

Hospital Spending and Measurement Workgroup

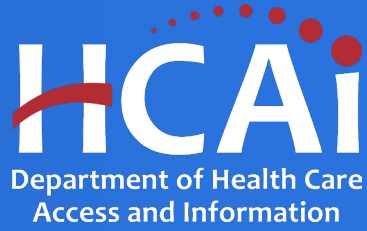
May 5, 2026

Agenda

1. Overview and Updates
2. Follow-ups from December Workgroup
3. Applying the Inpatient and Outpatient Measurement Methodology: FY 2022-2023 Results
4. Next Steps

Workgroup Feedback from December

#	Feedback Theme	OHCA's Response
1	What will OHCA do when facilities have a small proportion (or number) of visits in the Health Care Payments Database (HPD)?	OHCA derived payer-specific inpatient and outpatient spending measures so long as a hospital reported non-null values for payer-specific utilization and revenue. In instances where facilities had small proportions of visits in the HPD relative to HAFDR, we explored characteristics of hospitals that have small proportions of visits in HPD and will provide a summary of that analysis in the forthcoming slides.
2	Concern with relatively low proportion of commercial outpatient visits found in the HPD. What steps will OHCA undertake to assess the extent to which HPD data for commercial outpatient measurement are representative?	<p>OHCA examined the correlation between measures of intensity for inpatient and outpatient care across payer types (e.g., all-payer compared to commercial).</p> <p>In addition, using the HPD, OHCA examined the correlation between the AVI for self-insured CalPERS members and the AVI for the broader commercial market.</p> <p>Finally, in February 2026, OHCA requested feedback from hospitals on its Facility Number to NPI crosswalk and received over 130 email responses, resulting in the addition of ~300 NPIs and the removal of ~230 NPIs. In forthcoming slides, we will provide an update on the number and proportion of outpatient visits found in HPD relative to HAFDR by payer.</p>
3	Can OHCA report a volume-only adjusted outpatient measure?	Yes, in its April 2026 Board materials as well as in its hospital-level data set with inpatient and outpatient data for FY 2022 and 2023, OHCA included both volume-only adjusted measures as well as volume- and intensity-adjusted measures.

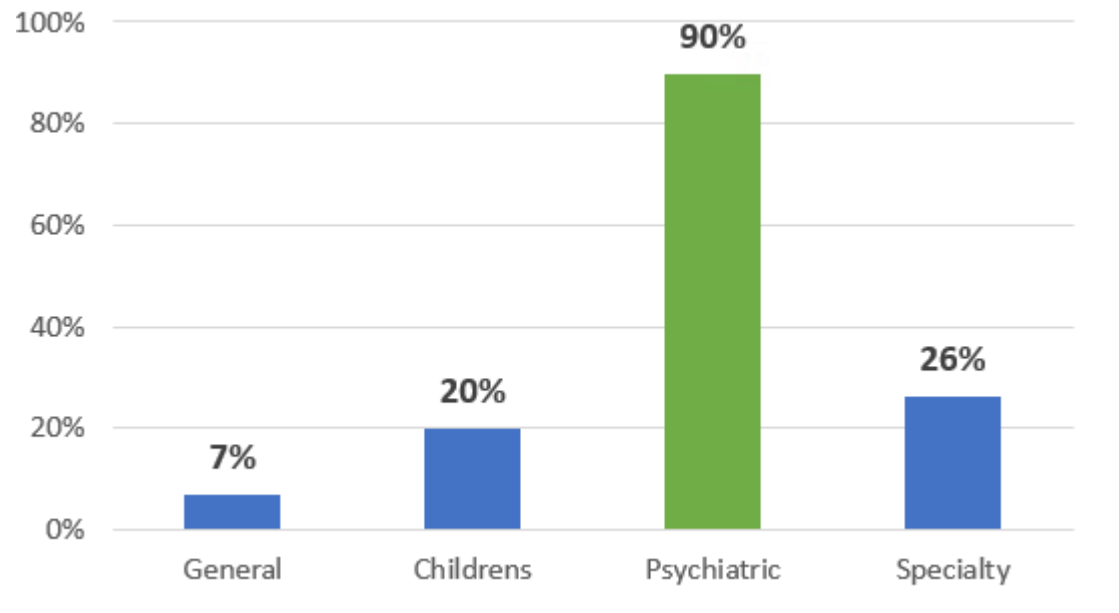


Workgroup Follow-ups

Facilities with Low Proportion of Visits

A high percent of psychiatric facilities have low visits in HPD compared to their HAFDR visits. For Psychiatric hospitals, classification of "partial hospitalization" (also known as observation stay) is the reason behind the low visit counts in HPD.

Facilities with Low (Under 25%) Proportion of Visits in HPD, Type of care, Comparable, 2022



Type of care	Facilities with Low HPD visits	All Facilities	Percent
General	19	276	7%
Childrens	2	10	20%
Psychiatric	26	29	90%
Specialty	5	19	26%
Total	52	334	16%

Type of care definition: Indicates the preponderance of care provided at the hospital in one of four categories: General - hospitals which provide general acute care; Children's - hospitals which primarily treat children; Psychiatric - hospitals which emphasize psychiatric care; and Specialty - specialty hospitals, such as chemical dependency recovery hospitals and rehabilitation hospitals.

Facilities with Low Proportion of Visits

Psychiatric hospitals with low visits in HPD reported “partial hospitalization – psychiatric” as their main OP visit category in Hospital Financials, which may be missed in HPD.

Selected low HPD visits psychiatric facilities and partial hospitalization reported

Facility	HPD/HAFDR Visit Ratio	HPD with APC/ HAFDR Visit Ratio	Partial hospitalization in HAFDR*
Facility 1	7.2%	1.6%	9,867 (100%)
Facility 2	14.87%	0%	3,972 (100%)

Partial hospitalization definition from medicare.gov: Partial hospitalization provides a structured program of outpatient psychiatric services as an alternative to inpatient psychiatric care. It's more intense than care you get in a doctor's or therapist's office, and your care plan must state that you require at least 20 hours of therapeutic services per week. You get treatment during the day, and you don't have to stay overnight.

Comparing December 2025 and April 2026 Results: Number of Outpatient Visits Found in the HPD for FY 2022

2022 Fiscal Year Comparable Hospitals	Commercial	Medicare	Medi-Cal
Outpatient visits in Hospital Financial Reports among hospitals found in HPD	15.2 million	15.8 million	15.3 million
December 2025: Outpatient visits in HPD with APC weights	1.7 million	6.7 million	3.8 million
<i>% of Hospital Financial reported visits</i>	11.2%	42.7%	24.8%
April 2026: Outpatient visits in HPD with APC weights	3.0 million	6.9 million	5.2 million
<i>% of Hospital Financial Reports reported visits</i>	20% (+9.8 pp)	44% (+1.3 pp)	34% (+9.2 pp)

