

Rate Setting Doesn't Protect Patients

The Issue

Health care must be more affordable — but rate setting is not the answer. Capping the rates that health insurance companies pay to hospitals not only reduces resources for services on which communities rely, but also fails to address the true cost drivers of health care and in no way guarantees that the windfalls insurers would realize will be passed on to consumers in the form of lower monthly insurance premiums.

Hospitals are committed to providing a broad range of high-quality health services — 24/7 emergency care, leading-edge surgeries, advanced diagnostics, optimal labor and delivery care throughout the state. Cutting the resources that support these services, without consideration of the impact on patient care, could lead to adverse short- and long-term consequences for patients and communities. And in many areas — such as behavioral health care, which is facing a structural workforce shortage — **more** investment is needed to ensure Californians' needs are met.

Beyond the impact to patient care, hospitals are a pillar of California's economy, responsible for more than 1 million jobs. Payment cuts that don't in any way reduce cost drivers — such as wages, pharmaceutical prices, or real estate — will result in a loss of jobs in hospitals, health care, and throughout the state, where 39% of hospitals operate with negative margins.

Over the past five years



California's hospital revenues per adjusted patient day have increased **26%**



Physician and clinical services costs nationally have increased **27%**



Home health care costs nationally have increased **49%**

While...

Net costs to the health care system for private health insurance have increased



What's Needed

Hospitals are committed to working with the state and federal governments, as well as private payers, to develop innovative and simplified payment models that improve quality and decrease costs. This process must be conducted in good faith, with all stakeholders who have the opportunity to reduce the rate of cost growth. Hospitals are already doing their part to keep costs down. Nationally, health care spending by hospitals is down 17% since 1980, and in California the per capita cost of hospital care is more than 5% below the national average.