

Advocacy Request for May 2026 OHCA Board Meeting

Request

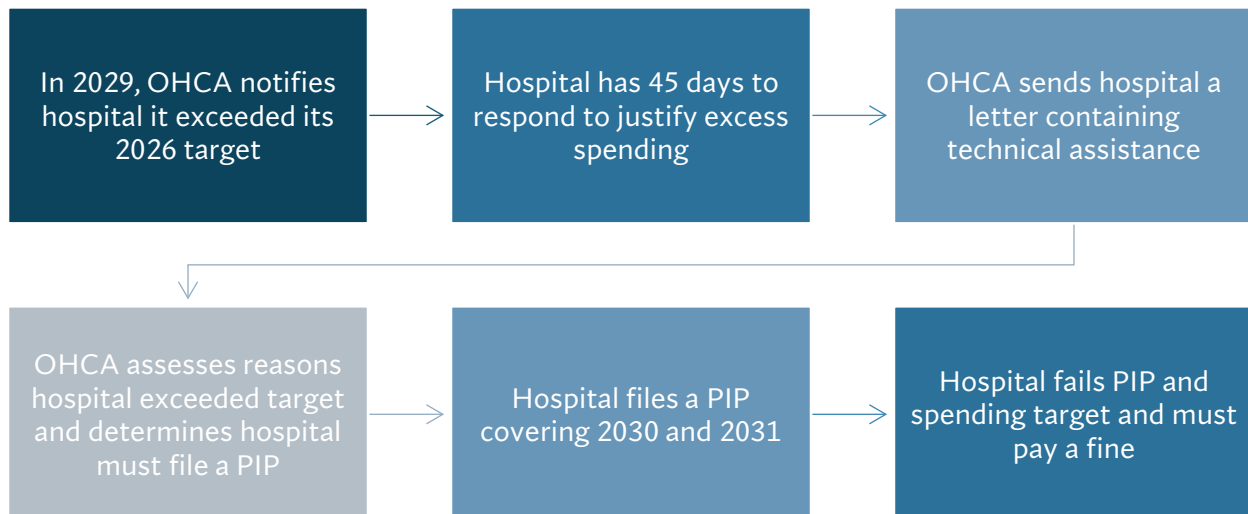
CHA requests hospitals' help advocating for fair and transparent rules of enforcement. This advocacy must start now, before draft regulatory language is released. We urge members to attend and provide public comment at the next two OHCA board meetings, on May 27 at 10am and June 24, 2026. If possible, please attend in person. Remote attendance and comment options are also available. For the May meeting, comments on the topics below should occur following the discussion of [agenda](#) item 5d).

Below are talking points to use in crafting your comments for the May meeting. Attached is CHA's May comment letter to the OHCA board, which expounds upon the issues raised in the talking points.

Background

OHCA's spending target of 3.5% or lower is now in effect. OHCA has recommended an aggressive penalty structure, to which changes are critically needed.

This summer and fall, the OHCA board will continue deliberations over how the spending targets will be enforced. Regulations are expected to be proposed sometime this summer. The following figure summarizes how OHCA currently intends to enforce the spending targets.



PIP: performance improvement plan

A PIP would be proposed by the hospital and approved by the office. The PIP would contain cost-reducing strategies to be implemented for up to 3 years. OHCA may seek rate cuts, investments in preventive care, and “low-value” service reductions as part of the PIPs, as just three examples.

OHCA has recommended a financial penalty framework for entities that fail their PIP and their target. The penalty amounts would, first, be estimated as the difference in dollars between actual and allowed growth

under the spending target and, second, be adjusted downward or upward to account for various factors, including:

- Nature, number, and gravity of the offenses, including escalating amounts for repeated or continuing failure to meet the targets
- Fiscal condition of the health care entity, (e.g., revenues, reserves, profits, and assets of the entity and its affiliates)
- Penalty justification factors approved (e.g., investments in primary care, changes in state/federal law)
- Market impact of the entity
- Input from other California state agencies, e.g., insurer regulators

Talking Points for Public Testimony

The enforcement process must give hospitals a real chance to succeed — not set them up to fail.

- State law requires meaningful opportunities for remediation before any penalties. OHCA must honor that intent with a collaborative, forward-looking PIP process that hospitals themselves drive.

The process, from measurement, analysis, to enforcement, must balance access with affordability goals.

- Enforcement must weigh affordability gains against access risks. Penalties that destabilize hospitals do not lower the cost of care — they shift it onto patients in the form of reduced services, longer waits, and lost access, particularly in communities with the fewest alternatives.

The proposed penalties are wildly out of step with what other states do — and would threaten access to care.

- A single year of exceeding the target could trigger penalties in the tens or hundreds of millions of dollars — more than many hospitals earn from patient care. OHCA should follow the lead of peer states that start far lower and phase penalties in over time.

Penalty adjustments aren't optional — they're essential.

- Final penalty amounts must account for factors outside a hospital's control, investments in patient-centered care, and a hospital's financial condition. Without these guardrails, penalties will harm the very patients OHCA exists to protect.

We are halfway through the first enforcement year and still don't know how we'll be measured.

- The methodology is not yet validated, the data are incomplete, and the rules are not codified. Penalties of this magnitude cannot rest on an unfinished foundation.

Single-year data are too volatile to drive enforcement — OHCA must use a multiyear lens.

- Year-over-year spending swings reflect measurement volatility rather than real price trends. Only multiyear assessment can reliably distinguish genuine outliers from statistical artifacts.

Enforcing separately across every payer and service line sets compliance up to be impossible.

- Six separate ways to violate the target means virtually every hospital fails — by OHCA's own data, 92% would have been in violation in 2023. OHCA must consolidate its approach.

Medi-Cal data significantly overstate what hospitals actually receive.

- Hospitals self-finance a large and growing share of their Medi-Cal payments. OHCA's current methodology counts this as revenue, inflating apparent reimbursement growth. The real numbers are far lower.

The One Big Beautiful Bill Act demands an immediate response from OHCA.

- Two million Californians will lose coverage. The resulting surge in uncompensated care must be factored into how OHCA measures and enforces the spending targets — starting now.