, with input from the Advisory Committee, will establish California's 2025 statewide health care spending target.*

*Spending performance will not be subject to enforcement until measurement year 2026.

Total Health Care Expenditures (THCE)



Note: Pharmacy rebates are included in THCE and can be included under non-claims-based payments or health insurer administrative costs and profits.

HCAI
Department of Health Care Access and Information

Health Care Entities Subject to the Spending Target

Payers

- Health plans, health insurers, Medi-Cal managed care plans
- Publicly funded health care programs
- Third party administrators
- Other entities that pay or arrange for the purchase of health care services

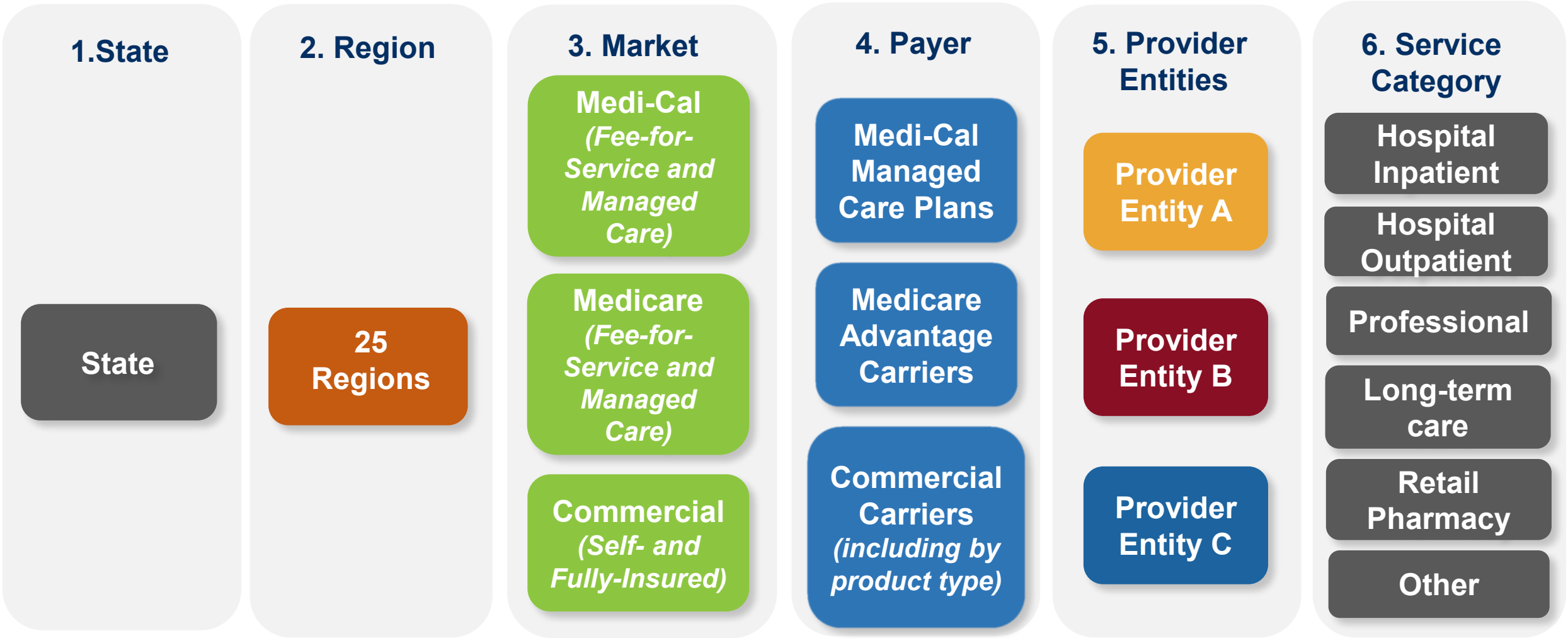
Providers

- Physician organizations
- Health facility, including acute care hospital
- Outpatient hospital department
- Clinic, general or specialty
- Ambulatory surgery centers
- Clinical laboratory
- Imaging facility

Fully Integrated Delivery Systems

- A system that includes a physician organization, health facility or health system, and a nonprofit health care service plan and meets specific additional criteria