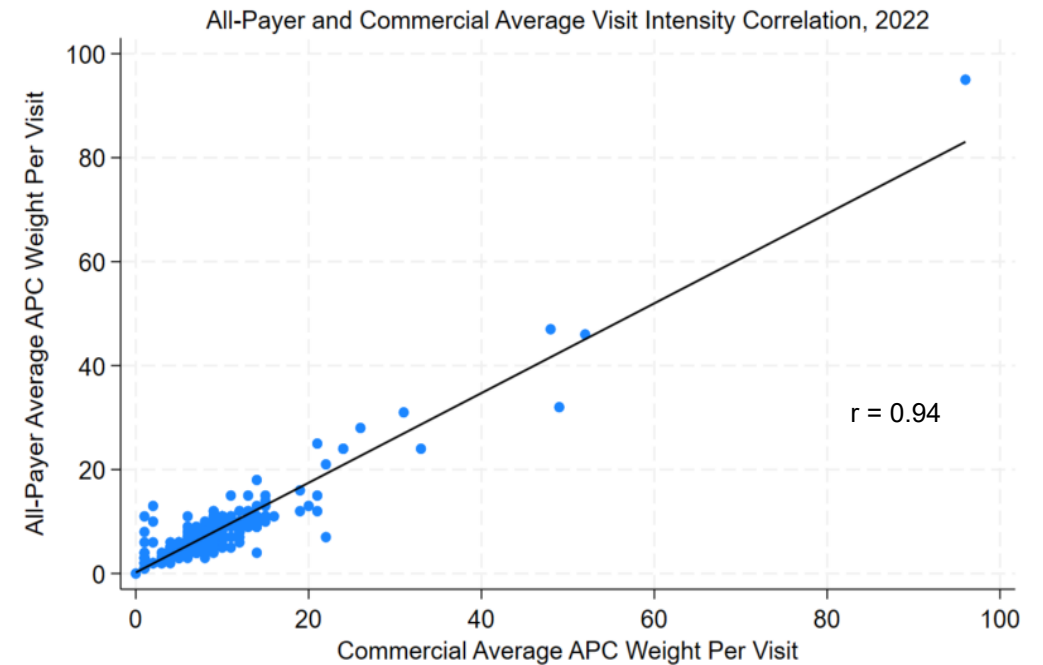
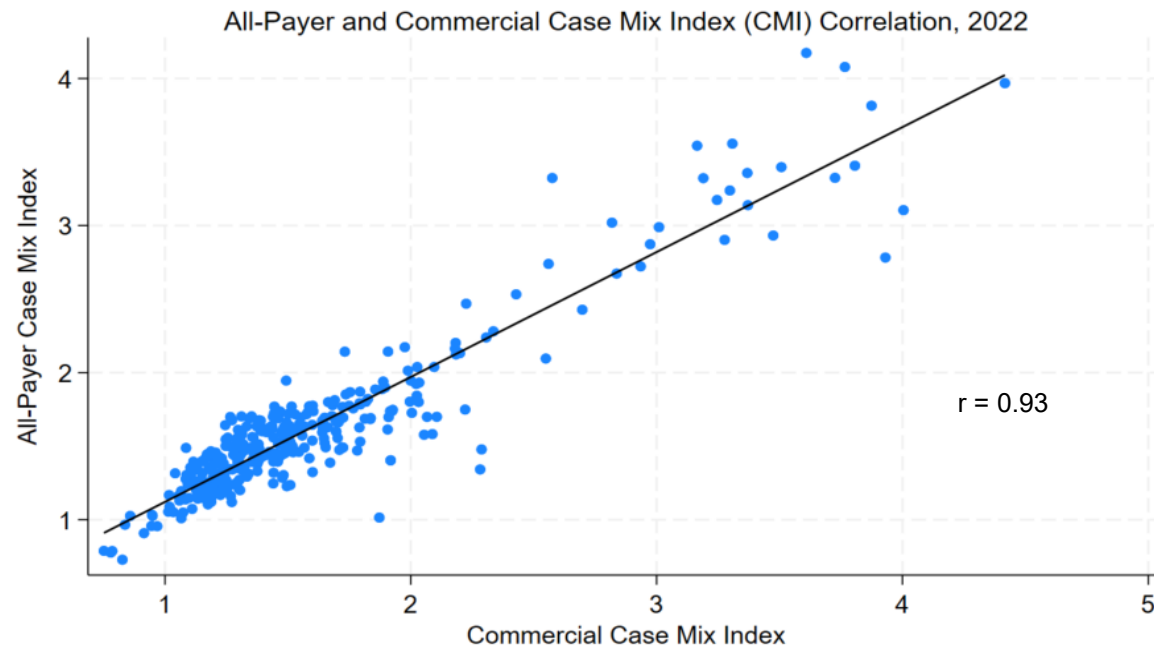
Note: Commercial, Medicare and Medi-Cal visits are calculated as the sum of managed care and traditional subcategories. Not shown in the breakdown are County Indigents, Other Indigent and Other Payers

Comparing All-Payer and Commercial Average Visit Intensity (AVI) Measures

- Given the Workgroup's concerns about the relatively low proportion of Commercial outpatient visits found in the HPD, we examined the relationship between the All-Payer AVI and the Commercial AVI. We also examine the relationship between the overall Commercial AVI compared to an AVI based on visits from CalPERS members (a group of self-insured enrollees).
- We also examined the correlation between All-Payer Case Mix Index (CMI) and the Commercial CMI. Both of these inpatient intensity measures are calculated using the Patient Discharge Data (PDD).
- Note that while we use a sample of HPD outpatient visits to calculate AVI, we can use the full census of inpatient discharges from the PDD to calculate CMI.

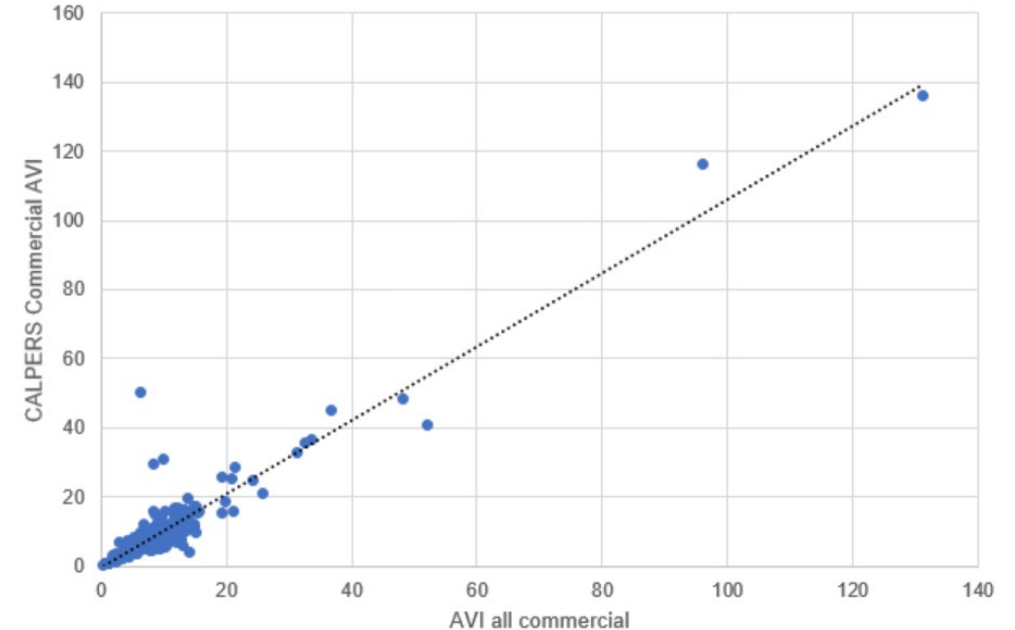
Comparing All-Payer and Commercial Average Visit Intensity (AVI) Measures

As the figures below show, the All-Payer and Commercial intensity measures are strongly, positively correlated for both inpatient (left figure) and outpatient care (right figure).



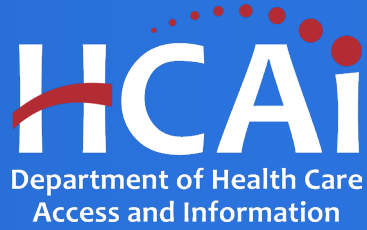
Comparing AVI for CalPERS members to AVI for the broader Commercial Market

- While the HPD does not include the full universe of self-insured commercial claims, it does include a sizable portion of CalPERS enrollees, which we can use to examine the relationship between a CalPERS-based AVI and a broader commercial market AVI.
- Based on 2022 data from 308 hospitals that had visits from CalPERS members, we calculate a correlation coefficient of 0.94 between the overall commercial market AVI and the CalPERS AVI.



Discussion Questions

- Do workgroup members have any questions about the analyses in the previous slides?
- Do workgroup members have suggestions for how OHCA could identify partial hospitalizations within claims data?



