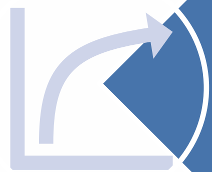
What OHCA Means for Rural Hospitals

Jenny Nguyen

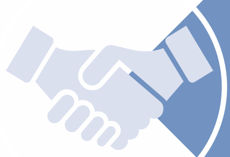
Vice President, Financial Policy

California Hospital Association

OHCA Was Created in 2022



Reduce the growth of health care spending



Monitor and review market transactions

Promote quality, value, and workforce stability

California Hospital Association

Statewide Spending Target Now in Effect

In April 2024, the OHCA Board approved the first statewide spending target

- Based on average annual median household income growth from 2003-2022
- Includes a glide path that ramps the target down over time

Performance Year	Per Capita Spending Growth Target
2025	3.5%
2026	3.5%
2027	3.2%
2028	3.2%
2029	3.0%

Note: 2025 target is non-enforceable

OHCA Created Hospital Sector

California Code of Regulations

Title 22. Social Security

Division 7. Health Planning and Facility Construction

Chapter 11.5. Promotion of Competitive Health Care Markets; Health Care Affordability

Article 2. Health Care Spending Targets.

(Effective 4/21/2025; All Text Below is New)

§ 97446. Health Care Sectors

Health care sectors, pursuant to Health and Safety Code section 127502, subdivisions (b)(1) and (l)(2)(A), are as follows:

(a) Hospital Sector. The hospital sector includes the following:

(1) General acute care hospitals, as defined in Health and Safety Code section 1250, subdivision (a),
(2) Acute psychiatric hospitals, as defined in Health and Safety Code section 1250, subdivision (b),
(3) Special hospitals, as defined in Health and Safety Code section 1250, subdivision (f),
(4) Chemical dependency recovery hospitals, as defined in Health and Safety Code section 1250.3, subdivision (a)(1), and
(5) Psychiatric health facilities, as defined in Health and Safety Code section 1250.2, subdivision (a)(1).

Note:
Authority: Sections 127501, 127501.2, 127501.11, and 127502, Health and Safety Code.
Reference: Sections 127501, 127501.11, and 127502, Health and Safety Code.

Sector includes 439 hospitals

- General acute care
- Acute psychiatric
- Specialty
- Chemical dependency recovery
- Psychiatric health facilities

