

CHA Legislative Briefing: Understanding the Office of Health Care Affordability (OHCA): Hospital Perspectives and Impacts

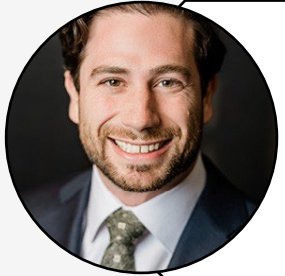
August 4, 2026





Mark Farouk
Vice President, State Advocacy
California Hospital Association

Presenters



Ben Johnson
Group Vice President,
Financial Policy
California Hospital Association



Barry Arbuckle, Ph.D.
Executive Chairman
MemorialCare



Victoria Valencia
Vice President, Data Analytics
California Hospital Association



Brett Tande
Corporate Executive Vice President,
Chief Financial Officer
Scripps Health

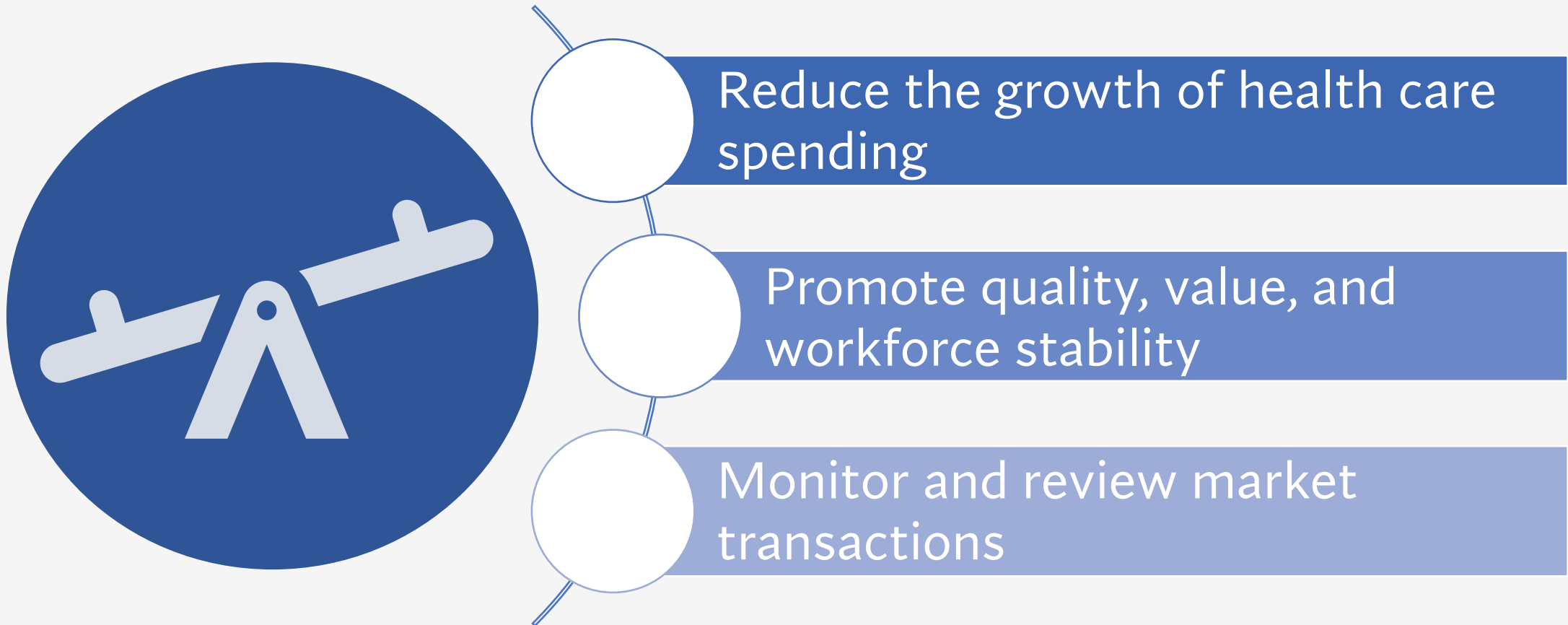


Kimberly Hartz
Chief Executive Officer
Washington Health

Overview of the Office of Health Care Affordability



OHCA was created in the state budget via Senate Bill 184 (2022)