Applying the Hospital Measurement Methodology, Fiscal Years 2022-2023

Background

- At the December 2025 Board meeting, we described how OHCA will measure inpatient and outpatient spending using a combination Hospital Financial Data, Patient Discharge Data and Health Care Payments (HPD) Data.
- In January 2026, we posted the OHCA Hospital Facility to national provider identifier (NPI) Crosswalk on the OHCA website with a request to hospitals to confirm the NPIs that map to their California license number.
- After incorporating hospital feedback on the crosswalk, OHCA posted both a revised crosswalk and a facility-level dataset that uses payer-specific case mix index (CMI) and average visit intensity (AVI) to derive measures for inpatient and outpatient spending measures across the Commercial, Medicare and Medi-Cal markets for FY 2022 and 2023.
- Today we share results from FY 2022 and 2023 data.

Number of Comparable Facilities in the Analysis

There are a total of 368 comparable hospitals in 2022 and 366 comparable hospitals in 2023. We calculated inpatient and outpatient spending measures by payer, which results in some missingness; common reasons include hospitals (1) not reporting revenue for a certain payer, (2) not reporting discharges or visits for a certain payer, (3) not found in Health Care Payments Data (HPD) or (4) the absence of outpatient visits with ambulatory payment classification (APC) weights in the HPD.

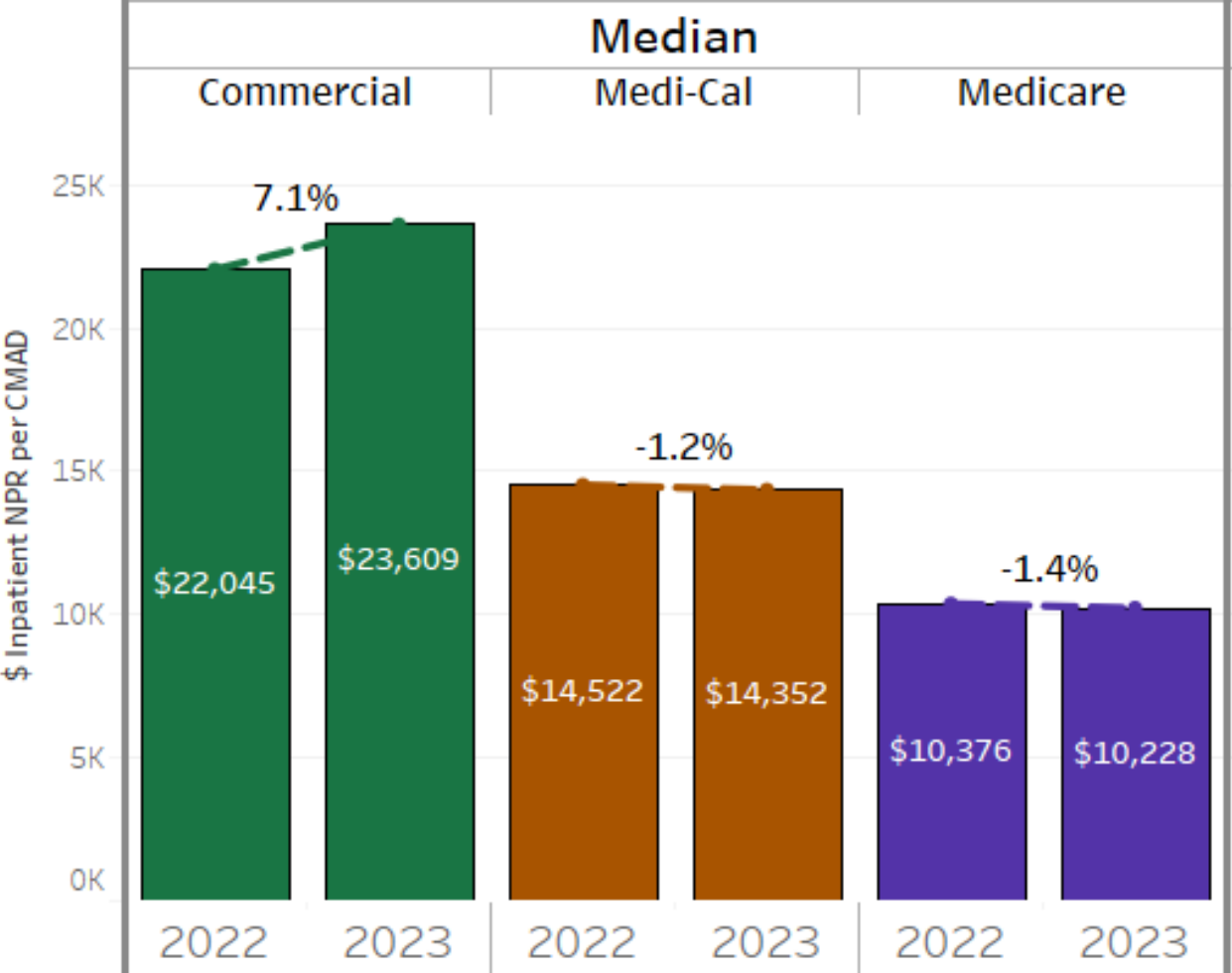
	Number of Facilities with Calculated Measures	
	2022	2023
Outpatient Spending Measures		
Commercial	319	315
Medicare	319	314
Medi-Cal	294	292
Inpatient Spending Measures		
Commercial	357	357
Medicare	354	354
Medi-Cal	349	349

Hospital Inpatient Spending Measure, 2022-2023, Intensity Adjusted by Payer

The median commercial inpatient spending measure (Inpatient Net Patient Revenue (NPR) per Case Mix Adjusted Discharge) was \$22,045 in 2022 and \$23,609 in 2023.

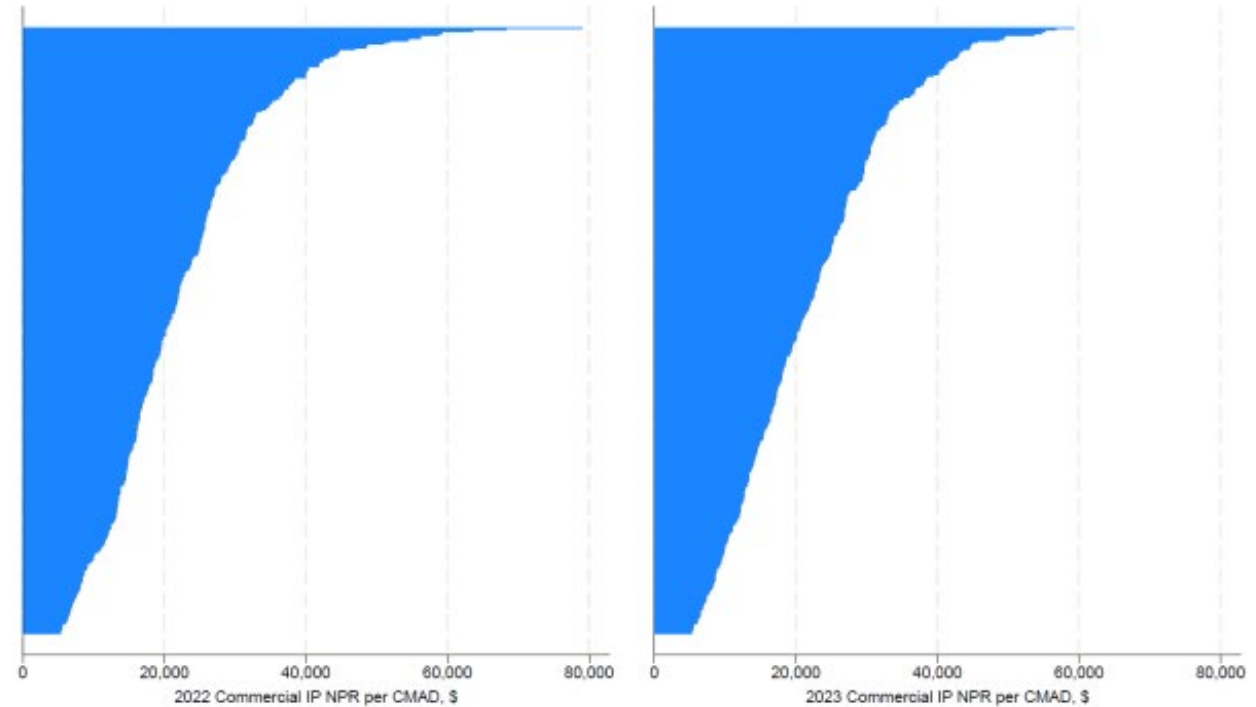
Between 2022 and 2023, median inpatient spending measures changed as follows:

- **Commercial:** 7.1%
- **Medi-Cal:** -1.2%
- **Medicare:** -1.4%



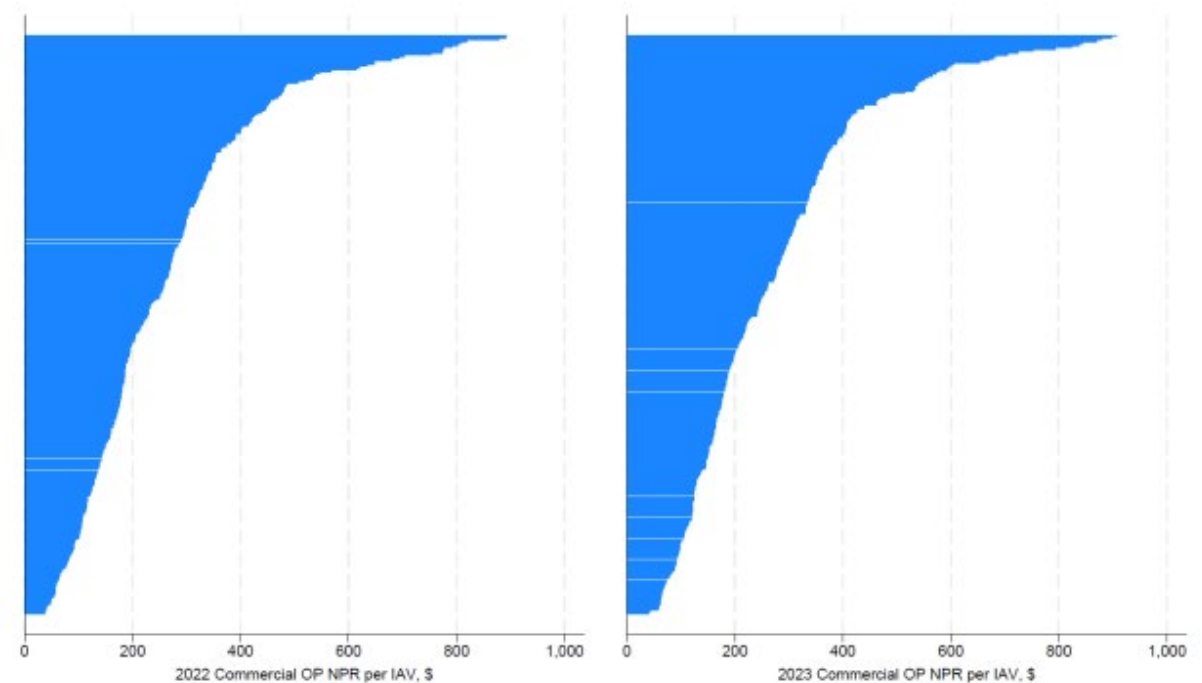
Hospital Inpatient Spending Measure, 2022-2023, Intensity Adjusted by Hospital

- In 2022, Commercial Inpatient Net Patient Revenue (NPR) per Case Mix Adjusted Discharge) ranged from approximately \$144 to \$79,000
- In 2023, Commercial Inpatient Net Patient Revenue (NPR) per Case Mix Adjusted Discharge) ranged from approximately \$357 to \$524,600



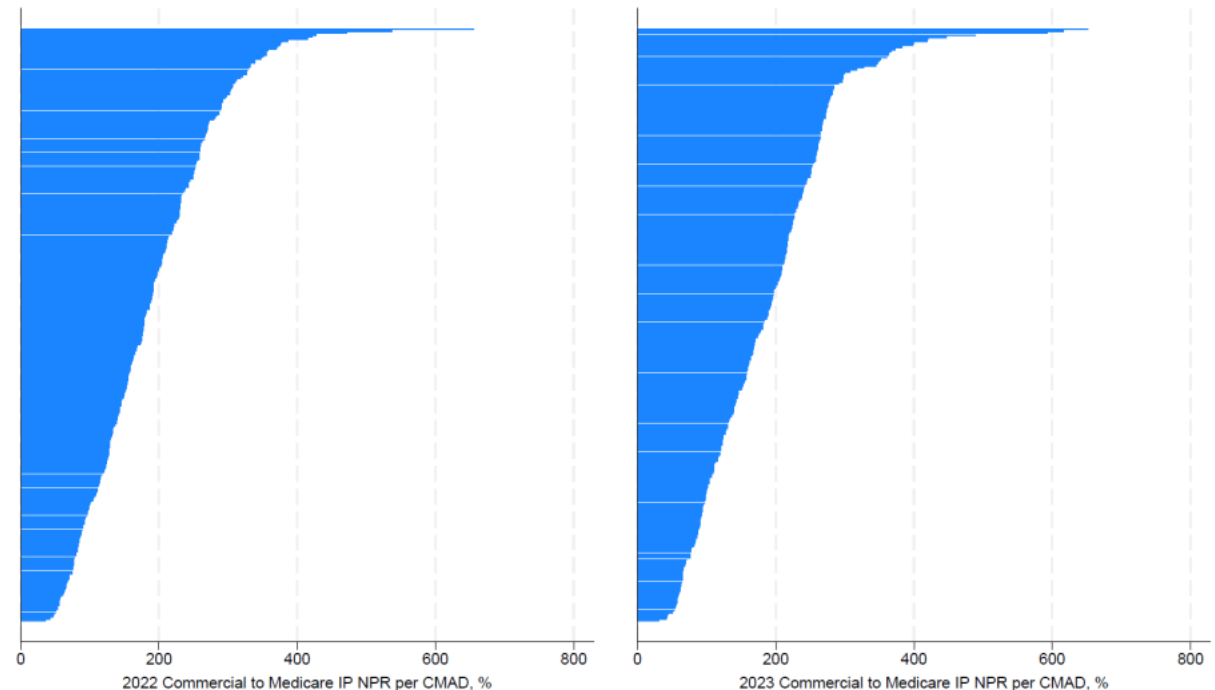
Commercial Hospital Outpatient Spending Measure, 2022-2023, Intensity Adjusted by Hospital

- In 2022, Commercial Outpatient Net Patient Revenue (NPR) per Intensity-Adjusted Visit ranged from approximately \$9 to \$5,000
- In 2023, Commercial Outpatient Net Patient Revenue (NPR) per Intensity-Adjusted Visit ranged from approximately \$1 to \$1,260



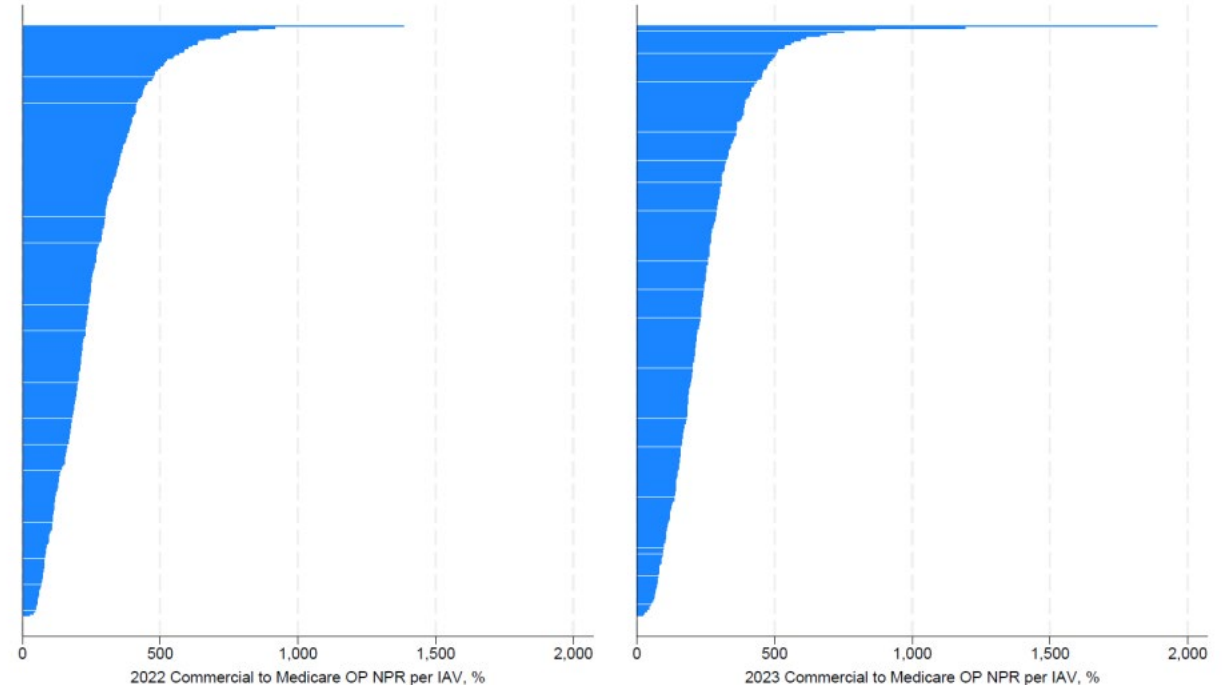
Commercial to Medicare Inpatient Spending Ratio by Hospital, 2022 and 2023