Certain Hospitals Subject to Reduced Targets

Hospitals Designated as High Cost*

Community Hospital of the Monterey Peninsula
Monterey

Doctors Medical Center – Modesto
Stanislaus

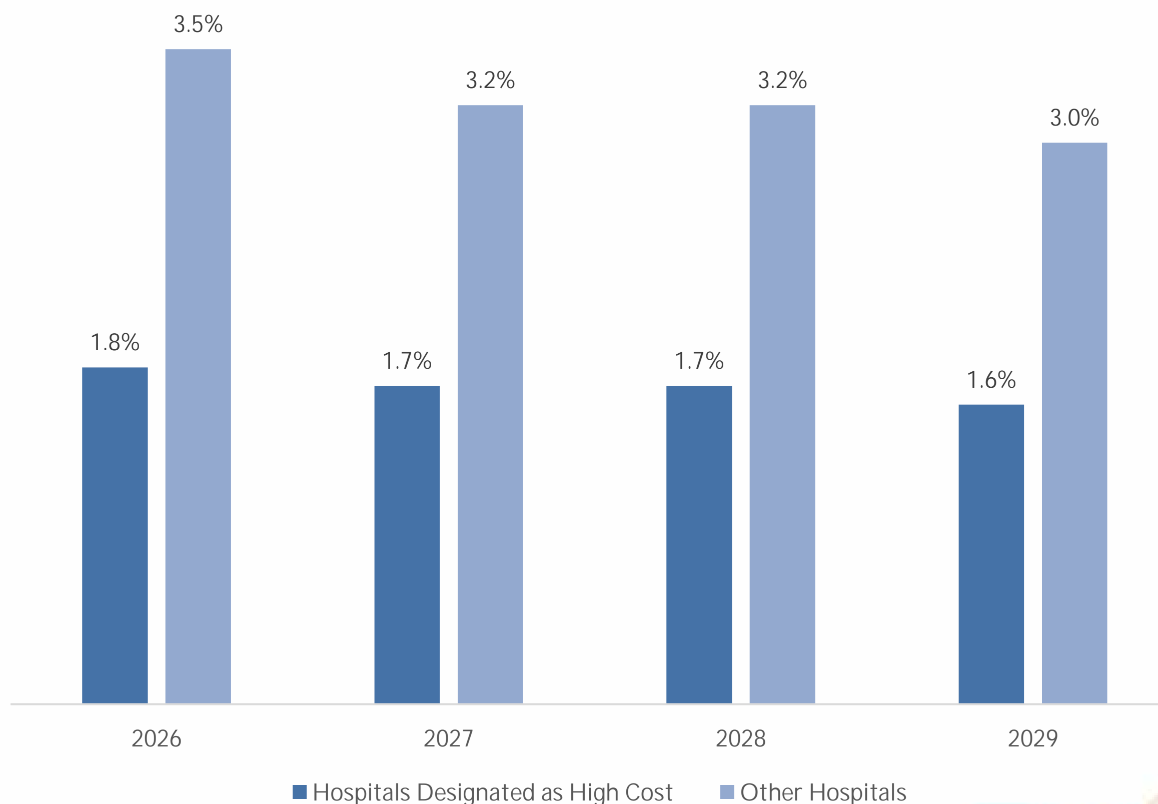
Dominican Hospital
Santa Cruz

Salinas Valley Memorial Hospital
Monterey

Santa Barbara Cottage Hospital
Santa Barbara