In April 2024, the OHCA Board approved the first statewide spending target

- Based on average annual median household income growth from 2003-2022
- Includes a glide path that ramps the target down over time

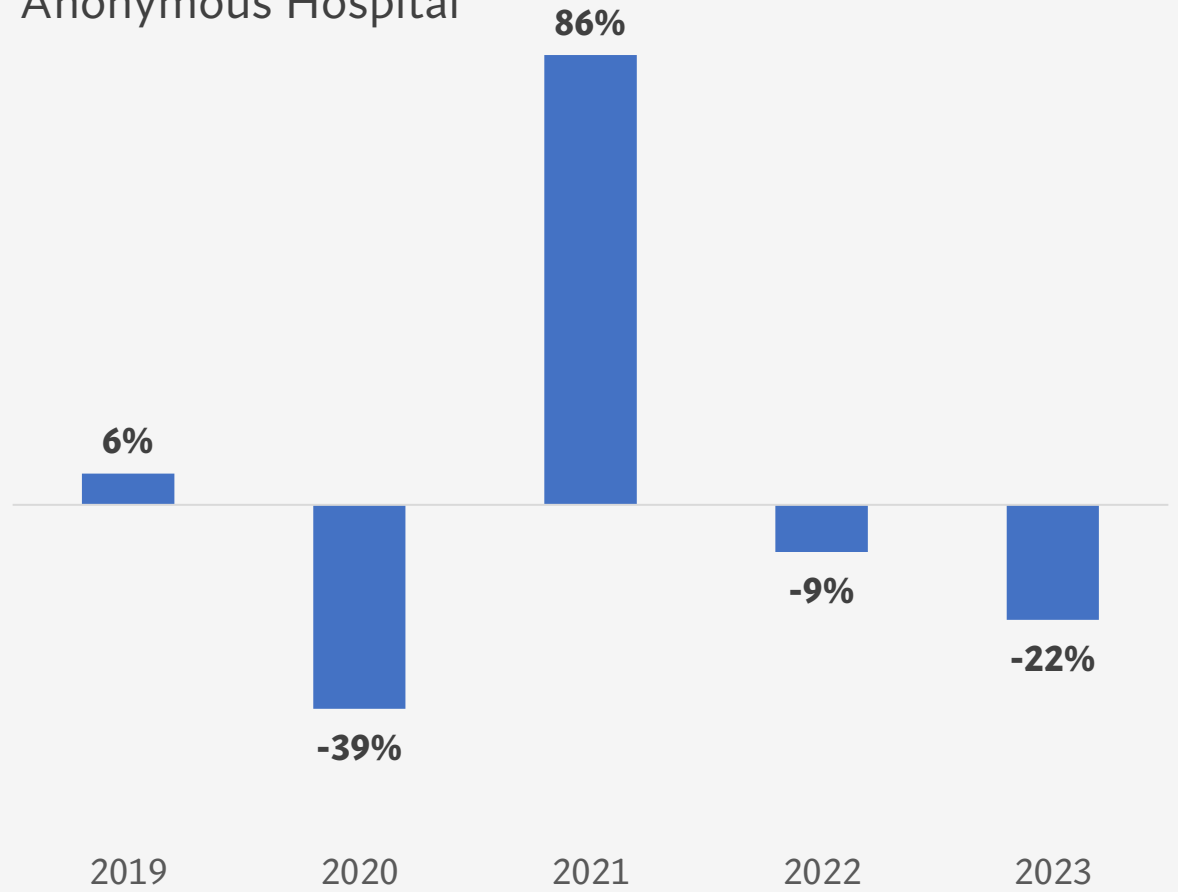
Performance Year	Per Capita Spending Growth Target
2025	3.5%
2026	3.5%
2027	3.2%
2028	3.2%
2029	3.0%