- Having derived inpatient spending measures by payer, we can calculate commercial to Medicare ratios and find that, compared to Medicare inpatient spending, median commercial inpatient NPR per CMAD was approximately 212% higher in 2022 and 231% higher in 2023.



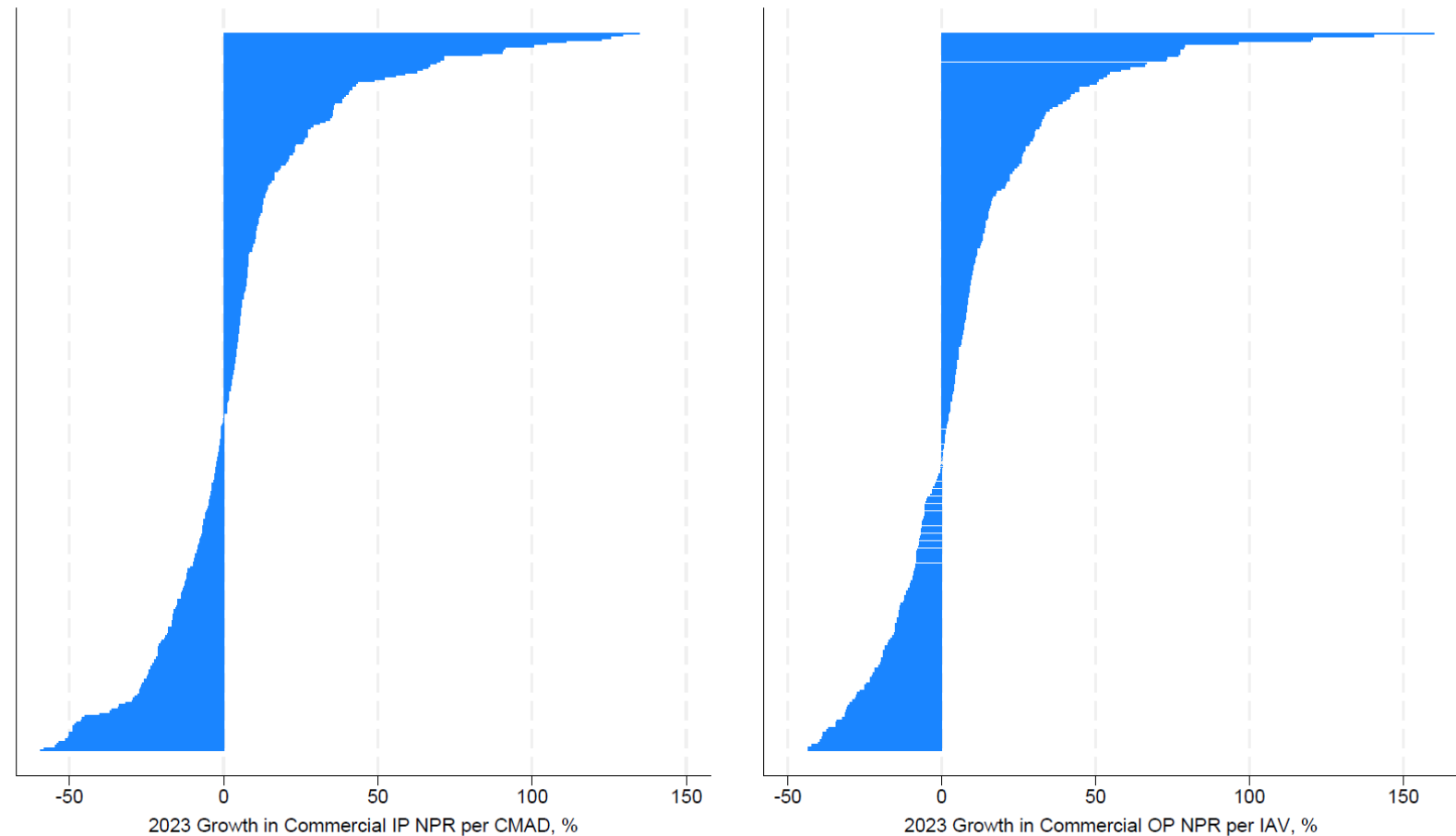
Commercial to Medicare Outpatient Spending Ratio by Hospital, 2022 and 2023

- Having derived outpatient spending measures by payer, we can calculate commercial to Medicare ratios and find that, compared to Medicare outpatient spending, median commercial outpatient NPR per Intensity-Adjusted Visit was approximately 239% higher in 2022 and 229% higher in 2023.



2022-2023 Growth Rates in Commercial Inpatient and Outpatient Spending Measures

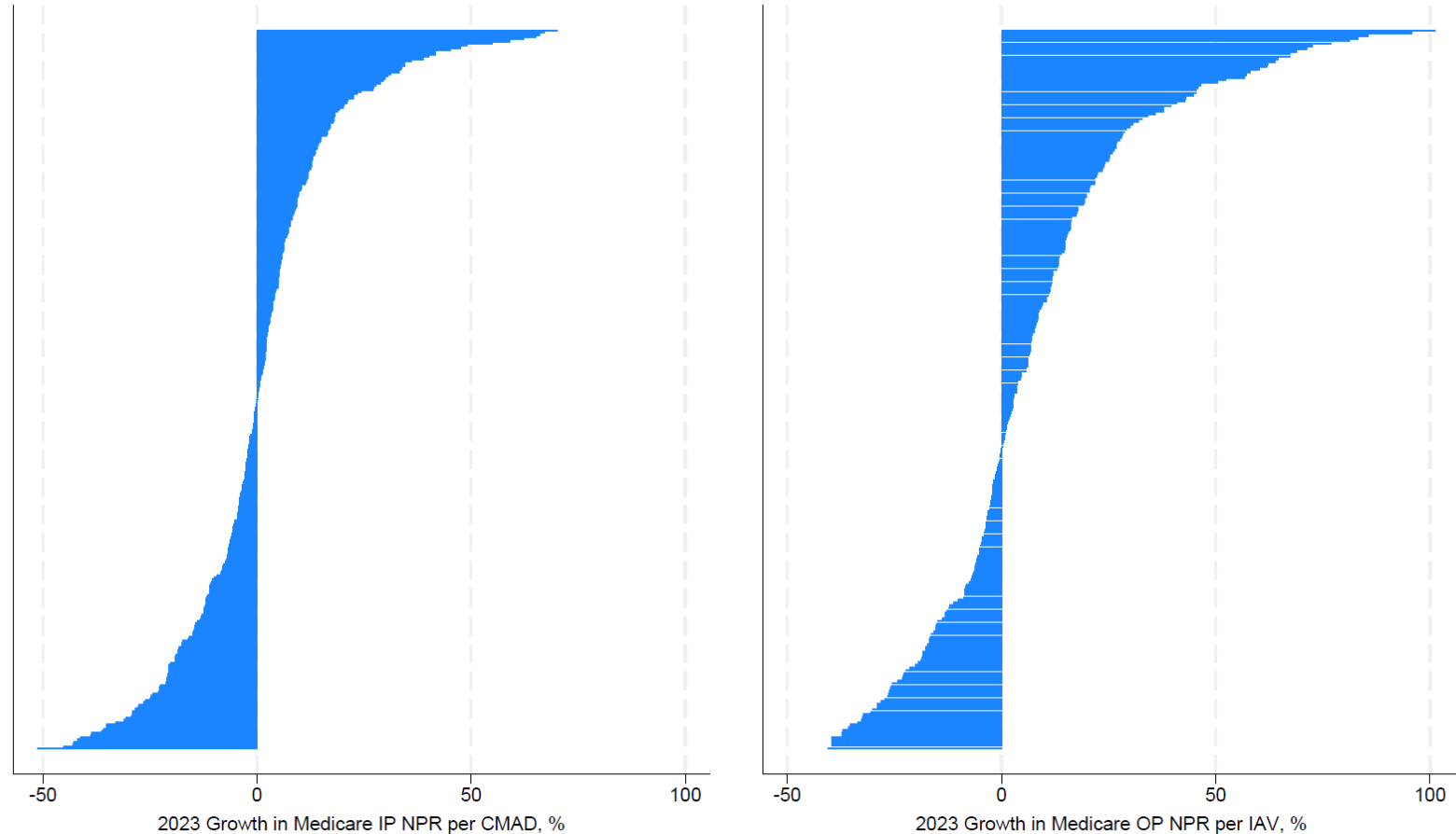
- The figure on the left shows growth in intensity-adjusted commercial inpatient spending measures across comparable hospitals.
- The figure on the right shows growth in intensity-adjusted commercial outpatient spending measures across comparable hospitals.



