

It Will Take All Hands on Deck to Make Health Care More Affordable for All Californians

The Issue

As California looks toward a post-COVID-19 future where health care leaders will focus on rebuilding a fractured care delivery system, high-quality health care remains out of reach for far too many people — in large part because the cost of care has simply become too high for many of the state’s working families.

Health care is a basic human need, one that every Californian relies on to live, grow, and prosper.

For years, California’s hospitals have made headway toward controlling costs. Within the health care sector, hospital costs in California are highly efficient, caring for all residents with 31% fewer beds per capita than the national average. This efficiency comes at a time when other costs are rapidly growing. Health insurance premiums, for example, have risen over 5% annually every year since 2016, more than double the general pace of inflation over the same period.

To keep cost growth in check, every sector that touches health care must tighten its belt — insurance companies, physicians, labor unions, hospitals, pharmaceutical companies, and more; no one should be able to avoid their responsibility to Californians to deliver more affordable care.

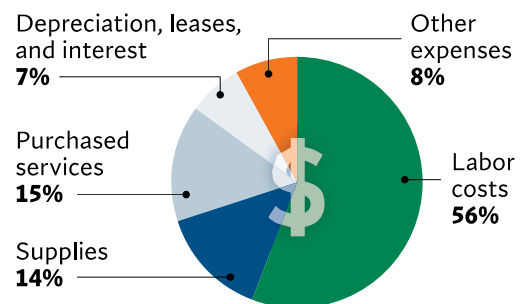
What’s Needed

Addressing this challenge demands two things.

First, a deep understanding by policymakers of the things that are actually driving costs higher and forcing working Californians to pay more. Much of the expense of health care is due to a system that needs to become more efficient and more effective. For example:

- A lack of access to preventive and primary care means that people are seeking care when diseases are more advanced and more expensive to treat

CA hospital expenses



- Outdated and costly regulations add tens of millions to the cost of care every year with no recognizable clinical benefits for patients
- Government payers (Medi-Cal and Medicare) do not fund the true cost of doctors, nurses, diagnostic tests and more, which means commercial insurance premiums and other out-of-pocket costs go up to cover the shortfall

If Californians are going to realize the benefits of improving the system — lower co-pays, premiums, out-of-pocket maximums, etc. — the proposed Office of Health Care Affordability must recognize and address the costs of these services, as well as advance innovative policies, including:

- Global budgets — already being explored in California for pilot programs — should be examined for broader viability.
- Every Californian — regardless of immigration status — should have health care coverage.
- The exchange of health information via sophisticated data systems that can safely connect with one another can reduce redundancy in diagnostics and further keep cost growth down.
- Surprise billing regulations must recognize the role of insurance companies in rejecting valid claims and forcing patients to pay more out of pocket.

Second, any action by the Legislature to control cost growth must adhere to several universal principles in order to ensure any savings are passed on to Californians:

- **All-in:** Every sector of health care must play a role in the work to hold cost growth in check. No health care entity should be held to a special standard or accountability, including any preferential treatment for health plans. Government also must recognize that underfunding of health care via Medi-Cal and Medicare means that commercial insurance premiums and other out-of-pocket costs go up to cover the shortfall
- **Preserve access and quality:** Cost targets should be based on a per capita basis and address the rate of growth, not cut existing health care spending levels
- **Supportive, not punitive:** Any enforcement processes should be collaborative and reasonable
- **Data-driven:** Informed decisions must be based on data and analysis — not predetermined requirements that impose sector or geographic-based targets.