Note: 2025 target is non-enforceable

Untested Measurement Approach

- Extraordinary Volatility
- Incomplete Data
- Six distinct assessments

Annual Growth in Commercial Inpatient Spending
Anonymous Hospital



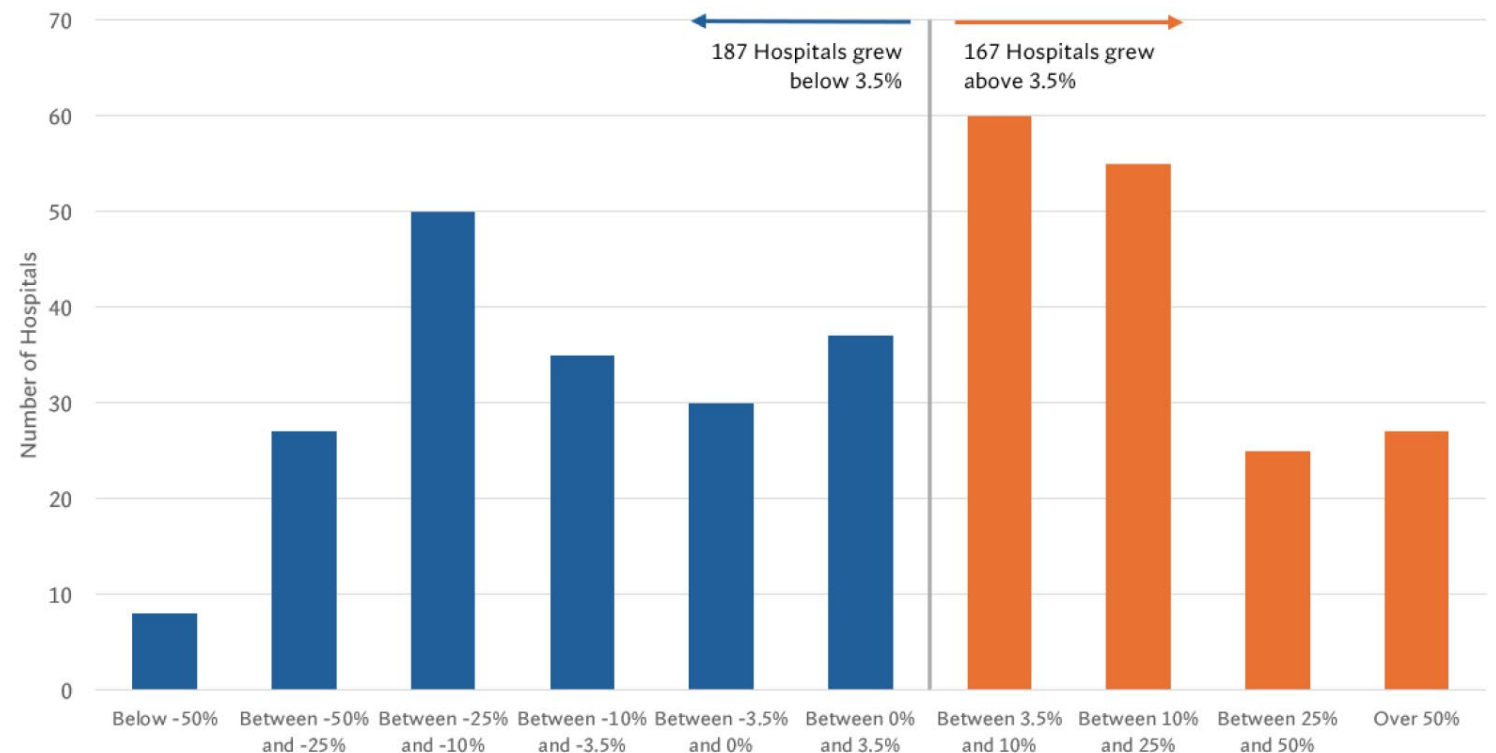
Most Hospitals Will Miss Their Target in Any Given Year