Stanford Health Care
Santa Clara

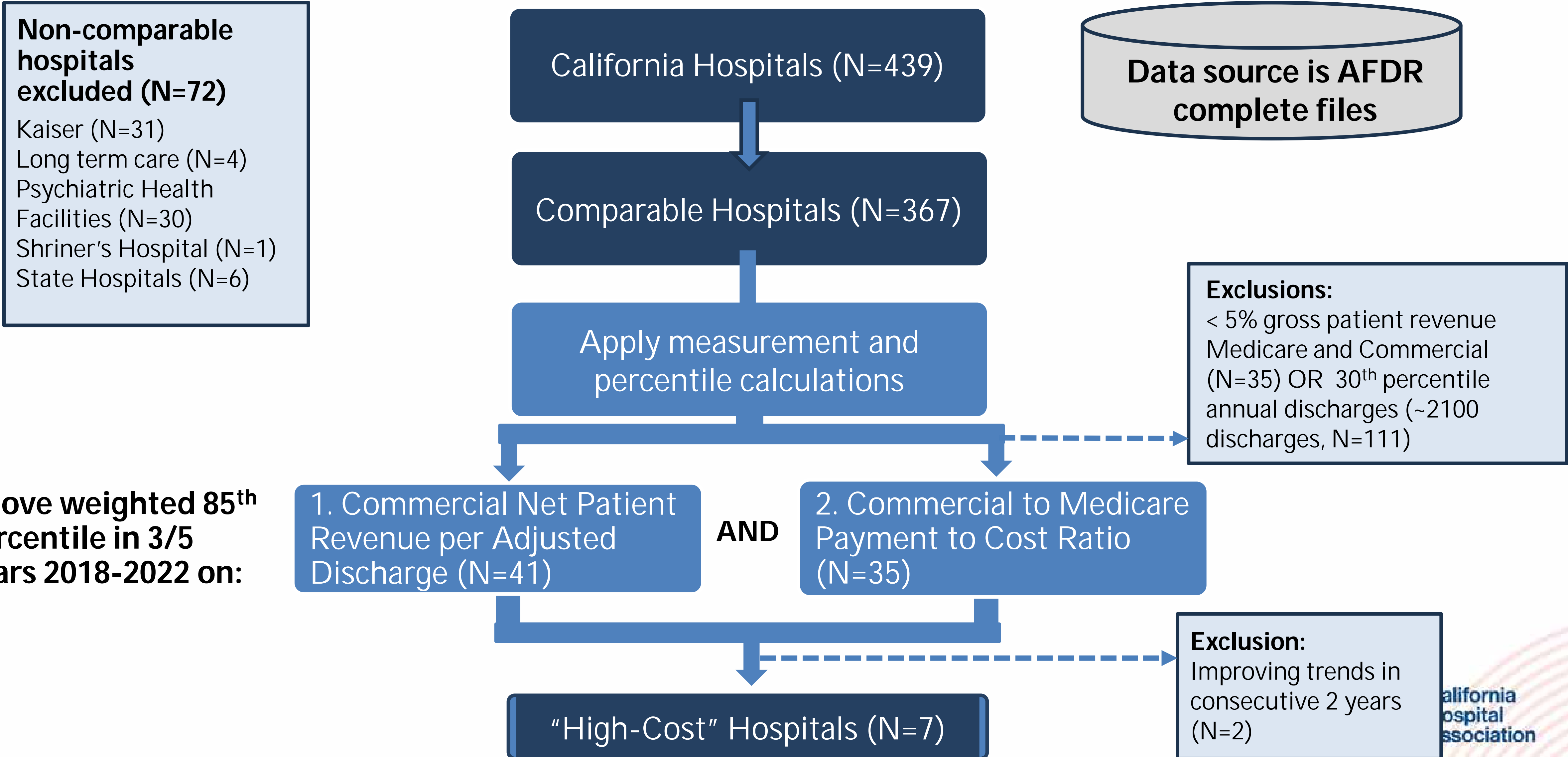
Washington Hospital – Fremont
Alameda



*Designations could change on annual basis

California Hospital Association

OHCA Methodology for Identifying "High-Cost" Hospitals



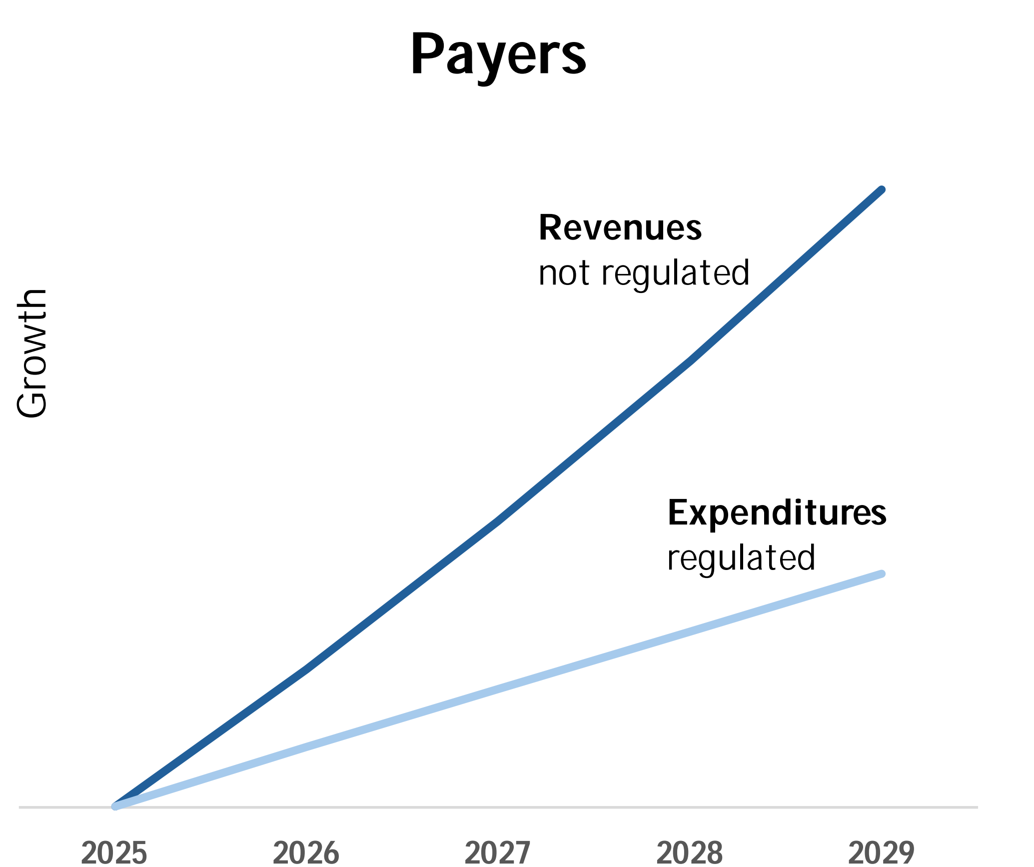
Potential Opportunity to Resubmit Hospital Data