Levels of Reporting THCE



Methodology for Developing California's Spending Target

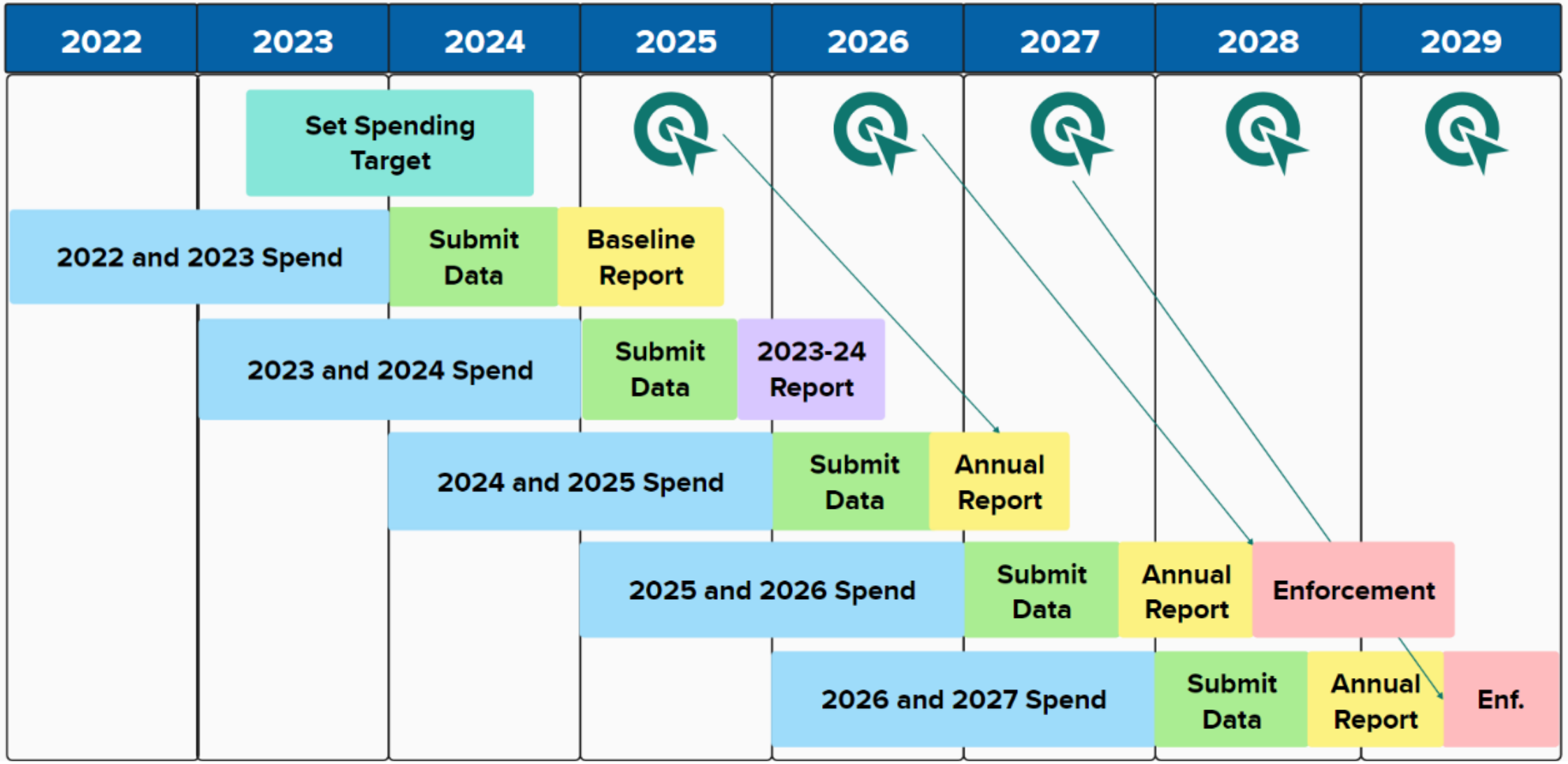
- Consider statutory requirements, including the Board and OHCA responsibilities.
- Review the methodologies of other states.
- Introduce economic and population indicators and consider tying the target value to one or more of them.
- Review other factors identified in the statute for possible spending target adjustments.

Possible Economic and Population-Based Indicators

- California Gross State Product
- California's Potential Gross State Product
- Median Family Income of Californians
- Average Wage of Californians
- Inflation, as Measured by the Consumer Price Index (CPI-U)
- Median Age

* Each of these indicators would be calculated using annual growth rates.