167 hospitals would have violated a 3.5% spending target in 2023 on their commercial lines

Dozens of hospitals had measured spending growth greater than 50% or less than -50%

92% of hospitals would have violated a 3.5% spending target in 2023 for any payer and service line

Hospital Spending Growth Under OHCA's Methodology Is Extraordinarily Volatile



Note: 2023 commercial spending growth rates for combined inpatient and outpatient services derived from OHCA's Hospital Measurement Combined Dataset 2022-2023.

Proposed penalties

- ✓ Start in the **hundreds of millions of dollars** for larger hospitals
- ✓ Exceed **3-year cumulative operating earnings** for hundreds of hospitals
- ✓ Are **20x higher** than the next closest state's, and arrive **3 years faster**



A rural California hospital that disproportionately serves low-income patients

receiving a

\$25 million fine



A critical access hospital with less than \$30m in annual revenue and an operating margin below -25%

receiving a

\$4.8 million fine



A public safety-net hospital with 90% of its patients covered by Medi-Cal or Medicare

receiving a

\$86 million fine

Health Care Job Losses

- 3,300 shed in California in 2025
- 39,000 projected lost by 2029 under OHCA's spending targets

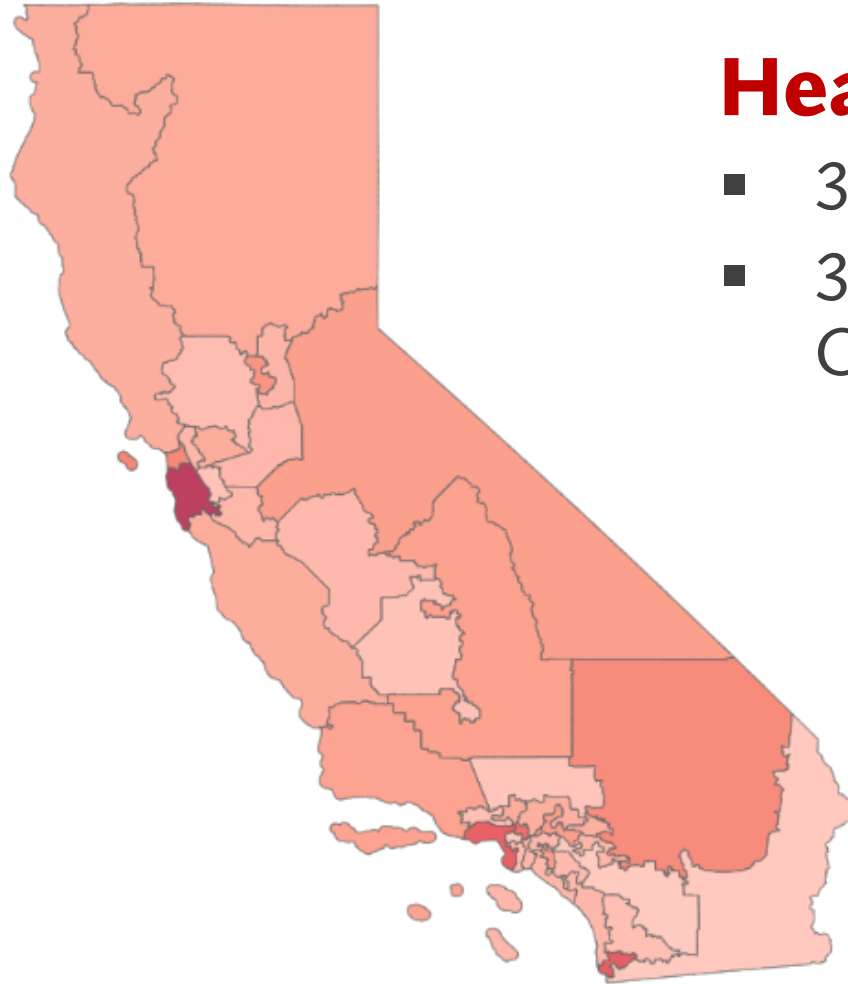
Select Map Shape Type

☐ Assembly

☒ Senate

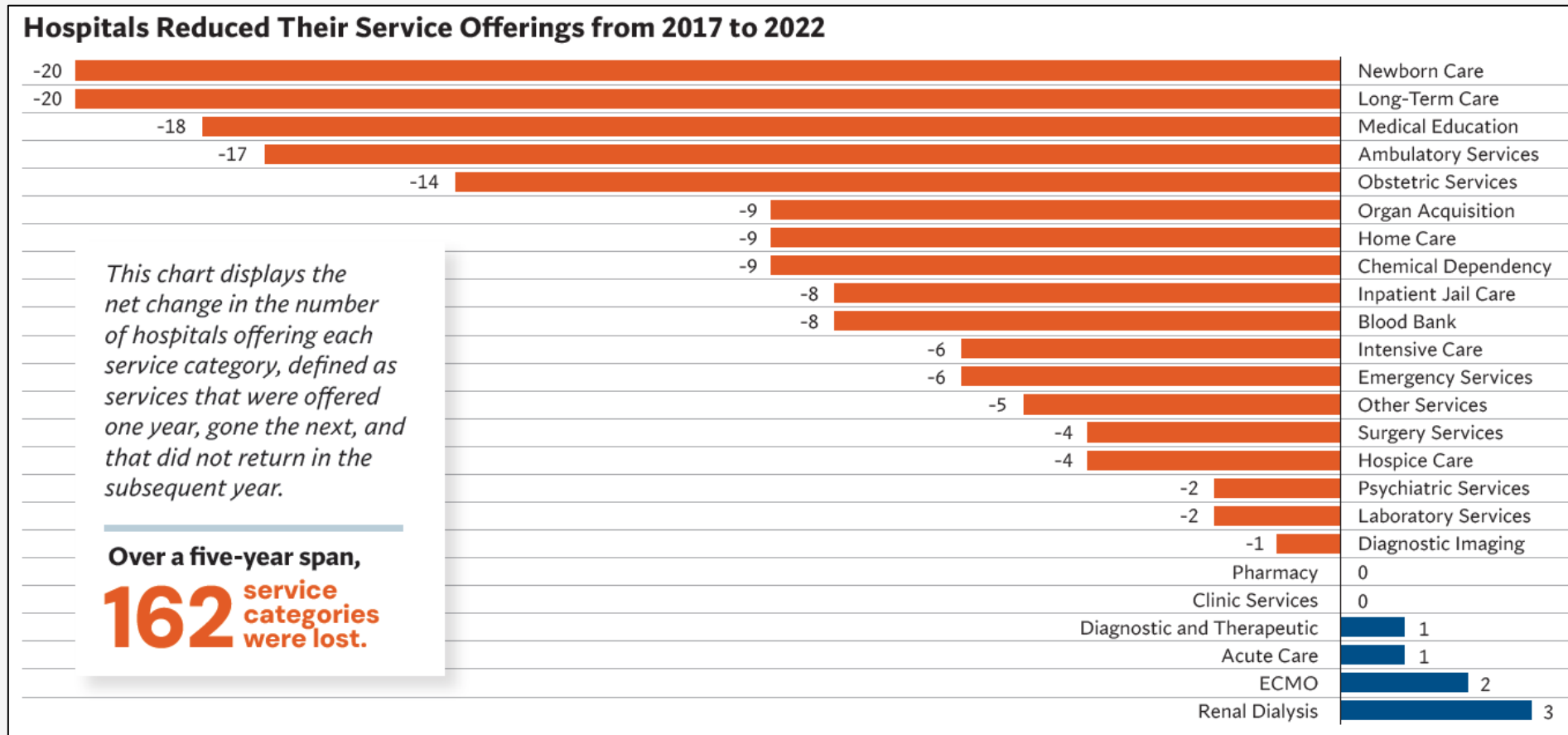
☐ Congressional

Impact Measure



Source: CHA projected losses in revenue, jobs, and economic activity by the end of 2029 resulting from OHCA's spending targets. These losses reflect the gap between allowable revenue growth and projected cost growth. More information available upon request.