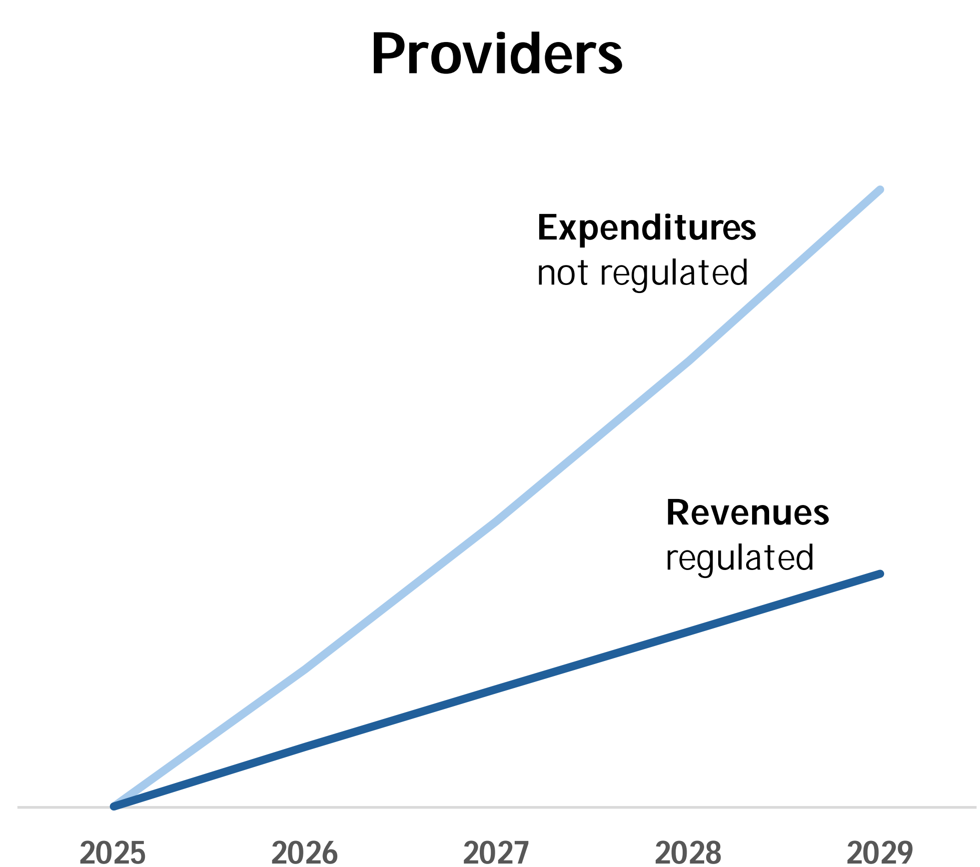
- **Spring 2025 to today:** Some hospitals have identified errors and resubmitted revised hospital financial data to OHCA
- **January 2026:** OHCA Board asked staff to develop a data resubmission process
- **March 2026:** Board to discuss & potentially determine:
  - Whether to create a data resubmission process
  - Uses of resubmitted data (e.g., high-cost hospital determinations)
  - Applicable years for data resubmission (e.g., prior years only)
  - Submission deadline
  - Considering future data submissions accurate & final

Spending Measurement

California
Hospital
Association

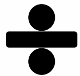
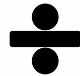
OHCA Regulates Providers' Revenues, Payers' Expenditures





California Hospital Association

How OHCA Will Assess Spending Against the Targets

	INPATIENT		OUTPATIENT
Data Source	Annual Financial Disclosure (AFDR) Reports & Annual Case Mix Index (CMI) Report		AFDR & Health Care Payments Database (HPD)
Numerator	Inpatient Net Patient Revenue (NPR)		Outpatient NPR
			
Denominator	Case Mix Index adjusted discharges (CMADs)		Intensity-Adjusted Outpatient Visits
Hospital Spending Measure	Inpatient NPR per CMAD*		Outpatient NPR per Intensity Adjusted Visit*

*= measures not finalized

California Hospital Association

How OHCA Will Assess Spending Against the Targets

How Compliance With the Spending Targets May Be Measured
Illustrative Example

	2025-2026	2026-2027	2027-2028	2028-2029
Spending Target*	3.5%	3.2%	3.2%	3.0%
Hospital Spending Growth				
Commercial	4.2%	2.9%	-1.3%	6.0%
Medicare	2.0%	4.4%	3.1%	-0.4%
Medi-Cal	6.0%	-5.3%	2.2%	1.6%
All Payer	**4.1%**	**0.7%**	**1.3%**	**2.4%**

Potential violation of the spending target (highlighted: Commercial 2025-2026 4.2%, Commercial 2028-2029 6.0%, Medicare 2026-2027 4.4%, Medi-Cal 2025-2026 6.0%)

*Displays the statewide target, applicable to all hospitals except those designated as "high-cost."

