California Hospital Association

June 3, 2025

The Honorable Caroline Menjivar
Chair, Senate Health Committee
1021 O Street, Room 3310
Sacramento, CA 95814

**SUBJECT: AB 1415 (Bonta) — OPPOSE**

Dear Senator Menjivar:

Californians deserve a more accessible, affordable, and equitable health care system. Making this vision a reality is the goal of all California hospitals and requires collaboration among stakeholders, including providers, payers, drug manufacturers, health care workers, and government officials. Innovation and partnership are necessary to advance the best clinical, organizational, and financing practices to ensure patients receive high-quality, high-value care. Cost containment must be balanced with protecting access, quality, and equity while ensuring a sustainable health care workforce.

Unfortunately, Assembly Bill (AB) 1415 would undermine progress toward California's goals by empowering a new agency — the Office of Health Care Affordability (OHCA) — to continue to pursue deep, fast, and inequitable cuts to health care spending growth without adequate consideration of the detrimental consequences for patients. **That's why the California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, opposes AB 1415.**

OHCA was created in 2022 with the goal of "improving affordability, access, and equity of health care for Californians" (Health & Safety Code Section 127500.5(b)). Since its creation, OHCA has moved quickly. First, it set a five-year statewide cap on annual health care spending growth starting at 3.5% this year and ramping down to 3% by 2029. Rather than evaluating how organizations are performing against the statewide cap, as authorized under state law, OHCA then moved to targeting just one group of providers — hospitals — with even more aggressive spending caps. Seven hospitals statewide — including a safety-net hospital for which 7 out of every 8 patients are on Medi-Cal or Medicare, and two hospitals that are losing money every day on patient care — must now meet a cap of 1.8% beginning in 2026, dropping to 1.6% by 2029.

OHCA's statewide and reduced hospital sector spending caps do not account for cost increases; labor, medical supplies, and drugs are currently growing annually at 6%, 8%, and 10%, respectively, and inflation is growing at 5.3% based on the most recent data from the Legislative Analyst's Office. The increases in costs — coupled with the imposition of low spending caps — will force hospitals to consider service line cuts, reduce staff, or scale back on investments intended to improve their communities' health. Coming just as the federal government has imposed the steepest tariffs in a century and is considering $715 billion in Medicaid cuts, OHCA's actions endanger California's entire system of care and will lock in health care inequities for decades to come.

AB 1415 would enable OHCA to single out additional organizations for inequitable treatment by expanding the definition of "health care providers" to include hospital and health systems. Overnight, OHCA's existing caps would be applied not just to the large systems that provide care to millions, both in California and nationally, but also to hospitals that simply partner with another organization — be it a clinic, laboratory, or other small provider. All hospitals and health systems, no matter how small, would be impacted, as AB 1415's language would allow OHCA to target, for example, an individual rural hospital that partners with a single rural health clinic.

These punitive spending caps diminish access to high-quality care and boost health insurance company profits — without producing any certain savings for patients. Even more troublingly, this proposed expansion of OHCA's enforcement power comes before the office has analyzed the consequences of the statewide 3.5% spending cap or the recently approved 1.8% hospital sector target, developed enforcement policies, or even informed hospitals as to how it will measure hospital spending.

In addition to this premature expansion, AB 1415 would allow OHCA to delay and potentially derail health care partnerships and investments that are essential to not just making progress toward a more accessible and equitable health care system, but also to save distressed providers that would otherwise be forced to cut services or close entirely. Specifically, AB 1415 would require additional types of entities to notify OHCA of intended market transactions and subject those entities to transaction reviews lasting eight months or longer. Troublingly, the bill would extend this review process to situations in which new organizations reopen hospitals (or other providers) that previously closed their doors due to financial distress, such as Madera Community Hospital. This process would create delays and uncertainty, only increasing the chances that a recently closed hospital stays closed. Finally, AB 1415 sends mixed messages to health care providers, who OHCA encourages to find significant efficiencies but not through economies of scale or clinical partnerships.

Creating a more affordable care system requires careful understanding of the cost drivers; improved collaboration between payers, providers, and policymakers; and investments to improve access to preventive care. AB 1415 would empower OHCA to continue pursuing drastic, fast-paced, and inequitable cuts to health care spending growth that would have potentially devastating consequences for California patients.

For these reasons**, CHA requests your "NO" vote on AB 1415.**

Sincerely,

Mark Farouk,
Vice President, State Advocacy

cc: The Honorable Mia Bonta
The Honorable Members of the Senate Health Committee
Teri Boughton, Principal Consultant, Senate Health Committee
Tim Conaghan and Joe Parra, Health Policy Consultants, Senate Republican Caucus