Tell Lawmakers:
Stop Health Care Cuts That Harm Patients

Hospitals Must Engage with State Representatives to Reduce Negative Impacts of OHCA Decisions

INCLUDED IN THIS RESOURCE

BACKGROUND

The Office of Health Care Affordability (OHCA) has voted to cut **billions** from Californians' health care. Its work moves more money than that of any other state body, including the Legislature. Many state lawmakers were not in the Legislature when OHCA was established in 2022 and have limited knowledge of its work — or the unintended consequences of its decisions. In early 2024, OHCA set a statewide health care spending growth cap well below health care cost inflation: 3.5% in 2025, ramping down to 3% by 2029. Now, OHCA has singled out seven hospitals for a spending cap of less than 2% — unsustainable by any measure.

It will be extraordinarily difficult for hospitals to maintain their workforces, pay for drugs and supplies, keep up their facilities, and provide vital health services under these conditions.

OHCA has not examined how these cuts will impede patient care, ignoring concerns from hospitals and other providers. The premature setting of a hospital sector and targets — without any analysis of their impact on patients or consideration of any other provider or payers — means real pain for real people.

Urge the Legislature to address this threat to health care services in their districts.

California Hospital Association

HOW TO ENGAGE

Develop Your Unique Story

Start by using this **data worksheet** to help determine how OHCA's cuts will impact your hospital and community:

- The direct reduction in resources resulting from the cuts
- The impact on operating margins
- Projected reductions in total economic output to the surrounding community and hospital staff
- Medicare and Medi-Cal patient populations
- Proportions of patients over the age of 65 and projected growth of this population

With that information, expand your message:

- On an average year, XX% of the residents in city/county pass through NAME OF HOSPITAL. XX% are covered by Medi-Cal/Medicare.
- To meet a 3.5% (or lower) spending cap, our hospital would have to pause or cancel investments in [list community projects that are no longer possible]. We would not have the resources necessary to make the $X investment in our facilities to meet the state's 2030 seismic compliance goals.
- Our patients depend on us for [service areas most needed by your community — e.g., behavioral health care, cancer care, emergency department care].
- If forced to cut back on services to meet OHCA's spending cap, patients would [be forced to travel further for care? Face longer wait times?]
- XX% of our costs are driven by factors we can't control, like [highlight the biggest drivers of your costs — e.g., minimum wage increases, other labor costs, technology, pharmaceuticals, etc.] XX% of our labor costs fall outside of collective bargaining agreements and are subject to OHCA's cap — and to make sure we don't exceed the cap, we would be forced to cut at least XXXX jobs.
- We make every effort to help patients afford the care they need, including by offering [financial assistance programs, medical debt forgiveness, free clinics for certain services, free vaccination programs. If possible, quantify the number of patients who pass through these programs each year and/or the dollars those patients saved].
- In addition to OHCA's cuts, our hospital is facing deep cuts to Medicare and Medicaid. These are likely to reduce payments directly and cause the number of uninsured patients visiting emergency departments to skyrocket.
- Unprecedented cost pressures have caused our expenses to grow X% over the past five years, even without considering additional resource investments.
- OHCA is hurting patient care today — and making it impossible to provide the care our community will need in the coming years.
  - XX% of our population is over the age of 65, and their care needs will increase as they age.
  - Our community has grown XX% in recent years, meaning that we have even more patients to care for with the same limited resources.
  - Patients are sicker, coming to our hospital in need of more significant care; the number of days patients spend in our hospital has increased XX% over the past X years.
  - Despite the increasing need, our hospital cannot make the capacity investments needed due to OHCA's limits on our revenues.

Tips for Conversations with Lawmakers

As you prepare, remember to:

Focus on how cuts will affect patients.

- Talk about the care you provide for patients, rather than construction projects or other facility highlights.
- Don't talk about the cost of new equipment, but rather the benefit(s) it brings to patients: more efficient, faster healing, less time for patients in the hospital.
- Talk about what these cuts will mean for patients (e.g., how reductions in emergency department resources and bed capacity constraints would translate to lengthy wait times).

Use facts and data, and put numbers in context.