California Hospital Association

Enforcement

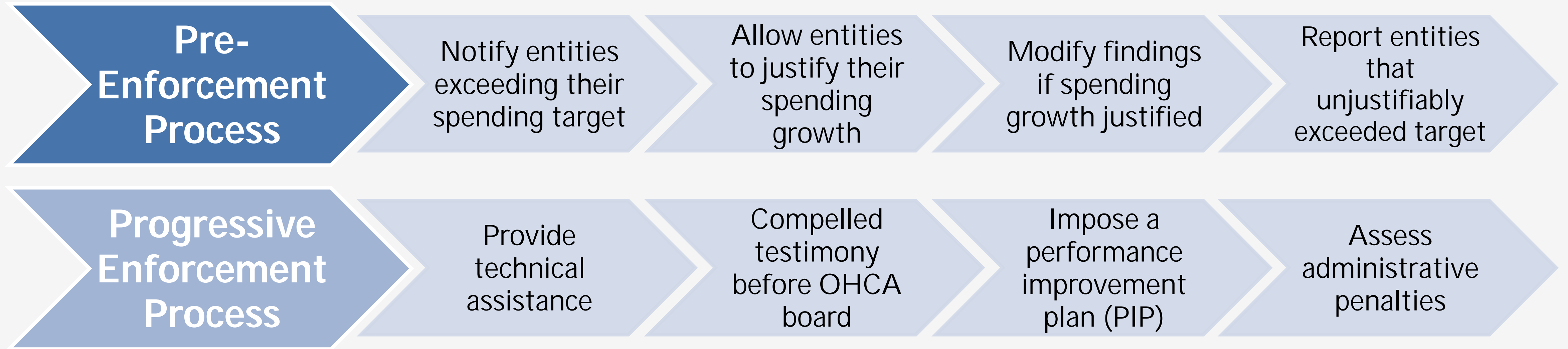
California Hospital Association

Enforcement Discussions Have Begun

California Hospital Association

Components of Enforcement Process

California Hospital Association



Potential Enforcement Considerations

OHCA's Current List

- Population characteristics
- High-cost patient outliers
- High-cost drugs
- Entity baseline costs
- Historical spending growth
- Impact on consumer access and affordability
- Investments in primary and preventive care
- Changes in state and federal law
- Acts of God or catastrophic events

CHA Recommended Additions

- Macroeconomic trends (e.g., inflation, tariffs, supply chain shocks, cost of living variation)
- Uncontrollable cost growth (e.g., labor, capital facility)
- Changes in insurance coverage, payer mix, and uncompensated care
- Changes in service offerings
- Payment settlements & other factors driving revenue volatility
- Any other reasonable cause

Key Uncertainties

- How will hospital spending be measured against the targets?
- How will OHCA prioritize entities for enforcement?
- What cost-cutting strategies will OHCA impose through enforcement?
- What will the financial penalties be?

California Hospital Association

Potential Enforcement Timeline

2026

- First enforceable spending target(s)

2028

- Determine who exceeded 2026 spending target(s)
- Cease further enforcement against entities with justifiable excess growth

2029

- Impose performance improvement plans (PIP)

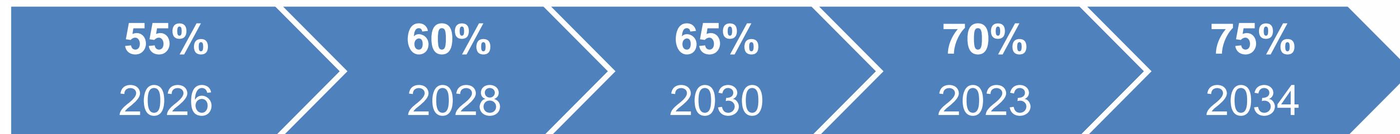
2032

- Financially penalize entities that fail their PIP

California Hospital Association

DHCS Proposing to Enforce OHCA's APM & Primary Care Goals

- DHCS plans to require Medi-Cal Managed Care Plans to meet OHCA's Alternative Payment Model (APM) adoption & Primary Care spending goals
- APM adoption – members attributed to APMs:



- Primary Care spending:
  - An increase of at least 0.5%/year from 2026 onward; or
  - The MCP reaches & maintains at least 15% for primary care spending (if spending drops below 15% à increase 0.5%/year applied)

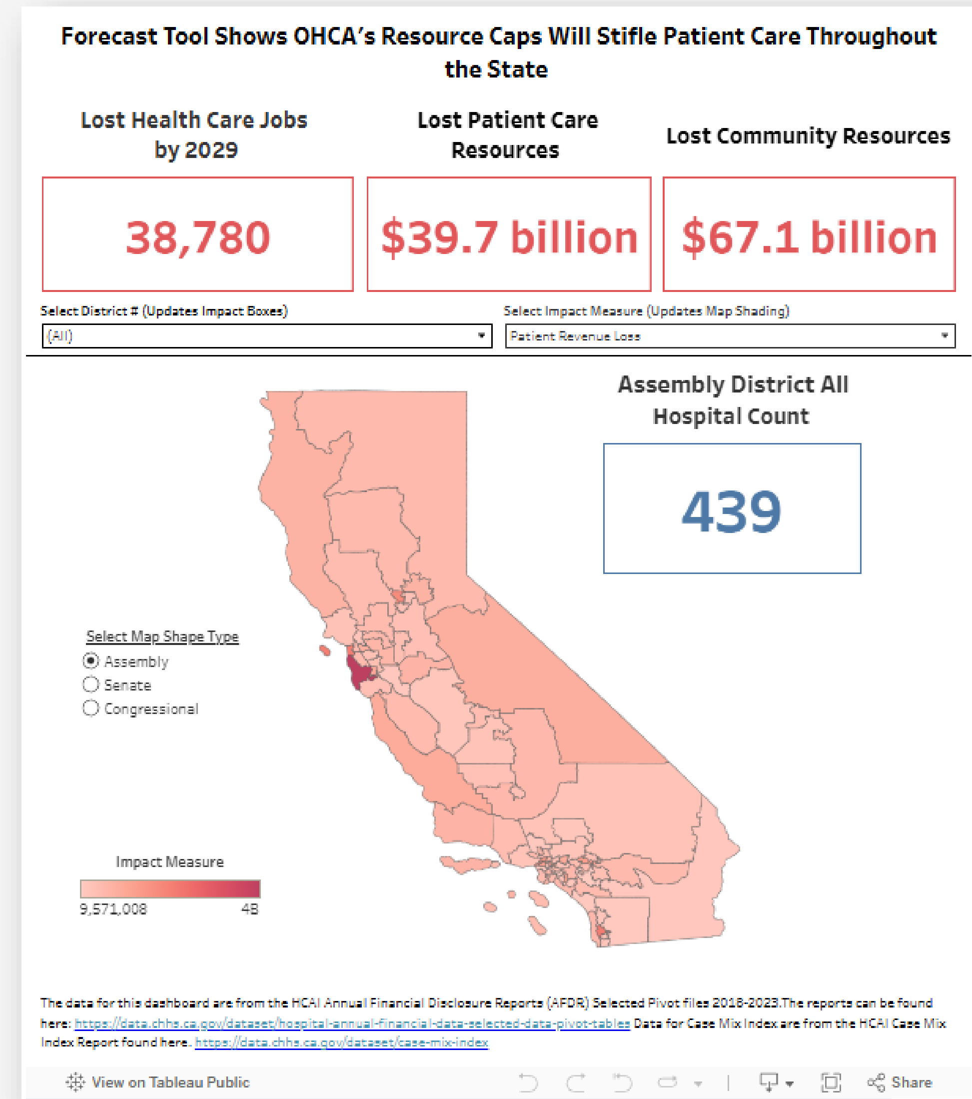
California Hospital Association

CHA Advocacy

OHCA's Threat to Patient Care

California Hospital Association

- Nearly $40 billion in lost patient care resources
- 39,000 lost jobs
- Negative economic impacts of $67 billion



