

Office of Health Care Affordability (OHCA): Implementation Update

Elizabeth Landsberg, Director

Department of Health Care Access and Information

August 16, 2023

HCAI Mission



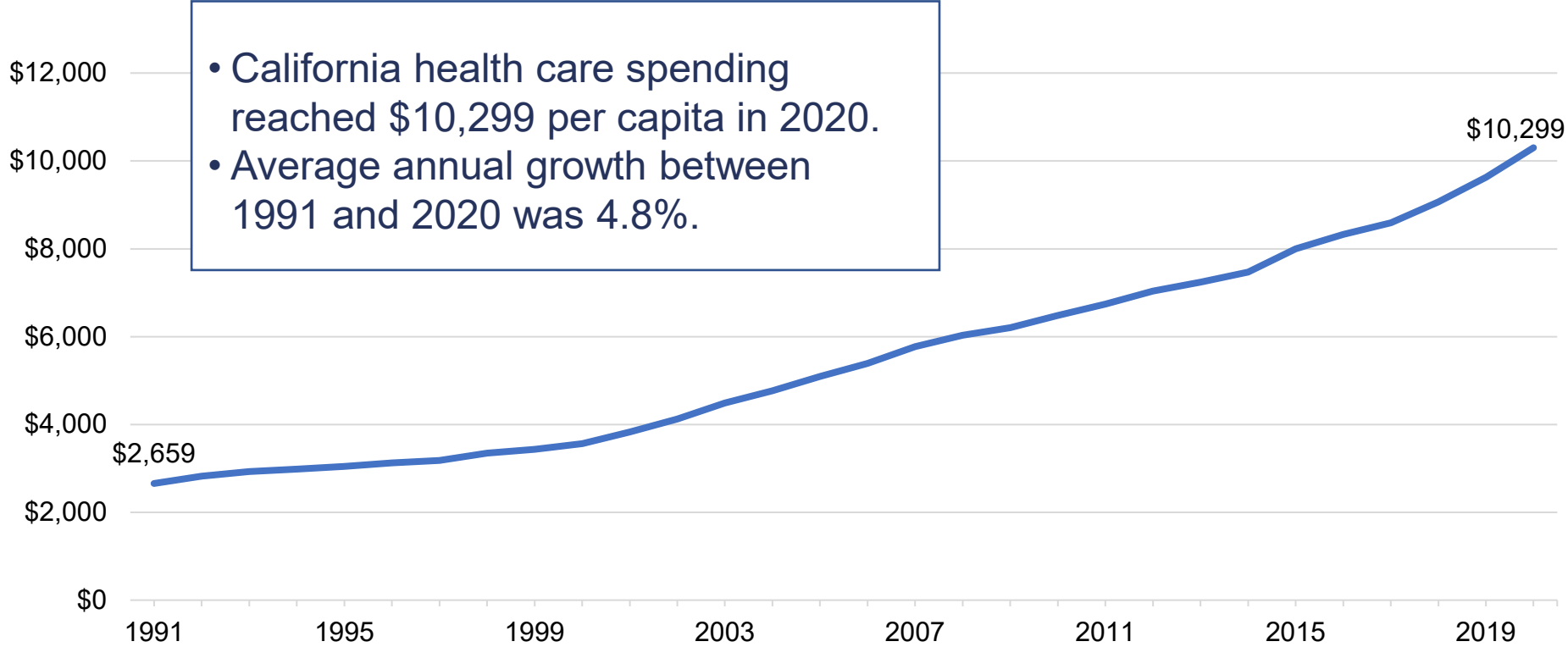
HCAI expands equitable access to quality, affordable health care for all Californians through resilient facilities, actionable information, and the health workforce each community needs.