- Use comparisons to the previous year or as a percentage of a larger number. For example, pharmaceutical costs are $10 million — an increase of 30% over last year, which means that patients would likely not have access to lifesaving drugs simply due to cost.
- Avoid jargon and acronyms.
- Use plain language.
- Stick to your message.
- If you don't know the answer to a question, promise to follow up with more information. Focus on concrete programs or services (like support of mental health programs in local schools, or community-based clinics) rather than "big picture" numbers (like the total dollars invested in mental health services).

Engage Your Legislator

Ask your legislator how they will protect health care for their constituents.

- Now that health care has been cut in their district, how will they respond to protect patient care and workers jobs?
- How might they hold OHCA accountable for ensuring health care premiums and other insurance costs are also growing at rates lower than inflation?
- How will they ensure that OHCA revisits its decisions and examines their impacts on access, quality, and health equity?

TALKING POINTS

Health care cuts mean real pain for real people.

- OHCA has set below-inflation spending caps years ahead of the process outlined in the law and without thorough analysis, resulting in deep cuts to health care resources.
- OHCA has not examined how these cuts will affect patients.
- OHCA's rush to set these caps shows a lack of concern for unintended consequences that will hurt communities across California.

OHCA's cuts — caps on health care spending that are below inflation — impede vital patient services.

- Hospitals will struggle to maintain their workforces, pay for drugs and supplies, keep up their facilities, and provide vital health services under these conditions. Workforce, supply, and drug costs are currently growing at 6%, 8%, and 10% respectively — 2 to 3 times the statewide spending target.
- The damage to patients is made worse by the likelihood of massive cuts to Medicaid and Medicare currently under consideration by Congress.

OHCA is cutting resources for patient care with no guarantee that consumers will see savings.

- OHCA cannot ensure savings will be passed on to consumers (e.g., via reduced premiums or cost sharing).
- These "savings" are like to simply result in higher profits for commercial insurance companies.

FREQUENTLY ASKED QUESTIONS

Given lawmakers' lack of familiarity with OHCA, hospitals may encounter the following questions during their conversations:

Q: What is the Office of Health Care Affordability (OHCA)? When was it established?
A: Established in 2022, OHCA's mandate is: to improve the affordability of health care **without** harming access to or quality of care.

Q: What tools can OHCA leverage to achieve those goals?
A: OHCA is authorized to analyze health care spending trends, impose spending growth targets, monitor market transactions, and set workforce, quality, and equity standards. Because of its broad authority to limit health care spending growth, **OHCA is poised to have a greater impact on allocation of health care dollars in California than any other state entity, including the Legislature.** In fact, the OHCA cuts could rival those imposed by federal lawmakers in the form of Medicaid and insurance exchange funding and eligibility eliminations.

Q: What are hospitals doing to proactively address affordability challenges?
A: The hospital field supports affordability and transparency, while recognizing the need to balance affordability with access to care. For decades, hospitals have worked to lower the cost of care in meaningful ways, including by helping uninsured patients enroll in Medi-Cal and providing free and reduced-cost care to patients with low incomes. Hospitals are also investing in integrated primary care and community-based services to improve communities' health and prevent unnecessary — and expensive — hospital stays. This work has resulted in meaningful progress. **Accounting for California's higher cost of living, the state is among the 10 lowest in per capita hospital-specific and overall health care expenditures in the nation.**

Q: What steps has OHCA taken to date to address affordability?
A: In 2024, OHCA established a statewide health care spending target that starts at 3.5% in 2025, ramping down to 3% by 2029. Beginning in 2026, organizations that exceed the target are at risk of financial penalties.

