Key Messages

Rate Setting Doesn’t Protect Patients

1. Health care must be more affordable, but rate setting threatens access and quality.
   - 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 services.
   - Cuts to resources that support these services without consideration of the impact on patient care could lead to adverse consequences for patients and communities.
   - Hospitals operating on already-thin margins — particularly in rural and underserved communities — would be even harder-pressed to maintain certain services.
   - Guaranteeing insurers receive set rates removes their incentive to offer broad networks that guarantee adequate access to all types of services and specialists across California.
   - If payments to hospitals are reduced, there is no guarantee that savings will be passed on to consumers through lower insurance premiums.

2. California’s hospitals are already doing their part to keep costs down, while rate setting benefits only insurance companies.
   - The share of national health care spending attributable to hospitals is down by 17% since 1980. In California, the per capita cost of hospital care is more than 5% below the national average.
   - 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.
   - Between 2014 and 2019, California hospitals’ net revenues per adjusted patient day increased 26%, while national per capita costs to the health care system for private health insurance increased 44%.

3. Rate setting is a job-killer that doesn’t account for health care’s true cost drivers.
   - Statewide, California hospitals are responsible for more than 1 million jobs.
   - Payment cuts that don’t in any way reduce cost drivers — such as wages, pharmaceutical prices, technology, or real estate — will result in a loss of jobs in communities throughout the state.
   - A full 39% of California’s hospitals operate at a loss (another 27% operate with a less than negative 3% margin). Rate setting for these vulnerable hospitals could put them at risk of closing altogether, further eliminating jobs.