CHA Sues OHCA

LLOYD A. BOOKMAN (State Bar No. 89251)
ALICIA W. MACKLIN (State Bar No. 266325)
M.H. JOSHUA CHIU (State Bar No. 341519)
HOOPER, LUNDY & BOOKMAN, P.C.
1875 Century Park East, Suite 1600
Los Angeles, California 90067
Telephone: (310) 551-8111
Facsimile: (310) 551-0304
E-Mail: lbookman@hooperlundy.com
amacklin@hooperlundy.com
jchiu@hooperlundy.com

Attorneys for California Hospital Association

ELECTRONICALLY
FILED
Superior Court of California,
County of San Francisco
10/15/2025
Clerk of the Court
BY: DAEJA ROGERS
Deputy Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN FRANCISCO

CPF-25-519370

CALIFORNIA HOSPITAL ASSOCIATION, Petitioner, vs. OFFICE OF HEALTH CARE AFFORDABILITY; CALIFORNIA DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION; ELIZABETH LANDSBERG, in her official capacity as Director of the OFFICE OF HEALTH CARE AFFORDABILITY and Director of the CALIFORNIA DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION; and THE HEALTH CARE AFFORDABILITY BOARD, Respondents.	Case No. VERIFIED PETITION FOR WRIT OF MANDATE [C.C.P. § 1085]; COMPLAINT FOR DECLARATORY RELIEF [C.C.P. § 1060]

HOOPER, LUNDY & BOOKMAN, P.C.

VERIFIED PETITION FOR WRIT OF MANDATE AND COMPLAINT FOR DECLARATORY RELIEF

Spending Targets Violate State Law

- Ignored legislative mandate to safeguard access, quality, equity, and workforce stability
- Developed prematurely, prejudicially, and based on faulty data
- Will starve hospitals of the resources to deliver care

Desired Outcome

- Block current hospital spending targets
- OHCA to revisit key decisions, consistent with state law

California Hospital Association

OHCA Advocacy

July 17, 2025

Kim Johnson
Chair, Health Care Affordability Board
2020 W El Camino Ave.
Sacramento, CA 95833

Subject: OHCA Must Shift Approach to Account for Catastrophic Federal Cuts and Exorbitant Growth in Health Insurer Profits
(Submitted via Email to Megan Brubaker)

Dear Chair Johnson:

California's hospitals share the goals of the Office of Health Care Affordability (OHCA) to create a more affordable, accessible, equitable, and high-quality health care system. On behalf of nearly 400 hospital members, the California Hospital Association (CHA) appreciates the opportunity to comment.

Federal Policy Changes Will Decimate California's Health Care Delivery System

On July 4, President Trump signed the "One Big Beautiful Bill Act" (OBBBA) into law, ushering in the largest health care cuts in the country's history. The cuts will reduce access and coverage for economically disadvantaged children and families on Medicaid, the growing senior population on Medicare, and families with coverage through the Affordable Care Act (ACA). The largest cuts are to the Medicaid program (Medi-Cal in California), resulting in nearly $1 trillion in cuts nationally over the next decade — and $66 billion or more in cuts to California hospitals alone. Before OBBBA was passed, 50% of California's hospitals were operating in the red. That number will undoubtedly rise as more hospitals face even greater financial distress. The immediate, devastating, and long-lasting effects will not only be borne by health care providers and their patients; when layered with the reduction to the Supplemental Nutrition Assistance Program, or CalFresh in California, the Commonwealth Fund estimates severe economic losses to states, including 1.22 million jobs lost nationwide by 2029. What's more, these only reflect the estimated impacts from OBBBA. Additional cuts are already being considered by federal policymakers that would further devastate California's health care delivery system.

More Than 1.8 Million Californians Will Lose Coverage. Nearly 15 million Californians (more than a third of the state's population) are covered by Medi-Cal. Many of the OBBBA cuts to Medi-Cal will make

1215 K Street, Suite 700, Sacramento, CA 95814 • Office: (916) 443-7401 • www.calhospital.org

- Fair rules of enforcement
- Revisit the spending targets
- Ensure shared responsibility
- Protect access and quality

Contact

Ben Johnson
bjohnson@calhospital.org

Jenny Nguyen
jnguyen@calhospital.org

California Hospital Association