Spending Target Timeline

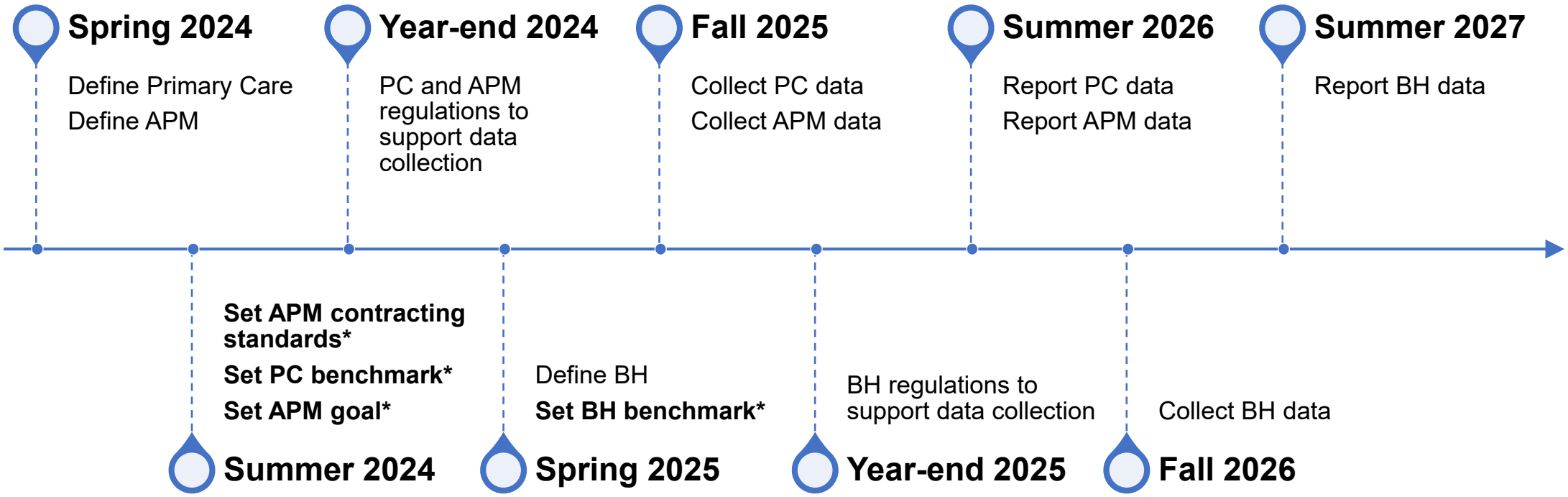


High Value System Performance

Focus areas for promoting high value system performance

APM Adoption	• Define, measure, and report on alternative payment model adoption • Set standards for APMs to be used during contracting • Establish a benchmark for APM adoption
Primary Care Investment	• Define, measure, and report on primary care spending • Establish a benchmark for primary care spending
Behavioral Health Investment	• Define, measure, and report on behavioral health spending • Establish a benchmark for behavioral health spending
Quality and Equity Measurement	• Develop, adopt, and report performance on a single set of quality and health equity measures
Workforce Stability	• Develop and adopt standards to advance the stability of the health care workforce • Monitor and report on workforce stability measures

Preliminary Timeline for APM, Primary Care, and Behavioral Health Workstreams



*Board approval required

All included in the first annual report, due June 2027

Cost and Market Impact Review Program (CMIR)

OHCA Enabling Statute: Office Responsibilities

Review and evaluate consolidation, market power, and other market failures through cost and market impact reviews of mergers, acquisitions, or corporate affiliations involving:

- health care service plans,
- health insurers,
- hospitals or hospital systems,
- physician organizations,
- pharmacy benefit managers, and
- other health care entities

OHCA's Oversight Role in Assessing 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.

