<Place on hospital letterhead>

<Date>

Mark Ghaly, MD

Chair, Health Care Affordability Board

2020 West El Camino Avenue

Suite 1200

Sacramento CA 95833

Submitted via email to Megan Brubaker at: OHCA@hcai.ca.gov

Subject: Protect Access to Health Care, Reject 3% Cost Growth Target

Dear Dr. Ghaly:

The Office of Health Care Affordability (OHCA) seeks to improve health care affordability and must do so without sacrificing access to or the quality of health care. We stand ready to collaborate with OHCA to achieve our shared goals of improved affordability and access to high-quality health care. **Unfortunately, office staff’s recommendation for California’s first statewide spending target does not adequately consider the factors driving health care spending growth, and in doing so jeopardizes patient care.**

This target, which is based solely on the historical growth in household income, is overly narrow and fails to account for myriad factors that impact health care spending. To be credible, a target must not only consider but actually **reflect** these known factors: inflation; demographic factors, such as California’s aging population; trends in labor and technology costs, such as the high costs of new pharmaceuticals and medical devices; policy changes that raise spending, like minimum wage and seismic mandates; and the up-front investments hospitals make to improve the value of the care they provide, which — over the long term — reduce the cost of care.

For <hospital name>, meeting the proposed 3% target would mean:

* Reevaluating the services we provide, as well as care expansions and other investments we hope to make to improve our community’s health. [For example, (provide examples of investments that would be postponed or curtailed to meet this target).]
* Considering ways to reduce current staff or hire fewer staff in the future, including offering fewer retention or recruitment bonuses. [A spending target of 3% would have removed $XXX from our budget over the past five years, potentially resulting in XXXX jobs lost.]
* Uncertainty over our ability to meet state mandates like [Provide examples of legislative mandates your organization is responding to and the associated costs (e.g., costs of seismic retrofitting)]

On top of these challenges, OHCA staff’s five-year target recommendation seeks to prematurely establish an enforceable spending target by proposing to do so before OHCA has:

* + Collected data to inform the establishment of a credible, attainable target
	+ Promulgated rules around how these data would be analyzed
	+ Laid out the rules for how entities would be held accountable for the targets

Given these outstanding issues, we question the prudence of adopting a five-year target before data become available and critical decisions have been made.

Making health care more affordable requires thoughtful, long-term planning. For example, a comprehensive focus on health equity has the potential to lead to long-term cost savings but requires significant up-front investments and reorganization of delivery models. Ultimately, allowing for an opportunity to conceive and implement these improvements will allow the health care system to transform into one that California patients need and deserve — a system that supports timely access to high-quality, person-centered care.

Unfortunately, this proposal would do the opposite — it would force cost-cutting measures at patients’ expense. We ask the board to reject the OHCA staff proposal, and instead adopt a data-driven spending target that truly reflects the resources needed to provide life-saving care.

Sincerely,

<Hospital CEO Name>