January XX, 2025

Kim Johnson

Chair, Health Care Affordability Board

2020 W El Camino Ave.

Sacramento, CA 95833

**Subject:** **OHCA Board Must Delay Creation of a Hospital Sector**

*(Submitted via email to Megan Brubaker)*

Dear Chair Johnson,

<ORGANIZATION NAME> is deeply concerned by the speed with which the Office of Health Care Affordability is considering defining hospital-specific sector(s) and establishing one or more sector-specific targets. Patients’ access to care is at stake — it is crucial that the office’s actions be based on thorough analysis of the health care spending landscape, and that hospitals clearly understand how to comply with sector-specific targets.

Making health care more affordable — a priority for California hospitals — is a shared responsibility. To make a difference in the cost of care, the entire health care system — insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others — must work together. **Fragmenting the health care field so early in the process would undermine the collaboration that is key to our shared success.**

Before defining one or more hospital sectors, all stakeholders would benefit from a comprehensive analysis of spending across various segments of the health care industry, identification of areas in which spending growth is high, and a meaningful assessment of spending drivers to determine whether differences in spending are appropriate. Absent that analysis, it is difficult to understand how this proposal would meet OHCA’s statutory requirement to “minimize fragmentation and potential cost shifting and encourage cooperation in meeting statewide and geographic region targets.”

Further, OHCA has not yet finalized its method for measuring hospital spending. OHCA has a legal prerogative to inform the creation of sector targets with historical cost data. However, the lack of a finalized methodology means the relevant historical cost data has not been reviewed and leaves hospitals in the dark as to how to comply with the target. **Establishing hospital-specific sector(s) and corresponding targets is wholly premature.**

<ORGANIZATION NAME> is already striving to meet the existing 3.5% spending target for 2025 by:

* <LIST EXAMPLES OF STEPS TAKEN TO BECOME MORE EFFICIENT>.

Lowering the target even further, without a clear understanding of how spending will be measured, means that we would be forced to further reduce the care we provide. This could impact:

* LIST EXAMPLES OF PROGRAMS/SERVICES YOUR ORGANIZATION MAY NEED TO POSTPONE OR CUT TO ACHIEVE SPENDING TARGETS

On behalf of the XXX patients we serve, <ORGANIZATION NAME> urges you to take additional time for analysis and discussion before finalizing sectors or corresponding targets. <ORGANIZATION NAME> remains deeply committed to achieving our shared goals of affordable, high-quality care — and we ask that the office proceed with a keen eye toward ensuring care is not diminished in the pursuit of lower costs.

Sincerely,

NAME

TITLE

ORGANIZATION

cc: Members of the Health Care Affordability Board:

David M. Carlisle, MD, PhD

Dr. Sandra Hernández

Dr. Richard Kronick

Ian Lewis

Elizabeth Mitchell

Donald B. Moulds, Ph.D.

Dr. Richard Pan

Elizabeth Landsberg, Director, Department of Health Care Access and Information

Vishaal Pegany, Deputy Director, Office of Health Care Affordability

Darci Delgado, Assistant Secretary, California Health and Human Services Agency

Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom