HCAi
Department of Health Care Access and Information

Overview of California's Health Care Quality and Affordability Act

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Financial Solvency Standards Board, DMHC
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For Today

- Overview of the Department of Health Care Access and Information
  - Transition from Office of Statewide Health Planning and Development
  - Key responsibilities, areas of focus
- Overview of the Office of Health Care Affordability
  - Key provisions of the California Health Care Quality and Affordability Act
  - Priorities for initial implementation (first two years)
  - Data distinctions: OHCA vs. Healthcare Payments Data Program (HPD)

HCAI Overview

- Established in 1978 as **OSHPD** – the Office of Statewide Health Planning and Development to ensure healthcare accessibility within California

- Transitioned to the Department of Health Care Access and Information (**HCAI**) in 2021 to reflect a growing portfolio and a more descriptive name

Our Vision

A healthier California where all receive equitable, affordable, and quality health care.

Our Mission

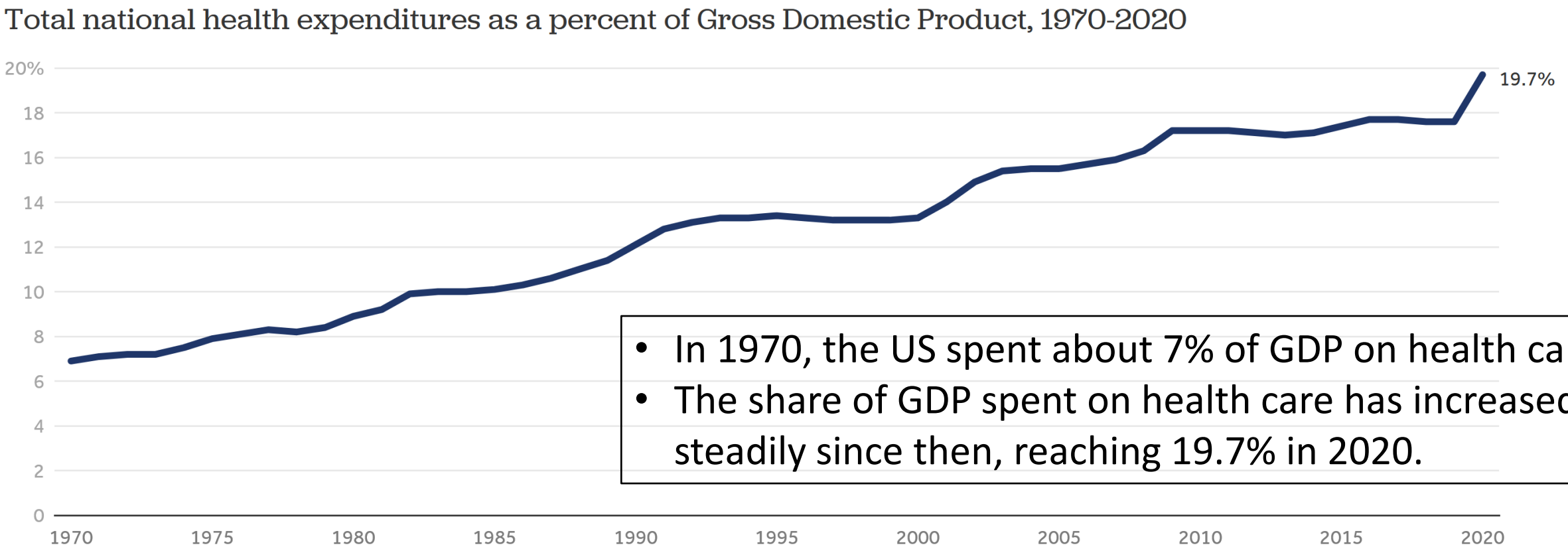
HCAI expands equitable access to quality, affordable health care for all Californians through resilient facilities, actionable information, and the health workforce each community needs.

