



April 11, 2025

Megan Brubaker
Engagement and Governance Manager, Office of Health Care Affordability
2020 W El Camino Ave.
Suite 1200
Sacramento, CA 95833

Subject: Hospitals Request Withdrawal of Emergency Regulatory Action: Hospital Sector Definition

(Submitted via email to OHCA@hcai.ca.gov)

Dear Ms. Brubaker:

As the Office of Health Care Affordability (OHCA) looks to protect Californians and rein in health care costs, it must ensure patients' access to care is not jeopardized in the pursuit of rapid cost cutting. OHCA's recent proposal to define a hospital sector and establish commensurate targets for hospitals designated as "high-cost" fails to meet the mark; not only is it premature and inadequately considered, but it also poses deeply alarming consequences for patient care. The California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, requests that **OHCA withdraw the proposed sector definition until it has completed the appropriate prerequisites, such as assessing the impact of the current statewide spending target, measuring changes in patients' access to care that result from the target, and comprehensively evaluating the sectors that drive avoidable health care cost growth.**

OHCA's Proposal Narrowly Focuses on a Single Sector. Hospitals are just one of the provider and payer types that report financial data to the state — and yet they are the only sector OHCA has examined to date. Health plans, for example, have publicly reported financial information for years, including on their earnings, assets, and premium growth. Ignoring a **nearly \$300 billion segment** of the health care industry — one charged with coordinating and paying for care, but that routinely delays or denies urgently needed care — shows a troubling partiality and willingness to move forward with highly consequential policies that lack full consideration and analysis.

Data show a curious gap between California's overall health care spending and hospital-specific spending. Despite the state's high cost of living, per capita spending for all health care services ranks toward the bottom of the pack, at 29th lowest nationally. However, when narrowed to only per capita **hospital** spending, California's rank improves 11 places — landing at 18th lowest nationally. Accounting for

California's nation-leading cost of living shows that hospitals are even more efficient, outpacing most of the nation in delivering cost-effective care to patients. However, this efficiency comes at the cost of financial vulnerability; more than half of hospitals operate in the red. Despite financial challenges, they find ways to stay open and continue to provide care to all who walk through their doors, regardless of ability to pay. Given the variance between hospital-specific spending efficiency and health care spending at large, OHCA must further explore the factors driving health care spending — hospitals are clearly doing their part to improve costs.

OHCA's Proposal Ignores the Timelines Intended in Statute. OHCA's enabling statute clearly outlines the steps lawmakers intended for its work: First, implement the office's core functions (including a statewide spending target starting in 2025), encourage cross-sector collaboration, and learn what is working — or not — across different facets of the industry. Then, judiciously subdivide health care into sectors and explore differentiated targets based on measured performance against the statewide target. This is why state law does not require OHCA to adopt sector targets until June 2028; at that time, four years of data will be available, including two years of performance data relative to the statewide spending target.

With nearly two-thirds of health care spending occurring outside of hospitals' walls, it is vital that OHCA comprehensively examine health care spending before delineating sectors. Just as importantly, OHCA must ensure that any savings generated are actually passed on to patients, not simply retained as higher earnings by payers. **California's hospitals urge OHCA to withdraw its current proposal, learn from the initial implementation of the statewide spending target, and revisit sector-specific targets once the impact on patient care is better understood.**

Sincerely,



Ben Johnson
Group Vice President, Financial Policy