In April 2025 — three years ahead of its statutory deadline — OHCA adopted hospital sector-specific spending targets for hospitals designated as high-cost. This spending target starts at 1.8% in 2026, dropping to 1.6% by 2029. **This action is alarming and premature, given that the office has yet to analyze or report current and historical health care spending, assess the reasonableness of the statewide spending target, tell regulated entities how the targets will be enforced, finalize its methodology for measuring hospital spending, or even consider unique spending targets for any other sector.**

Q: How are hospitals going to meet the new statewide spending target?
A: Artificially curbing spending presents a real risk, especially considering that the spending target doesn't account for inflation, desperately needed investments in behavioral health care or other services, and increasing workforce costs — including costs resulting from the state's recently adopted health care worker minimum wage. Hospitals will have to make hard decisions about where to cut costs to avoid exceeding the target — and these decisions could significantly impact patients' access to care. <For example, [discuss here specific impacts to your organization, including long term planning].>

Q: With hospitals charging so much to provide care, doesn't that mean they're well off financially? Why can't they afford a 3% spending growth cap?
A: Actually, no. More than half of California hospitals (53%) lost money providing care in 2023. That year, California hospitals reported an average operating margin of just 0.5%, well below the 3% margin financial experts say is the bare minimum necessary to meet financial obligations. Further reducing hospital revenue below their inflationary cost pressures would endanger hospitals' viability and further erode care.

Q: Why are hospital costs so high in the first place?
A: Several factors drive hospital costs, none of which are accounted for in OHCA's initial spending target:

- **Economy-wide inflation:** Like all businesses, hospitals face high — and growing — labor expenses, real estate costs, energy bills, and supply costs due to California's high cost of living.
- **Patient volume:** Hospitals have certain fixed costs necessary just to keep the lights on — and the fewer patients a hospital sees, the fewer opportunities it has to recoup those fixed costs. Higher patient volume means overhead can be distributed more broadly, with reduced impact on an individual.

- **Changing patient needs:** California's population is aging, resulting in not only increased demand for health care, but also in more complex — and costlier — care. Annual per capita health care spending for Americans under age 65 is around $7,500, but more than $20,000 for those between the ages of 65 and 84 and more than $35,000 for those age 85 and older.
- **Labor:** The majority of hospitals' spending (54%) is on labor. Hospitals rely on highly skilled health care professionals to deliver care, and those expenses only increase year over year as California's cost of living continues to grow. At the same time, California is facing a significant shortage of health care providers, meaning that hospitals must invest in workforce development to ensure clinicians are available for patient care in the future. Often, the costs hospitals incur to develop their workforces are unreimbursed.
- **Government underpayment:** Medi-Cal and Medicaid reimbursements don't cover the actual cost of providing care; in fact, Medi-Cal and Medicare pay just 80 cents and 74 cents, respectively, for every dollar hospitals spend on caring for patients. This forces hospitals to rely on higher commercial rates, creating more pressure on health insurers to pass those costs on to consumers. With nearly 300 Californians shifting from commercial coverage to Medicare coverage each day, the gap will only widen. Solving the shortfall from Medi-Cal and Medicaid is essential to reduce the burden on commercially insured Californians while sustaining critical services like maternity health care, behavioral health care, and rural health care.

Q: Rising costs aren't sustainable — if OHCA's approach is inadequate, what solutions do hospitals propose?
A: Hospitals know that the best way to reduce costs is to ensure Californians get the right care, in the right place, at the right time. That means investing in preventive and primary care, so that patients can receive care before their conditions worsen; expanding educational and training programs to bolster the health care workforce; and expanding behavioral health services so that patients can be cared for in a setting less costly and more appropriate than a hospital emergency department.

It's also critical that the entire health care system — insurance companies, drug manufacturers, medical device suppliers, labor unions, governmental agencies, and others — work together to make care more affordable. For example, preventing payers from putting up unnecessary barriers to care authorizations and timely payments would allow hospitals to treat patients and get them to the appropriate level of care more quickly, thereby enabling clinicians to focus on providing clinical care and reducing costs for everyone. Reining in drug spending, currently growing at 10% annually for hospitals, is essential. With nearly two-thirds of health care spending occurring outside of hospitals, meaningful improvement will depend on effective collaboration.

Lastly, we must recognize and address the pervasive problem of underinsurance. Patients who face high costs for health care services are often enrolled in health plans that have high deductibles and co-pays, yet only cover limited services or offer a limited selection of in-network providers. This forces patients to pay for care that should have been covered by insurance. California must ensure that health plans meet their obligations to provide adequate coverage for their enrollees.