HCAI Program Areas

- **Facilities:** monitor the construction, renovation, and seismic safety of California's hospitals and skilled nursing facilities
- **Financing:** provide loan insurance for non-profit healthcare facilities to develop or expand services
- **Workforce:** promote a culturally competent and diverse healthcare workforce.
- **Data:** collect, manage, analyze and report information about California's healthcare infrastructure and patient outcomes
- **Affordability:** analyze health care cost trends, drivers of spending, enforce health care cost targets, and conduct cost and market impact reviews of proposed health care consolidations

The Context

Health Care Spending Increasing as Share of GDP



- In 1970, the US spent about 7% of GDP on health care.
- The share of GDP spent on health care has increased steadily since then, reaching 19.7% in 2020.

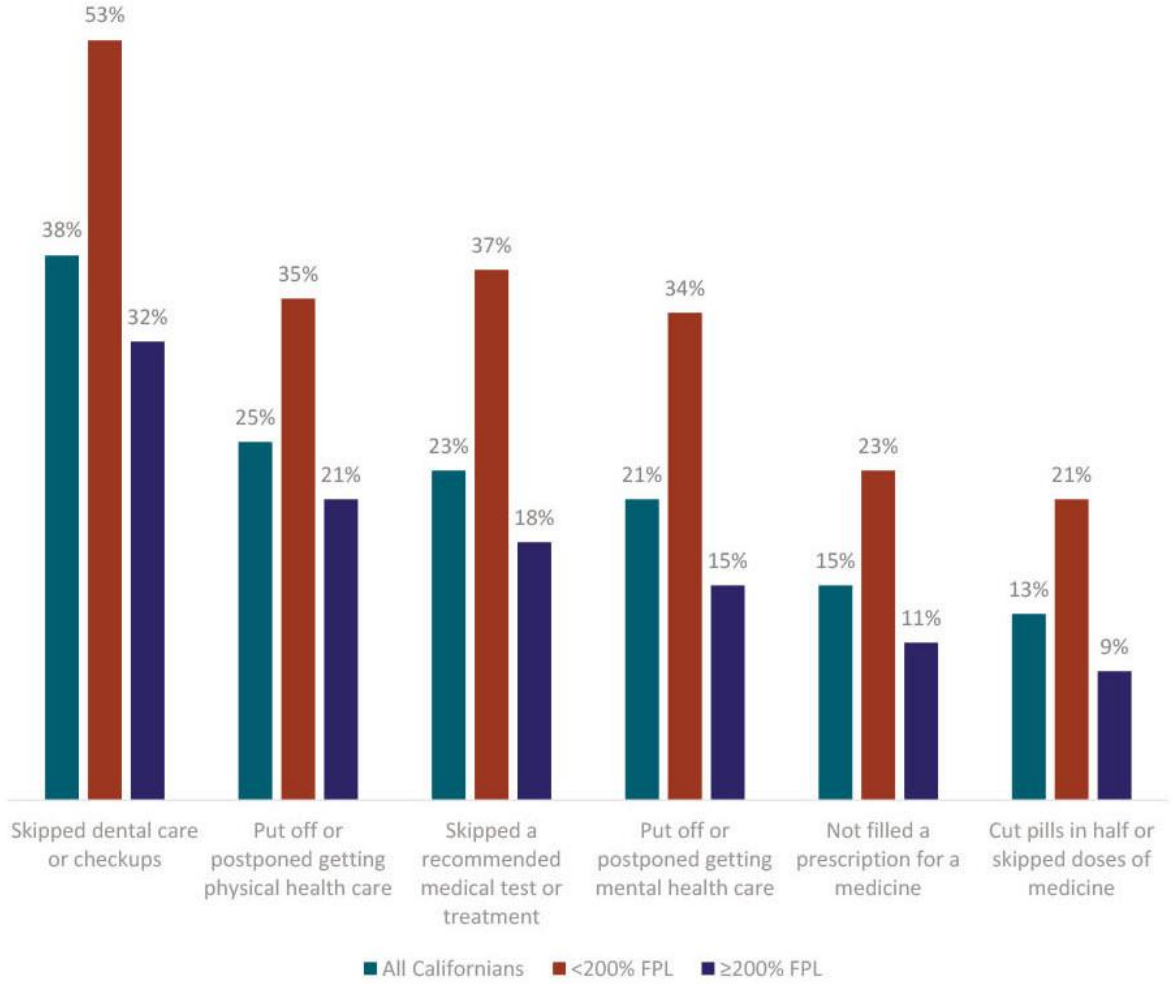
Source: KFF analysis of National Health Expenditure (NHE) data • Get the data • PNG

Peterson-KFF Health System Tracker

Available at Peterson-KFF Health System Tracker

Impact of High Health Care Costs on Californians

- Half of Californians (49%) and fully two-thirds (67%) of those with lower incomes (<200% FPL) report that they or a family member **skipped or delayed at least one kind of health care due to cost** in the past 12 months.
- Among those who reported skipping or delaying care due to cost, **about half reported that their conditions worsened as a result**.



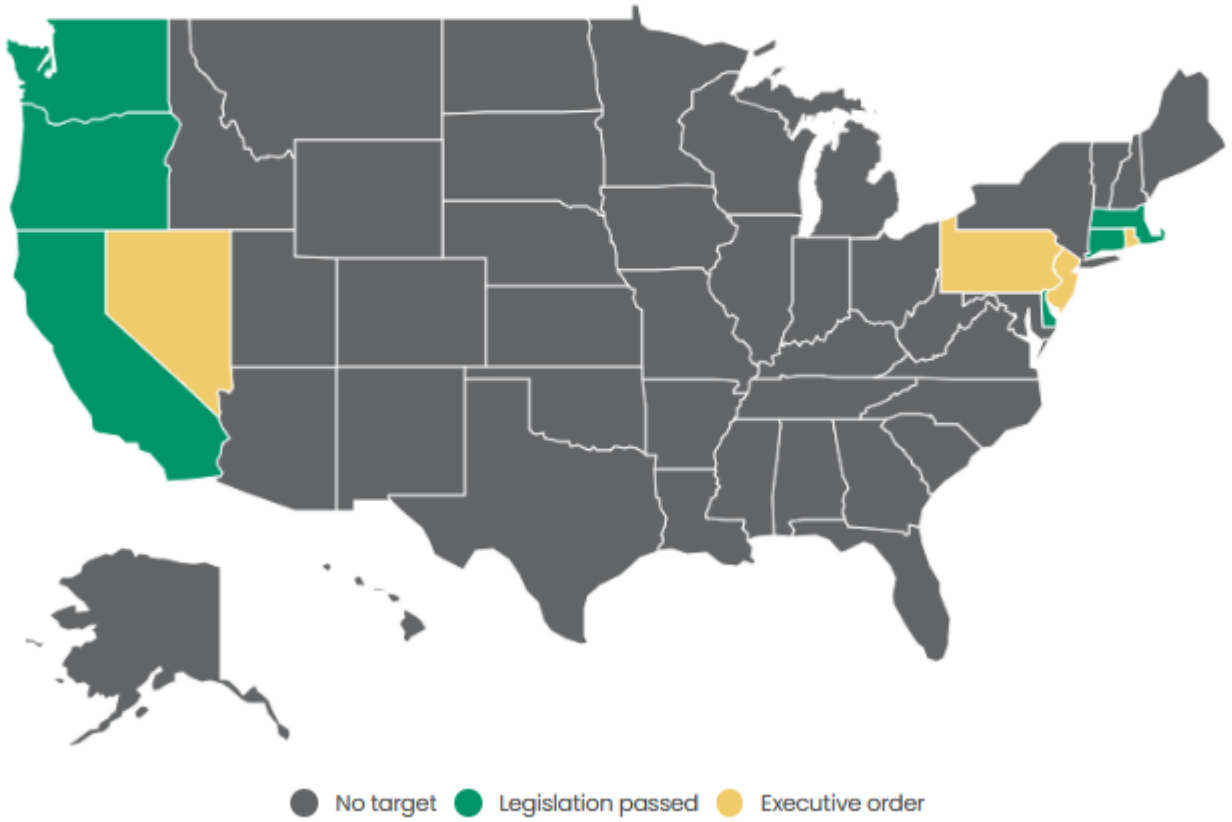
Notes: CHCF/NORC California Health Policy Survey (September 27, 2021–November 17, 2021). See topline for full question wording and response options. *FPL* is federal poverty level.

Source: 2022 CHCF California Health Policy Survey, page 18-19

Office of Health Care Affordability

Statewide Health Care Cost Growth Benchmarks

A growing number of states have adopted policies designed to measure statewide health care spending and set a statewide target for health care cost growth. By looking at cost performance across all payers and identifying cost drivers, these states hope to facilitate delivery system reform and make health care more affordable for everyone.



Map updated July 14, 2022

In July, California joined 9 other states that have developed statewide initiatives designed to address cost health care costs and affordability.

California's approach is distinctive for its comprehensiveness and enforceability.

Source: [Peterson-Milbank Program for Sustainable Health Care Costs]

Overview

The Office of Health Care Affordability (OHCA) will analyze California's health care market for cost trends and drivers of spending, enforce health care cost targets, and conduct cost and market impact reviews of proposed health care consolidations.

A new Health Care Affordability Board will advise on key activities and approve specific aspects of OHCA's work, with input from an Advisory Committee and the public.

To ensure a balanced approach to cost containment, OHCA will measure and report on quality, equity, adoption of alternative payment models, investment in primary care and behavioral health, and workforce stability.

OHCA's Comprehensive Approach

Manage Cost Growth

- Collect, analyze, report data on THCE
- Develop cost target methodology and cost targets, initially statewide and eventually sector-specific
- Progressive enforcement of targets

Monitor System Performance

- Track quality, equity, access
- Set benchmarks, report on PC and BH investment
- Set goals for the adoption of APMs, report on progress
- Promote workforce stability

Assess Market Consolidation

- Assess prospective changes in control
- Conduct cost and market impact reviews
- Address market consolidation with other regulators

Health Care Entities Subject to the Cost Target

Payers

- Health plans, health insurers, Medi-Cal managed care plans
- Publicly funded health care programs
- Third party administrators
- Other entities that pay or arrange for the purchase of health care services

Providers

- Physician organizations
- Health facility, including acute care hospital
- Outpatient hospital department
- Clinic, general or specialty
- Ambulatory surgery center
- Clinical laboratory
- Imaging facility

Fully Integrated Delivery System

- A system that includes a physician organization, health facility or health system, and a nonprofit health care service plan and meets specific additional criteria

Cost Target and Data Reporting Requirements for Physician Organizations

- Physician organization is defined in the OHCA statute as including the following:
  - Risk-bearing organization
  - Restricted health care service plan or limited health care service plan
  - Medical foundation
  - Medical group practice, a professional medical corporation, a medical partnership, or any lawfully organized group of at least 25 physicians
  - High-Cost Outlier: organizations with less than 25 physicians whose costs for the same services provided are substantially higher compared to the statewide average, as identified through data sources, such as the HPD.

- HCAI has the authority to require physician organizations to report audited financial reports or verified comprehensive financial statements (for RBOs, this information will be obtained from DMHC).

Responsibilities of the Board, Advisory Committee

HC Affordability Board

- Sets cost targets, statewide and sector
- Approves key benchmarks
- Appoints Advisory Committee
- Members may not receive compensation from health care entities
- 8 members: CalHHS, CalPERS (non-voting), 4 appointees from Governor's Office, 1 appointee each from Assembly and Senate

Advisory Committee

- May make recommendations, but no approval authority or access to non-public information
- Representation to include consumers, payers, fully integrated delivery systems, hospitals, organized labor, health care workers, medical groups, physicians, purchasers

Board and Advisory Committee are both subject to Bagley Keene Open Meeting Act

HSC § 127501.11(a)(b)(d)

Timeline: 2-Year Milestones

2022

- Hire leadership, build the team
- Establish the Health Care Affordability Board (HCAB)
- Implementation planning
- Bring on contract resources while staffing up

2023

- HCAB convenes
- Develop cost target methodology
- Advisory Committee convenes
- Regulations development

2024

- Set 2025 cost target
- Adopt APM, workforce stability standards
- Collect 2022 and 2023 total cost data
- Collect notices of market transactions

Timeline: Enforcement

Progressive Enforcement:

- Technical assistance
- Public testimony
- Performance improvement plans
- Financial penalties

2025

- Set target for 2026

2026

- First year of enforcement

2027

- Data collection, first enforcement year

2028

- Reporting on 2026 data: progressive enforcement begins

Related Resources

Controlling Health Care Costs
Health care is too expensive for many Californians. CHCF offers these resources that detail where health spending happens, why health care costs are increasing so rapidly, and what policymakers could consider to improve value in the system.