For visualization purposes, we dropped observations with growth rates below 1st percentile and above 99th percentile. Left figure shows growth in Inpatient Net Patient revenue per case-mix adjusted discharge. Right figure shows growth in Outpatient Net Patient Revenue per intensity-adjusted visit. Growth rates are calculated as $(100 \times 2023 \text{ measure} / 2022 \text{ measure} - 100)$ and expressed in percentages for each hospital.

2022-2023 Growth Rates in Medicare Spending Measures

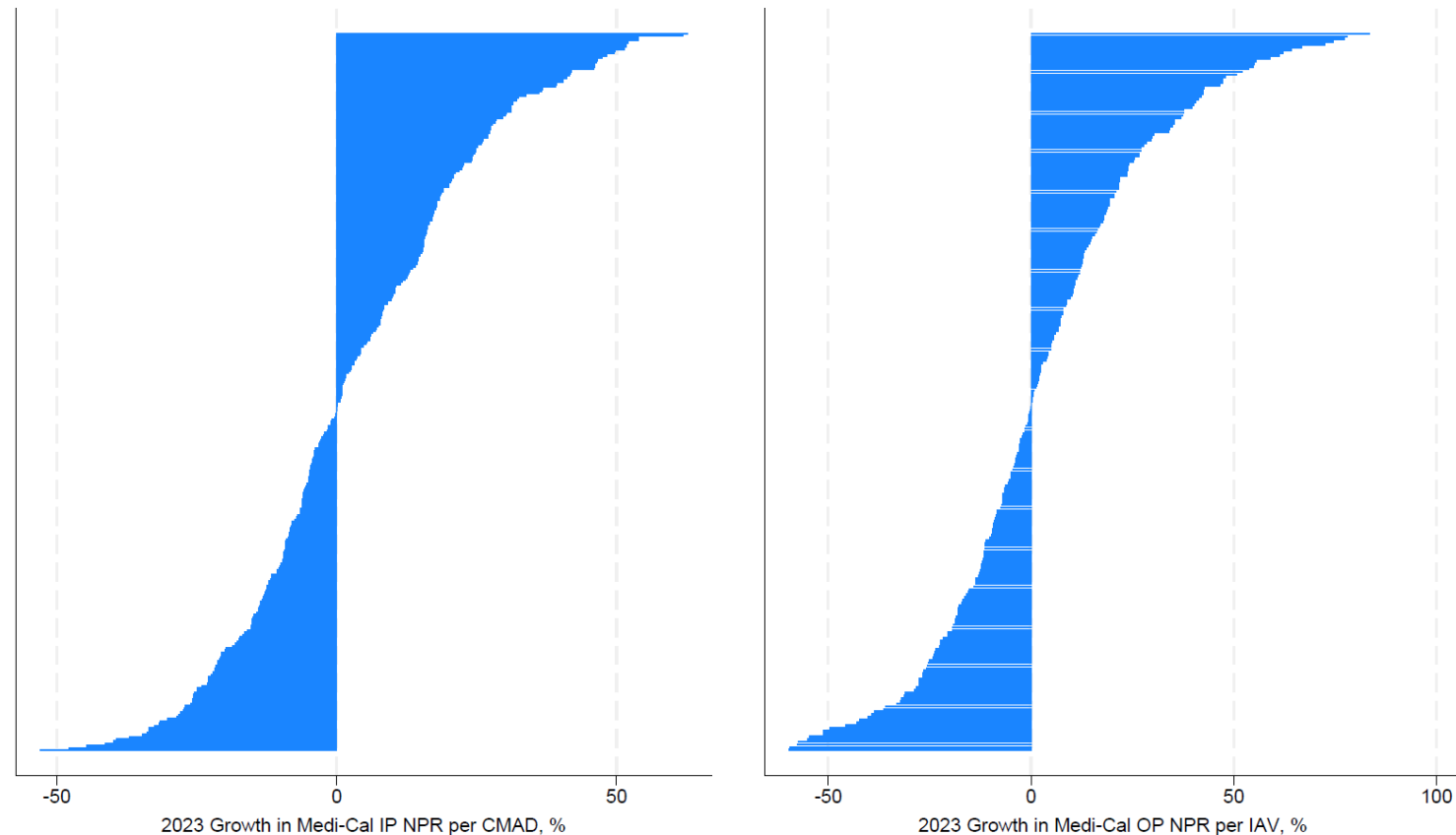
- The figure on the left shows growth in intensity-adjusted Medicare inpatient spending measures across comparable hospitals.
- The figure on the right shows growth in intensity-adjusted Medicare outpatient spending measures across comparable hospitals.



For visualization purposes, we dropped observations with growth rates below 1st percentile and above 99th percentile. Left figure shows growth in Inpatient Net Patient revenue per case-mix adjusted discharge. Right figure shows growth in Outpatient Net Patient Revenue per intensity-adjusted visit. Growth rates are calculated as $(100 \times 2023 \text{ measure} / 2022 \text{ measure} - 100)$ and expressed in percentages for each hospital.

2022-2023 Growth Rates in Medi-Cal Inpatient and Outpatient Spending Measure

- The figure on the left shows growth in intensity-adjusted Medi-Cal inpatient spending measures across comparable hospitals.
- The figure on the right shows growth in intensity-adjusted Medi-Cal outpatient spending measures across comparable hospitals.