HCAI Program Areas

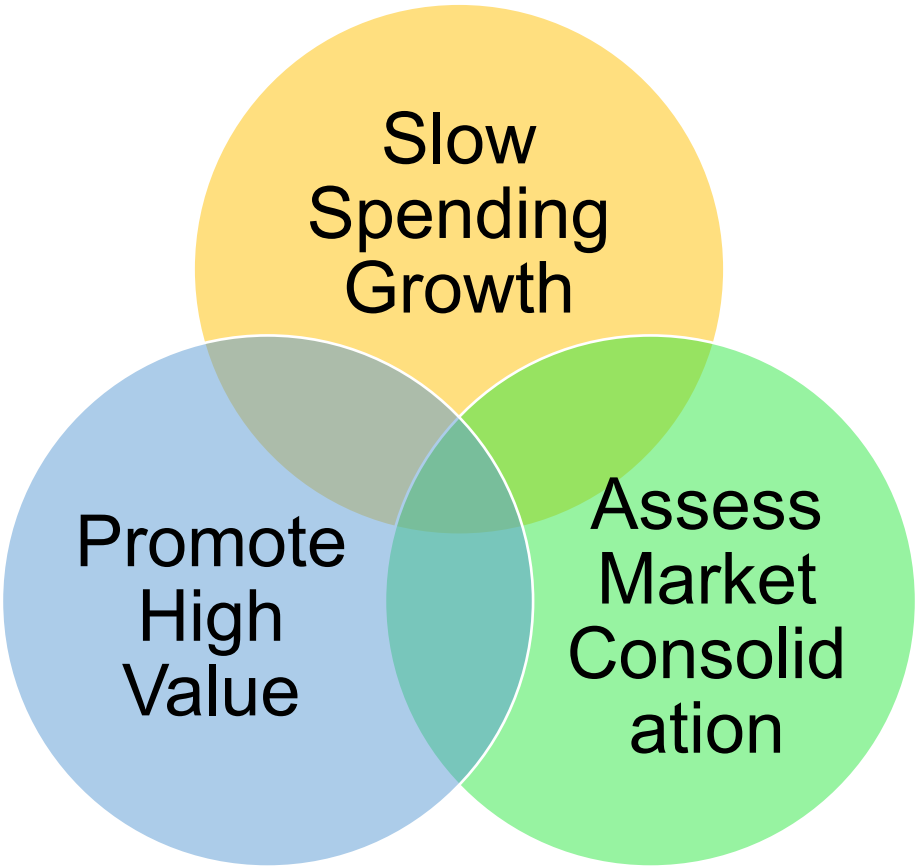
- **Facilities:** monitor the construction, renovation, and seismic safety of California's hospitals and skilled nursing facilities
- **Financing:** provide loan insurance for nonprofit healthcare facilities to develop or expand services
- **Workforce:** promote a culturally competent and linguistically diverse health workforce
- **Data:** collect, manage, analyze and report information about California's healthcare landscape
- **Affordability:** improve health care affordability through data analysis, spending targets, and measures to advance value. Enforce hospital billing protections, and provide generic drugs at a low, transparent price

OHCA: The Office of Health Care Affordability


Per Capita Health Spending in California



OHCA Key Components



Slow Health Care Spending Growth



Collect, analyze, and report data on total health care expenditures (THCE)

Develop spending growth target methodology and spending targets, initially statewide and eventually sector-specific (e.g., geography, types of entities)

Progressive enforcement of targets: technical assistance, public testimony, performance improvement plans, and escalating financial penalties

Promote High Value System Performance



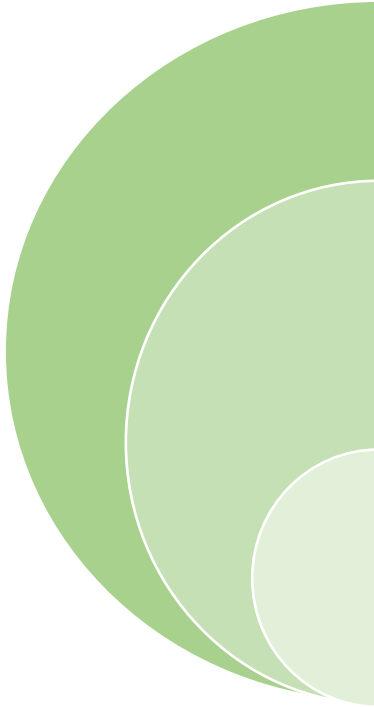
Track quality, equity, and access

Set benchmarks and report on primary care and behavioral health investment

Set goals for the adoption of alternative payment models and report on progress

Promote workforce stability

Assess Market Consolidation



Assess prospective changes in ownership, operations, or governance for health care entities

