

# Talking Points

January 16, 2025

## Hospital-Specific Spending Targets Are Premature — OHCA Must First Define Process for Measuring Complex Hospital Spending

*In December, the Office of Health Care Affordability (OHCA) board discussed the creation of sector-specific spending targets, including the adoption of one or more hospital sectors. The board plans to move this forward in 2025; initial action could come as early as the January 28 board meeting.*

### **Definition of a hospital sector is premature; OHCA must first conduct a proper landscape analysis.**

- OHCA has yet to analyze or report on statewide health care spending. It has not comprehensively compared spending across various segments of the industry, identified where spending growth is high, or meaningfully assessed drivers to determine whether differences in spending growth are appropriate.
- OHCA has provided no information justifying how its proposal will meet the statutory requirement to “minimize fragmentation and potential cost shifting and encourage cooperation in meeting statewide and geographic region targets.”

### **Establishing a hospital sector target before finalizing a measurement approach undermines the credibility of the process.**

- OHCA seeks to define a hospital sector — and potentially set sector targets — before determining how it will measure growth in hospital spending.
- This would not only violate OHCA’s legal prerogative to inform the creation of sector targets with historical cost data but would also misidentify purportedly “high-cost” hospitals and leave hospitals with no guidance for complying with sector targets.

### **OHCA analysis fails to clearly, consistently, or impartially identify “high-cost” hospitals.**

- OHCA shared an analysis of hospitals’ financial performance intended to identify high-cost hospitals. OHCA used measures related to inpatient revenue per discharge, the annualized growth in this revenue, operating margins, and a comparison of commercial reimbursement to Medicare reimbursement and costs.
- There were no clear or consistent patterns between hospital performance on these measures; a hospital that was a state leader on one measure was not likely to be a leader on the other measures.
- OHCA’s attempt to more consistently identify high-cost hospitals using these measures involved arbitrary and unjustifiable exclusions, potentially reflecting an attempt to back into an answer as to which hospitals are high-cost.