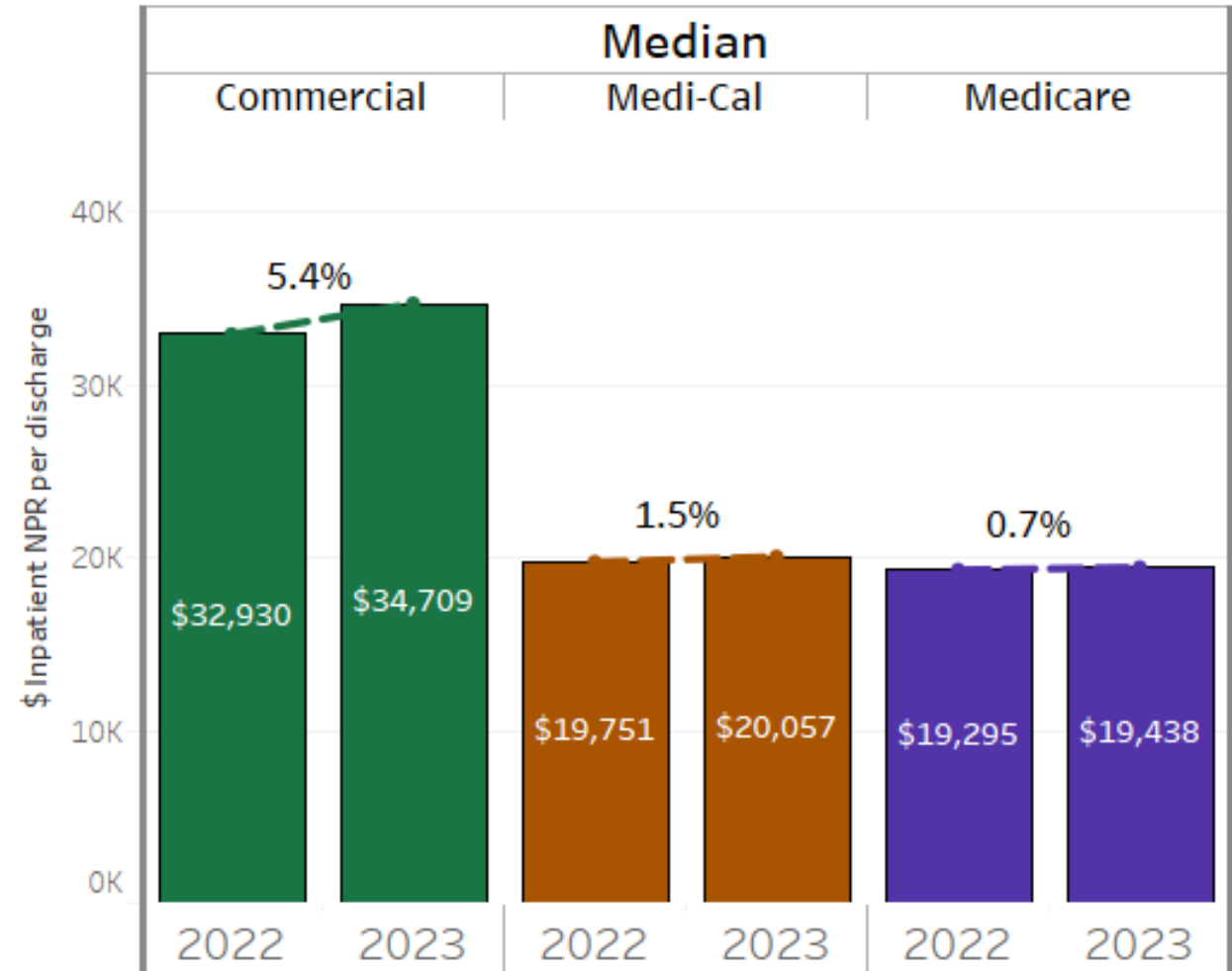
For visualization purposes, we dropped observations with growth rates below 1st percentile and above 99th percentile. Left figure shows growth in Inpatient Net Patient revenue per case-mix adjusted discharge. Right figure shows growth in Outpatient Net Patient Revenue per intensity-adjusted visit. Growth rates are calculated as $(100 \times 2023 \text{ measure} / 2022 \text{ measure} - 100)$ and expressed in percentages for each hospital.

Hospital Inpatient Spending Measure, 2022-2023, Volume-Only Adjusted by Payer

The median commercial inpatient spending measures (Inpatient Net Patient Revenue (NPR) per Discharge) was \$32,930 in 2022 and \$34,709 in 2023, which is approximately 170% of Medicare.

Between 2022 to 2023, median volume-adjusted inpatient spending measures changed as follows:

- **Commercial:** 5.4%
- **Medi-Cal:** 1.5%
- **Medicare:** 0.7%

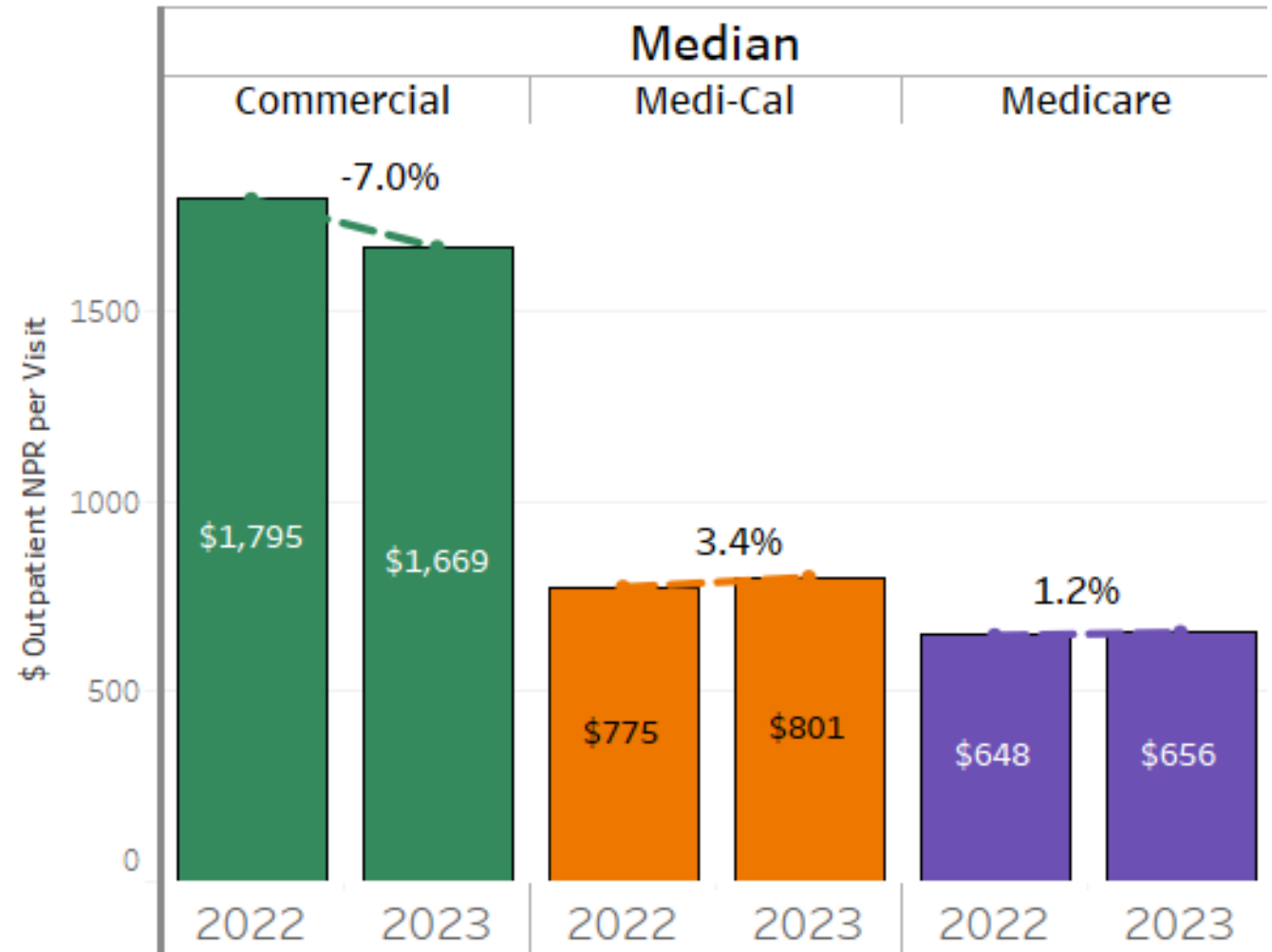


Hospital Outpatient Spending Measure, 2022-2023, Volume-Only Adjusted by Payer

The median commercial outpatient spending measure (Outpatient Net Patient Revenue (NPR) per Visit) was \$1,795 in 2022 and \$1,669 in 2023, which is approximately 250-270% of Medicare.