Conduct cost and market impact reviews (CMIRs) on transactions likely to significantly impact competition, the state's ability to meet cost targets, or affordability for consumers and purchasers

Work with other regulators to address market consolidation as appropriate

Board and Advisory Committee

Board and Advisory Committee Responsibilities

Health Care Affordability Board

- Set spending targets, both statewide and sector-specific
- Approve key benchmarks, such as statewide goals for alternative payment model adoption
- Appoint a Health Care Affordability Advisory Committee to provide input on a range of topics
- Advise OHCA on:
 - The collection, analysis, and public reporting of data
 - Factors that contribute to cost growth within the state's health care system, including the pharmaceutical sector
 - Strategies to improve affordability for both individual consumers and purchasers of health care

Advisory Committee

- Provide recommendations and input to the Board on:
- Statewide health care spending target and specific targets by health care sector and geographic region
 - Methodology for setting spending targets and adjustment factors to modify targets when appropriate
 - Definitions of health care sectors
 - Benchmarks for primary care and behavioral health spending
 - Statewide goals for the adoption of alternative payment models and standards
 - Quality and equity metrics
 - Standards to advance the stability of the health care workforce
 - Other areas requested by the Board or Office

Board and Advisory Committee Meetings

Health Care Affordability Board

- Monthly meetings
- Upcoming meetings: August 22, September 19, October 24

Advisory Committee

- The first meeting of the Advisory Committee was held on June 21, with meetings held quarterly.
- Upcoming meetings: September 18, November 30

Board and Advisory Committee meetings are public and subject to the Bagley-Keene Open Meeting Act.

Board and Advisory Committee meeting links are available at: <https://hcai.ca.gov/public-meetings/>

Board Members

David Carlisle President and CEO of Charles R. Drew University of Medicine and Science

Mark Ghaly Secretary of the California Health and Human Services Agency

Sandra Hernández President and CEO of the California Health Care Foundation

Richard Kronick Professor in the Herbert Wertheim School of Public Health, University of California, San Diego

Ian Lewis Political and Research director of the National Union of Health Care Workers

Elizabeth Mitchell President and CEO of the Purchaser Business Group on Health

Don Moulds Chief Health Director of the California Public Employee Retirement System
(non-voting member)

Richard Pan Pediatrician and former state Senator

Advisory Committee Members

Payers



Aliza Arjoyan

Senior Vice President of Provider Partnership and Network Management, Blue Shield of California

Yolanda Richardson,

Chief Executive Officer, San Francisco Health Plan

Andrew See

Senior Vice President, Chief Actuary, Kaiser Foundation Health Plan

Hospitals



Barry Arbuckle

President & Chief Executive Officer, MemorialCare Health System

Tam Ma

Associate Vice President, Health Policy and Regulatory Affairs, University of California Health

Yvonne Waggener

Chief Financial Officer, San Bernardino Mountains Community Hospital District

Medical Groups



Hector Flores

Medical Director, Family Care Specialists Medical Group

Stacey Hrountas

Chief Executive Officer, Sharp Rees-Stealy Medical Centers

David S. Joyner

Chief Executive Officer, Hill Physicians Medical Group

Physicians



Adam Dougherty

Emergency Physician, Vituity

Parker Duncan Diaz

Clinician Lead, Santa Rosa Community Health

Sumana Reddy

President, Acacia Family Medical Group

Consumer Representatives & Advocates



Carolyn J Nava

Senior Systems Change, Disability Action Center

Mike Odeh

Senior Director of Health, Children Now

Kiran Savage-Sangwan

Executive Director, California Pan-Ethnic Health Network (CPEHN)