Resources available from the California Health Care Foundation:

- Health Care Cost Commissions: How Eight States Address Cost Growth
- Markets or Monopolies?

Commonwealth Fund's "Costs and Spending" resources include Reducing Health Care Spending: What Tools Can States Leverage?

The United States spends far more per person on health care than the rest of the world does, and so do American families. Commonwealth Fund research aims to explain what's driving these high costs. We also explore promising approaches to addressing the root causes for potential adoption by federal and state governments, employers, and insurers.

Peterson-Milbank Program for Sustainable Health Care Costs

Peterson-Milbank resources include Health Care Cost Growth Target Values

How can stakeholders engage with OHCA?

- Contact us at ohca@hcai.ca.gov
  - Send comments, questions
  - Subscribe to the OHCA listserv at the HCAI website
- OHCA landing page at HCAI website
  - FAQ, link to statute
  - HCAI will post information about regulations "workshopping" meetings, opportunities to provide input to OHCA on key aspects of implementation policy
  - Once Board and Advisory Committee meetings begin (anticipated to start in 2023), will link to agendas and materials

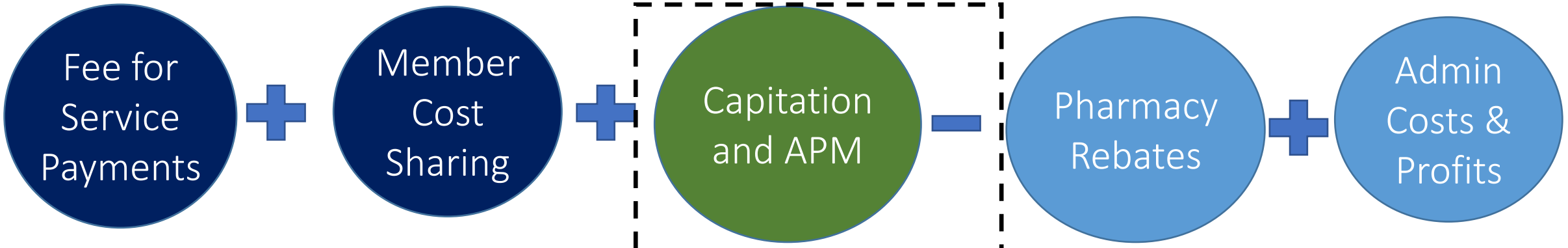
Data Distinctions: OHCA vs. HPD

Key Distinctions

	Purpose	Granularity	Source	Cycle
OHCA	Manage cost growth	Aggregate	Financial / accounting systems	Annual snapshot
HPD	Research	Detailed	Claims / encounters systems	Monthly rolling

Total Health Care Expenditures

OHCA will collect aggregate data on total health care expenditures - all components.



- Net Claim Payment to Provider
- Copayments
- Coinsurance
- Deductible
- Capitation
- Shared savings
- Alternative Payment Models
- Rebates received by health plan
- Administrative Costs
- Profits

Patient-level data from claims and encounters will be available through HPD; only aggregate data will be available through OHCA.

OHCA and HPD will coordinate on capitation and APM data collection.

Rebates and admin/profit will be included in the THCE data collected by OHCA but not in HPD.

	Office of Health Care Affordability (OHCA)	Health Care Payments Data Program (HPD)
Purpose	**Track aggregate cost growth statewide.** This will include reporting by service categories such as hospital, ambulatory, prescription drugs, etc.	**Granular analysis of cost drivers and variation**, such as changes in service utilization or volume of procedures performed by payer, line of business, geography, provider.
Typical Question	How much did spending change from one year to the next?	What was the average cost of a hip replacement in Humboldt vs. Imperial counties?
Timeline	**Report on baseline health spending statewide by June 2025** based on data for CY 2022 and 2023 to be submitted by September 2024	**Begin producing public reports and analytic files in 2023** based on medical and pharmacy claims and encounters. Work with Advisory Committee to add capitation and other non-claims data via supplemental file.

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Q&A