



January 26, 2022

The Honorable Susan Talamantes Eggman
Chair, Senate Budget and Fiscal Review Committee, Subcommittee No. 3 on Health and Human Services
1021 O St., Suite 8530
Sacramento, CA 95814

The Honorable Dr. Joaquin Arambula
Chair, Assembly Budget Committee, Subcommittee No. 1 on Health and Human Services
1021 O St., Room 6240
Sacramento, CA 95814

Subject: Office of Health Care Affordability — Oppose unless amended

Dear Senator Eggman and Assembly Member Arambula:

California's hospitals understand well the challenges that too many Californians face in accessing high-quality and affordable health care. The 2022-23 governor's budget proposal — especially the push to expand Medi-Cal coverage to ALL income-eligible Californians — will rapidly improve the health and lives of millions of low-income Californians.

California's hospitals also support many of the other initiatives proposed in the budget, including investments that will help our state expand access to behavioral health services, continue Medi-Cal reform efforts, and develop our future health care workforce. As our state recovers from the COVID-19 pandemic, these strategies will not only help our immediate recovery but also will serve to build a sound foundation for a health care delivery system in California that delivers greater access, improved health outcomes, and a better experience for patients.

Over the past three years, CHA has been involved in in-depth discussions with this administration and Assembly Member Jim Wood's office on the development of the Office of Health Care Affordability. We have discussed our primary concerns and anticipate these issues will be addressed once language is released. Concerns center around ensuring that the following principles are followed in creation of the office:

- 1) **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 different level of accountability. The state 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 that shortfall.
- 2) **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. All providers should also work toward

the same targets, not separate targets (or sectors). Creating different targets among providers can result in high-risk patients getting shuffled to providers seeking to avoid tripping cost growth targets.

- 3) **Supportive, not punitive:** Any enforcement processes should be collaborative and productive. The office should not default into accelerating enforcement actions and should afford reasonable opportunities for any health care entity that fails to meet a target to correct their actions or justify why they did not meet a target (e.g., new labor contracts, medical technology, high-cost drugs, required capital investments).
- 4) **Data-driven:** Decisions must be informed by data and analysis — not predetermined requirements that impose sector or geographic-based targets.

CHA remains committed to the development of a viable and effective Office of Health Care Affordability and to working with both the Legislature and the administration in the coming months. It is our mission to ensure that all Californians get the care they deserve, and CHA supports the goals of improving health care affordability while reducing the rate of growth in health care costs.

Earlier versions of the language did not fully account for the complexity of health care payment and delivery systems in California, creating unintended consequences if they remain unaddressed. It is for these reasons that we currently remain in an oppose unless amended position. We look forward to working with you and your staff this spring as more information becomes available.

Sincerely,



Kathryn Austin Scott
Senior Vice President, State Relations and Advocacy

cc: Members, Senate Budget Sub-Committee 3
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