Rene Williams

Vice President of Operations, United American Indian Involvement

Anthony Wright

Executive Director, Health Access California

Purchasers



Ken Stuart

Chairman, California Health Care Coalition

Suzanne Usaj

Senior Director, Total Rewards, The Wonderful Company LLC

Abbie Yant

Executive Director, San Francisco Health Service System

Health Care Workers



Stephanie Cline

Respiratory Therapist, Kaiser

Sarah Soroken

Mental Health Clinician, Solano County Mental Health

Sara Gavin

Chief Behavioral and Community Health Officer, CommuniCare Health Centers

Organized Labor



Joan Allen

Government Relations Advocate, SEIU United Healthcare Workers West

Carmen Comsti

Lead Regulatory Policy Specialist, California Nurses Association/National Nurses United

Ivana Krajcinovic

Vice President of Health Care Delivery, UNITE HERE HEALTH

Janice O'Malley,

Legislative Advocate, American Federation of State, County and Municipal Employees

Cost and Market Impact Review Program (CMIR)

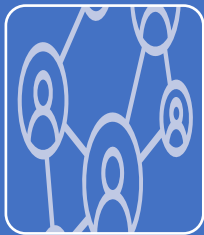
OHCA Enabling Statute: Legislative Findings



Escalating health care costs driven primarily by high prices and underlying factors or markets conditions that drive prices, particularly in geographic areas and sectors where there is a lack of competition due to consolidation.



Consolidation through acquisitions, mergers, or corporate affiliations is pervasive across the industry and involves health care service plans, health insurers, hospitals, physician organizations, pharmacy benefit managers, and other health care entities.



Market consolidation occurs in various forms

- horizontal, vertical and cross industry mergers,
- transitions from nonprofit to for-profit status or vice versa, and
- any combination involving for-profit and nonprofit entities

OHCA Statute: CMIR Responsibilities


Review and evaluate consolidation, market power, and other market failures through cost and market impact reviews of mergers, acquisitions, or corporate affiliations involving:

- health plans,
- health insurers,
- hospitals or hospital systems,
- physician organizations,
- pharmacy benefit managers, and
- other health care entities


Consistent with the legislative intent to increase transparency on transactions that may impact competition and affordability for consumers and purchasers.

CMIR Program Will Fill in Gaps and Increase Public Transparency

Collect and publish notices of material change transactions that will occur on or after April 1, 2024. Health care entities must submit notices to OHCA 90 days before the agreement or transaction will occur.



Upon determination the notice is complete, OHCA will determine within 60-days whether the agreement or transaction must undergo a Cost and Market Impact Review (CMIR).



Conduct CMIR for agreements or transactions after OHCA determines a CMIR is warranted, make factual findings and issue preliminary report, allow written responses from affected parties and the public, and issue final report.

Existing Merger Oversight in California

Attorney General

- Approval Authority for non-profit health facilities
- Authority to investigate and enforce laws relating to antitrust, unfair competition, and consumer protection

Department of Managed Health Care

- Approval Authority for major transactions of health care service plans
- DMHC evaluates the impact on enrollees and the stability of the health care delivery system.

California Department of Insurance

- Approval Authority for mergers of domestic health insurers.
- CDI reviews impact on the marketplace and consumers.