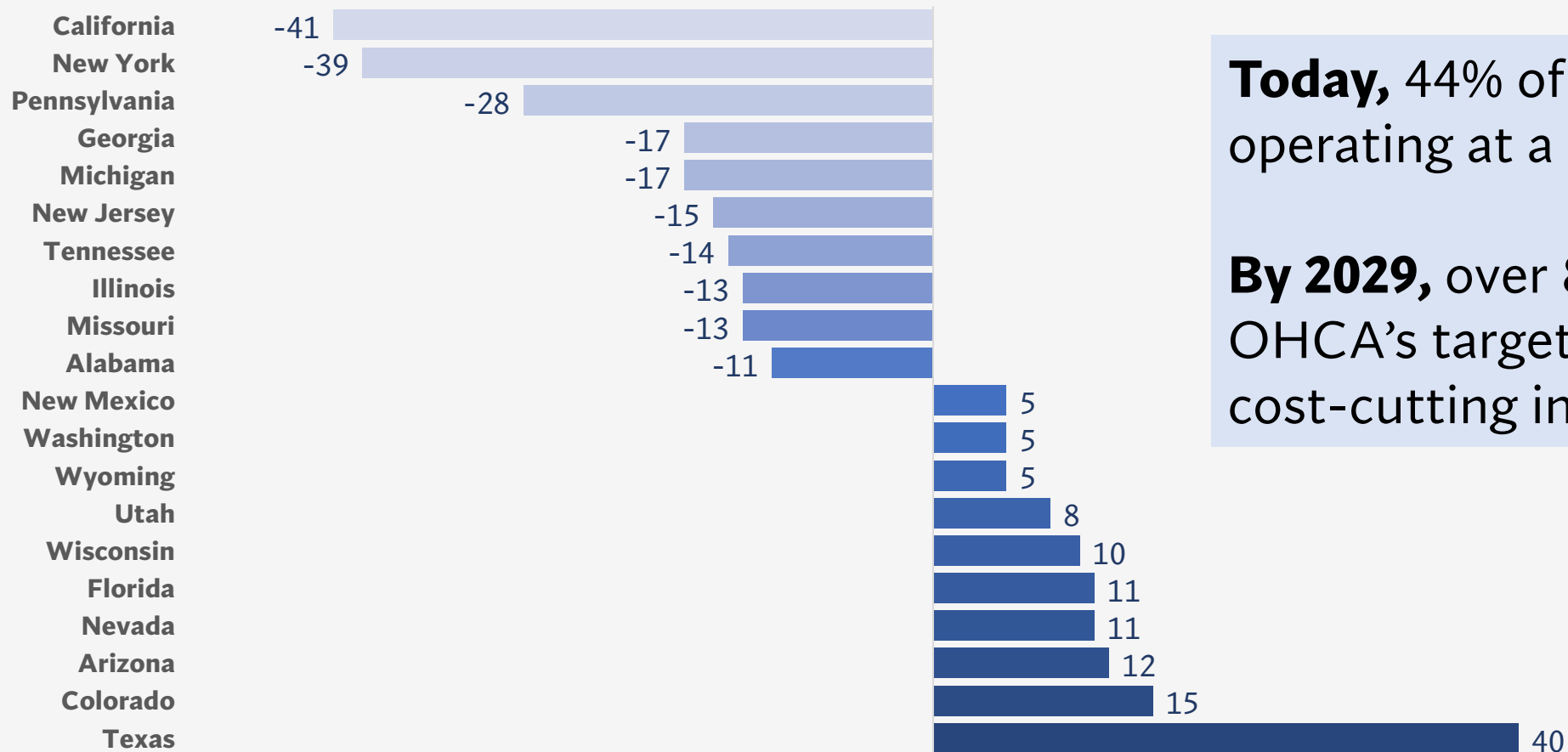
Labor and delivery, pediatric care, and behavioral health are all under threat