Current Gaps in California's Market Oversight

Agreements or transactions involving:

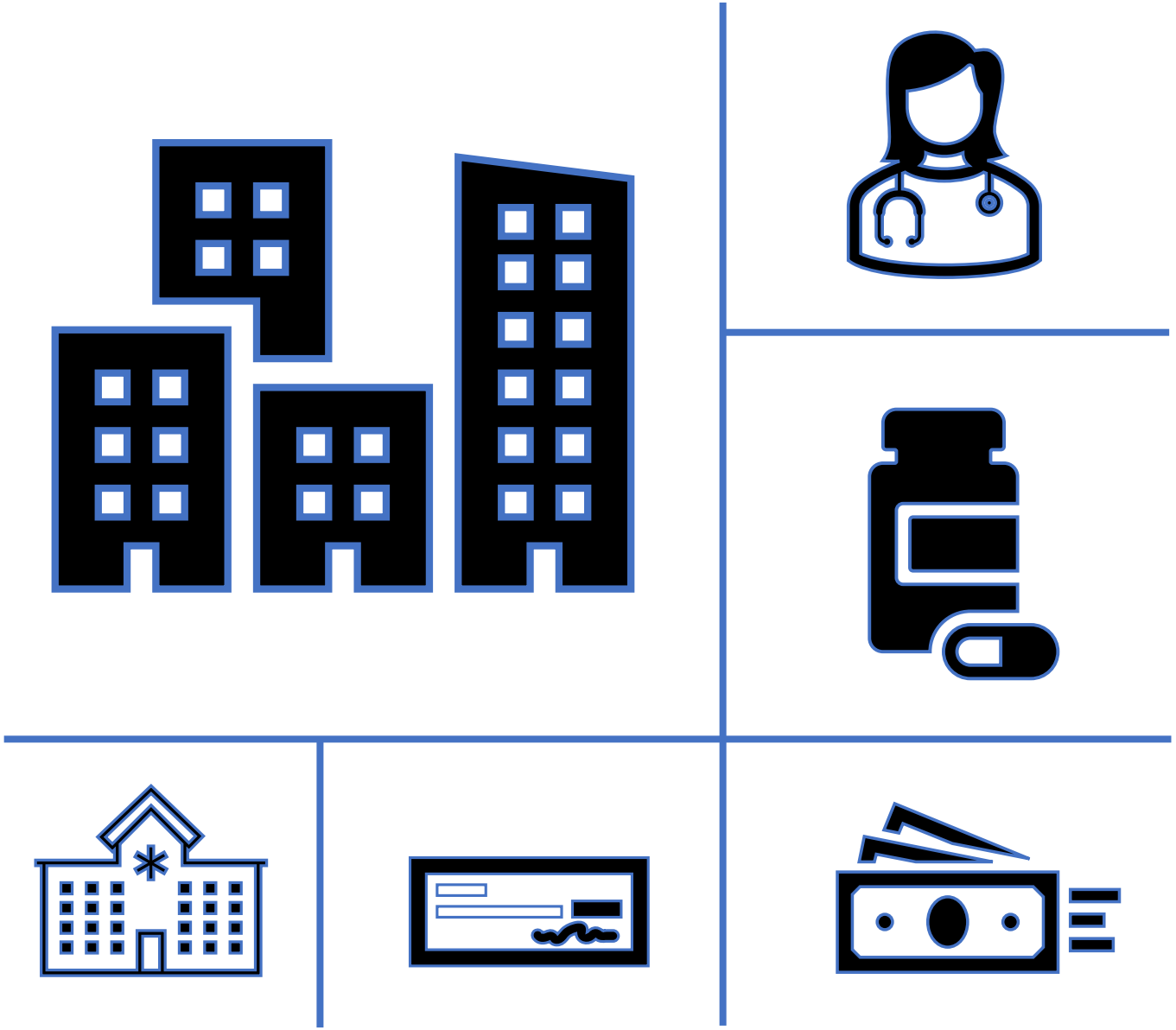
- For-profit hospitals and health facilities
- Physician organizations
- Health plan or health insurer purchase or affiliation with another health care entity, such as a physician group
- Health plans or health insurers and management service organizations (MSOs)
- Private Equity
- Exclusive contracting

OHCA Review of Material Change Notices

Material Change Notice (MCN) is submitted –
90 days before the closing for the transaction

OHCA's preliminary review – within 45 days if no CMIR and 60 days if CMIR warranted

Possible Cost and Market Impact Review (CMIR)



Who Must File Notices with OHCA:

- Payers
- Providers
- Fully Integrated Delivery Systems
- Pharmacy Benefit Managers
- Parents, affiliates, subsidiaries acting as an agent of a payer.

Follow Us!

Website

Twitter

Facebook

YouTube

LinkedIn

#WeAreHCAI #HCAI #HealthWorkforce
#HealthFacilities #HealthInformation