CHA | California Hospital Association

Talking Points

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As Office of Health Care Affordability Board Contemplates Target, Adjustments are Needed to Protect Patient Care

Hospitals share the office's goals of making health care more affordable and are actively engaged in developing a system that will do just that.

- It is critical that the office differentiate between "good" spending and "bad" spending — for example, investments to integrate behavioral and physical require greater up-front investment, but result in improved patient care and long-term cost savings.

Hospitals support the inclusion of an aging adjustment in the finalized proposal.

- By 2040, California's elderly population will nearly double; health care costs for those ages 65-84 are more than double those of younger Californians, while health care costs for those ages 85 and up are more than four times as much.
- With health care spending for this age group set to increase dramatically in the coming years, it is crucial that the board adjust the spending growth target accordingly. Without that, providers will be forced to choose between meeting the target or meeting patients' care needs.

Hospitals also support a phased-in approach, or glide path, toward implementation of an enforceable target.

- Reducing spending growth in ways that preserve access while promoting quality and equity will not occur overnight. For example, success will depend on expanding access to primary care and behavioral health services, preventing disease before it progresses and requires care in acute care settings. This will require investment in the outset, since spending will be needed now to expand preventive care, while reduced need will only arise gradually over time.
- A glide path recognizes state investments like the above, such as to improve Medi-Cal access and to raise the floor on wages for health care workers.
- Until stakeholders and the office have the opportunity to collect and analyze data to inform future targets, it is crucial that changes to health care spending be made deliberately so as not to unduly jeopardize equitable access to high-quality care.

OHCA's proposed 3% target would have detrimental impacts on health care quality, access, and equity. To meet this target — and maintain it year over year — hospitals will have no choice but to reduce services or, in some cases, close certain service lines entirely.

- The proposed 3% target, which is lower than projected inflation, would effectively remove billions of dollars from an already strained health care system and undoubtedly harm patients' access to care. The scope of that impact is yet to be determined, because the office has undertaken no meaningful analysis of the spending growth target's impact.

- (Provide specific examples from your organization related to services that would be impacted or future investments that would be made impossible due to the target.)
- The proposed 3% spending growth target would exacerbate an already difficult health care workforce shortage and diminish the outlook for those seeking careers in health care. (Provide specific examples of how a 3% target would impact workforce retention and expansion)
- If the proposed target had been in place for the past five years, it would have drained $60 billion from hospital resources used to care for patients — this translates to 58,000 health care jobs lost by the end of the five years.

OHCA has not considered the costs of state and federal mandates in its calculation. These mandates are only increasing by the day and could mean the difference between meeting or exceeding a spending growth target —or continuing to provide patient care or being forced to close.

- Requirements like 2030 seismic retrofitting, which will cost more than $160 billion statewide, or the new $25/hour minimum wage, impose significant costs on hospitals and health systems.
- In addition to larger requirements, hospitals are subject to myriad seemingly smaller requirements that have a profound cumulative effect. For example, this year alone, the Legislature is considering dozens of bills that would create additional costs for hospitals — things like increased syphilis testing in emergency departments or requiring metal detectors at hospital entrances. While any one of these bills may not have a high price tag, when combined they have a substantial impact on hospitals' required spending.
- Hospitals work tirelessly to ensure compliance with state and federal mandates. The Office of Health Care Affordability must ensure that any spending growth target accounts for these required expenses, so that hospitals are not penalized for simply meeting legislative and regulatory requirements.