

# Key Messages

## Office of Health Care Affordability Must Reduce Spending Growth Without Sacrificing Access to Quality Hospital Care

### **Making health care more affordable — a top priority for California hospitals — is a shared responsibility.**

- California hospitals stand ready to do their part to slow the rate of growth in health care spending.
- All segments of the health care system — providers, insurance companies, drug makers, medical device suppliers, labor, governmental agencies, and others — must cooperate and evolve for the Office of Health Care Affordability to be successful.
- More than 85% of the costs to provide patient care are for items or services hospitals buy from others; these expenses are beyond their control. Hospital spending is composed of:
  - **54%** — Direct labor costs
  - **14%** — Supplies (pharmaceuticals, medical equipment, gowns, gloves, bandages)
  - **19%** — Purchased services (electronic health records, food, laundry services, and building repairs)
  - **6%** — Depreciation, leases, financing costs
  - **7%** — Other expenses (insurance costs)

### **The Office of Health Care Affordability has the opportunity to profoundly shape how health care is delivered and paid for in California, and in doing so must preserve access to high-quality care.**

- Making health care more affordable while meeting the needs of 40 million people has never been attempted at this scale. It's essential that this be done with an understanding of the difference between “good” spending and “wasteful” spending.
- OHCA officials must balance cost growth reduction with needed investments to improve access to care, address health disparities, and expand services for unmet needs such as behavioral health conditions.
- Cost targets established by OHCA should address the rate of growth, not cut existing health care resources for patients. Decisions must be based on data and analysis and account for the underlying drivers of health care costs.

### **California hospitals are among the most cost-efficient in the nation.**

- Adjusting for California's higher cost of living, the state has the 10<sup>th</sup> lowest per capita **hospital expenditures** in the nation.
- Adjusting for California's higher cost of living, per capita spending on **all health care services** also ranks 10<sup>th</sup> lowest in the nation.
- This efficient care comes despite hospitals facing serious financial challenges, with one in five at risk of closure and more than half of all hospitals operating in the red.