Between 2022 to 2023, median volume-adjusted outpatient spending measures changed as follows:

- **Commercial:** -7.0%
- **Medi-Cal:** 3.4%
- **Medicare:** 1.2%



Limitations

- Both the inpatient and outpatient spending measure calculations depend on hospital-reported net patient revenue values and allocation across payers.
- California's Health Care Payments Database (HPD) has limited data from self-insured plans.
- We use CMS Outpatient Prospective Payment system (OPPS) ambulatory payment classification (APC) weights to define the intensity, but some types of claims do not have an APC code assigned.
- To calculate outpatient visit intensity, we sought to replicate hospital financial reports' visit definition in [Chapter 4000](#) of the Accounting Manual as closely as possible within the HPD data, though there could be variation in interpreting instructions across hospitals.
- We only examine two fiscal years, which doesn't allow for analysis of long-term trends.

Takeaways

- Thanks in part to this workgroup's input over many months, OHCA has implemented an approach to measuring hospital inpatient and outpatient spending.
- As part of its continued commitment to transparency, OHCA posted on its website a revised crosswalk, documentation and a facility-level dataset that includes measures for payer-specific inpatient and outpatient spending measures for FY 2022 and 2023.
- Median Commercial Inpatient NPR per CMAD was \$22,045 in 2022 and \$23,609 in 2023 -- an increase of 7.1% -- which is approximately 230% of median Medicare Inpatient NPR per CMAD.
- Median Commercial Outpatient NPR per Intensity-Adjusted Visit was \$215 in 2022 and \$224 in 2023 -- an increase of 4.2% -- which is approximately 230% of median Medicare Outpatient NPR per Intensity-Adjusted Visit.
- OHCA will report on hospital inpatient and outpatient spending measures annually as new fiscal year Hospital Annual Financial Disclosure (HAFDR) data become available.

Resources

OHCA published the following resources:

- [Updated crosswalk](#)
- [Hospital Measurement Dataset](#)
- [Methodology Documentation](#)
- [Summary of analyses \(Issue Brief\)](#)

Data and Research

2026 OHCA Data

- [Facility Number NPI Crosswalk FY 22-23](#)
- [Hospital Measurement Methodology- April 2026](#)
- [Hospital Measurement Combined Dataset 2022-2023](#)

Issue Briefs

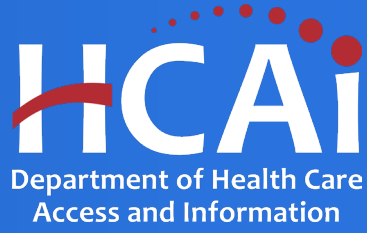
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- [Examining Hospital Inpatient and Outpatient Spending in California 2022-2023](#)
- [Exploring Drivers of California Healthcare Spending Across Commercial Payers](#)

Next Steps: Applying the Methodology and Reporting Timelines

Below is OHCA's planned annual reporting schedule. Note that data for the first enforceable target, the 2026 performance year, is submitted in Fall 2028 and reported in Spring 2029.

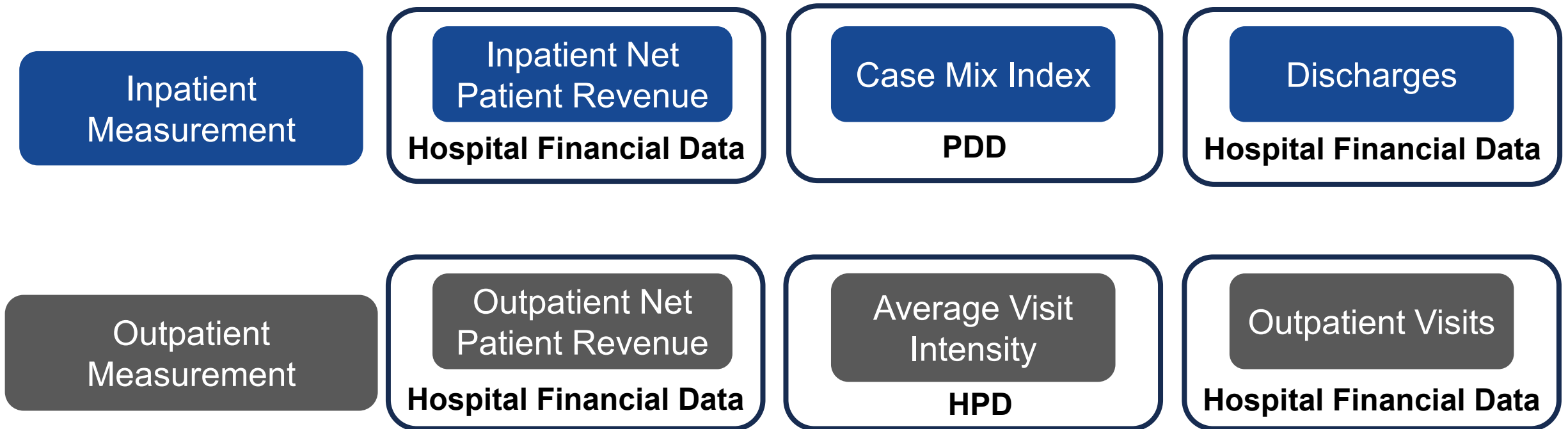
Measurement Period	Hospital Data Submitted	Hospital Data Reported
2022 to 2023	Fall 2025	Spring 2026
2023 to 2024	Fall 2026	Spring 2027
2024 to 2025	Fall 2027	Spring 2028
2025 to 2026	Fall 2028	Spring 2029
2026 to 2027	Fall 2029	Spring 2030



Appendix

Measurement Data Sources

- For its inpatient measure, OHCA will use Hospital Financial Report data and Patient Discharge Data (PDD).
- For its outpatient measure, OHCA will use Hospital Financial Report data and the HPD.



OHCA Methodology to Measure Hospital Inpatient Spending

Step 1

Multiply

Total inpatient discharges

x

Case Mix Index (CMI)

=

Case Mix Adjusted Discharge
(CMAD)

then

Step 2

Divide

Inpatient Net Patient Revenue (NPR)

÷

Case Mix Adjusted Discharge
(CMAD)

=

Inpatient NPR per CMAD

OHCA Methodology to Measure Hospital Outpatient Spending

Step 1

Multiply

Total outpatient visits

x

Average Visit Intensity

=

Intensity Adjusted
Outpatient Visits

then

Step 2

Divide

Outpatient Net Patient Revenue
(NPR)

÷

Intensity Adjusted
Outpatient Visits

=

Outpatient NPR per
Intensity Adjusted Outpatient Visit

Descriptive Statistics for Comparable Hospitals

Between 2022 and 2023, operating revenue for hospitals grew 7.5% and aggregate profit across comparable hospitals grew 311%.

	Formula	2022	2023	2022-2023 Growth
Number of comparable hospitals		368	366	
Operations				
Total operating revenue, billions \$	A	\$135.5B	\$145.7B	7.5%
Total operating expenses, billions \$	B	\$134.1B	\$145.7B	8.7%
Net from operations, billions \$	C=A-B	\$1.41B	\$0.015B	-99%
Operating margin, %	C / A	1.0%	0.1%	-93%
Net non-operating revenue and expenses, billions \$	D	\$0.5B	\$7.5B	1400%
Profit (Net Income), billions \$	E=C+D-taxes – extraordinary items	\$1.8B	\$7.4B	311%
Total margin, %	E/A	1.3%	5.1%	292%

More Than Half of Facilities Show Commercial Growth At or Below 3.5% Prior to Spending Target

- Out of 352 facilities, 185 facilities (52%) had commercial inpatient spending measure growth at or below 3.5% spending between 2022 and 2023
- Out of 309 facilities, 154 facilities (50%) had commercial outpatient spending measure growth at or below 3.5% between 2022 and 2023

Commercial inpatient price (IP NPR per CMAD) growth rate 2022-23	Number of facilities	Commercial outpatient price (OP NPR per IAV) growth rate 2022-23	Number of facilities
<=3.5%	185	<=3.5%	154
3.5-10%	58	3.5-10%	49
10-20%	36	10-20%	34
20-50%	40	20-50%	42
50%+	33	50%+	30
Facilities with calculated measure	352	Facilities with calculated measure	309