Making a Bad Situation Worse – Hospital Closures

Net Hospital Closures by State Over the Last 20 Years

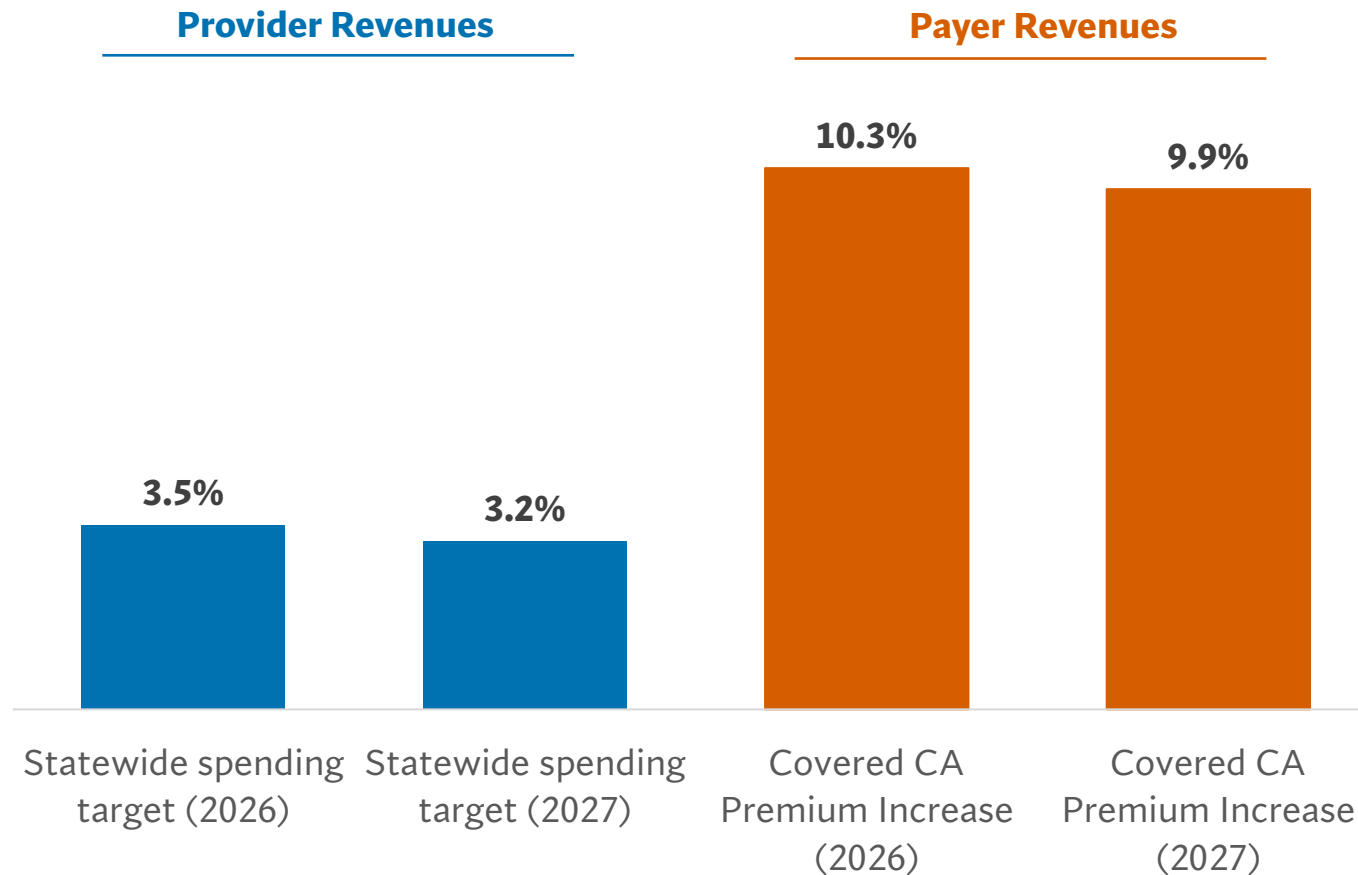
Top/Bottom 10 States



Today, 44% of hospitals are operating at a loss

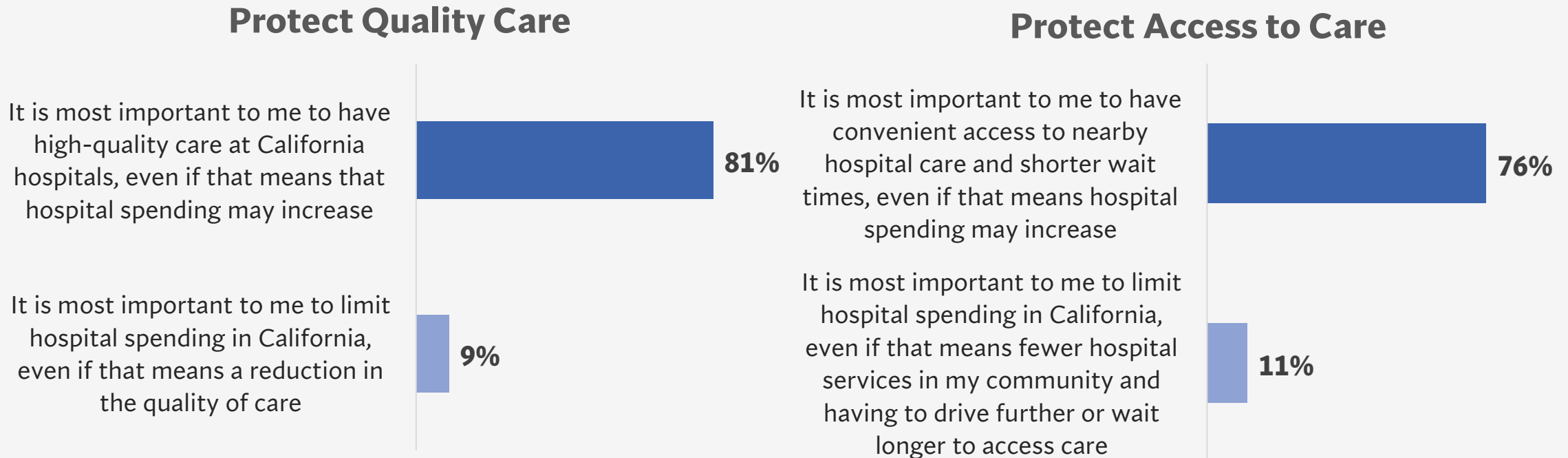
By 2029, over 80% will under OHCA's targets, absent drastic cost-cutting interventions

The Target Caps Spending. It Does Not Cap Premiums.



OHCA spending targets apply to **provider revenues, payer expenditures**

Californians prioritize protecting access to high-quality care when asked which statements come closer to their opinions:



Source: Fairbank, Maslin, Maullin, Metz & Associates (FM3) interviewed 837 California voters in the summer 2025 to understand their views on health care affordability and access.

Recognize the realities of care delivery within the spending targets

Create a fair and collaborative enforcement process

Promote real affordability, not just provider cuts

Take provider perspectives seriously

Be mindful of new mandates that raise costs

Hospital Perspectives



Questions?

Mark Farouk

Vice President, State Advocacy

mfarouk@calhospital.org

(916) 267-4467

Ben Johnson

Group Vice President, Financial Policy

bjohnson@calhospital.org

(916) 552-7620

Victoria Valencia

Vice President, Data Analytics

vvalencia@calhospital.org

(916) 552-7680