Gaps in California's Market Oversight

Agreements or transactions:

- Involving for-profit hospitals and health facilities
- Among physician organizations
- Involving health plan or health insurer purchase or affiliation with another health care entity, such as a physician group
- Involving health plans or health insurers and management service organizations (MSOs)
- Involving Private Equity
- Involving exclusive contracting

CMIR Implementation: Looking Ahead

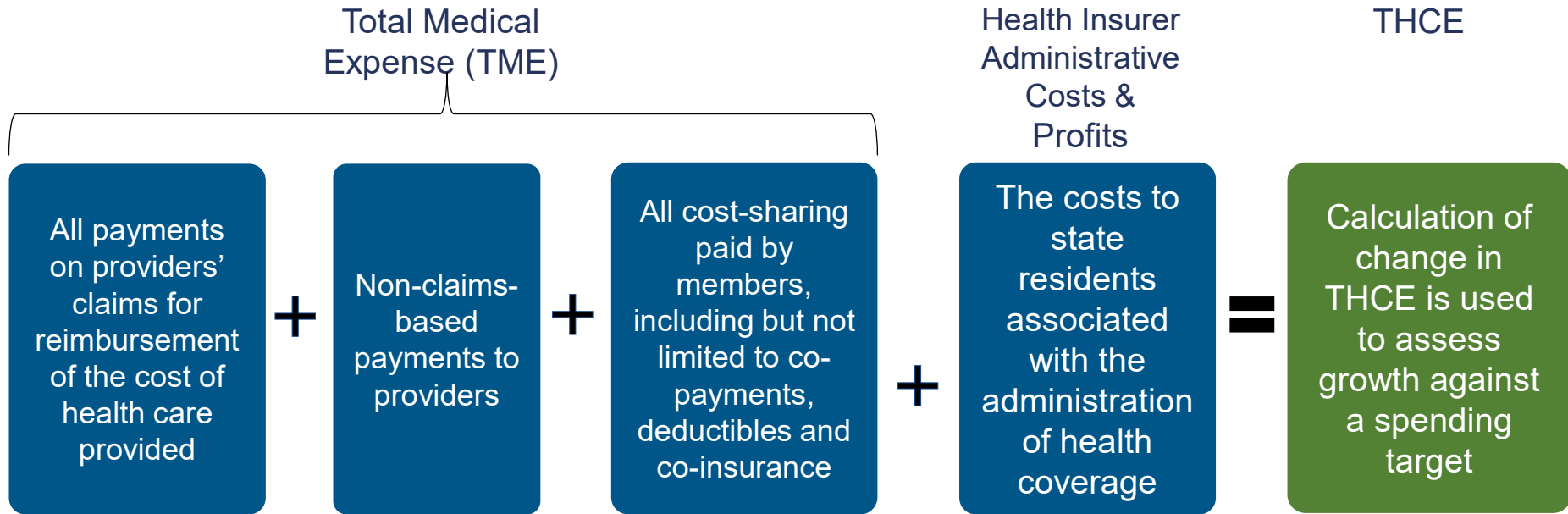
OHCA will promulgate regulations under its emergency rulemaking authority as follows:



*Proposed CMIR regulations are posted on the HCAI website

Slowing Spending Growth: Health Care Spending Target

Total Health Care Expenditures (THCE)



Note: Pharmacy rebates are included in THCE and can be included under non-claims-based payments or health insurer administrative costs and profits.

THCE Components: Claims-based categories

Examples of claims-based categories of spend include:

- Hospital Inpatient
- Hospital Outpatient
- Professional: Primary Care
- Professional: Behavioral Health
- Professional: Specialty
- Professional: Other
- Long-Term Care
- Retail Pharmacy¹
- Dental²
- Other (e.g., durable medical equipment, transportation)

¹ Medical pharmacy is typically captured in the hospital outpatient and professional service categories.

² Dental spending for covered dental benefits as part of a comprehensive plan, and not standalone dental plan spending.

THCE Components: Non-claims categories

Examples of non-claims-based categories of spend included in the statute:

- Capitation
- Salary
- Global budget
- Supplemental provider payments in the Medi-Cal program
- Pharmacy rebates

Other examples from other states: payments to support population health and practice infrastructure, prospective case rate payments, prospective episode-based payments, performance incentive payments

Health care entities subject to the spending 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

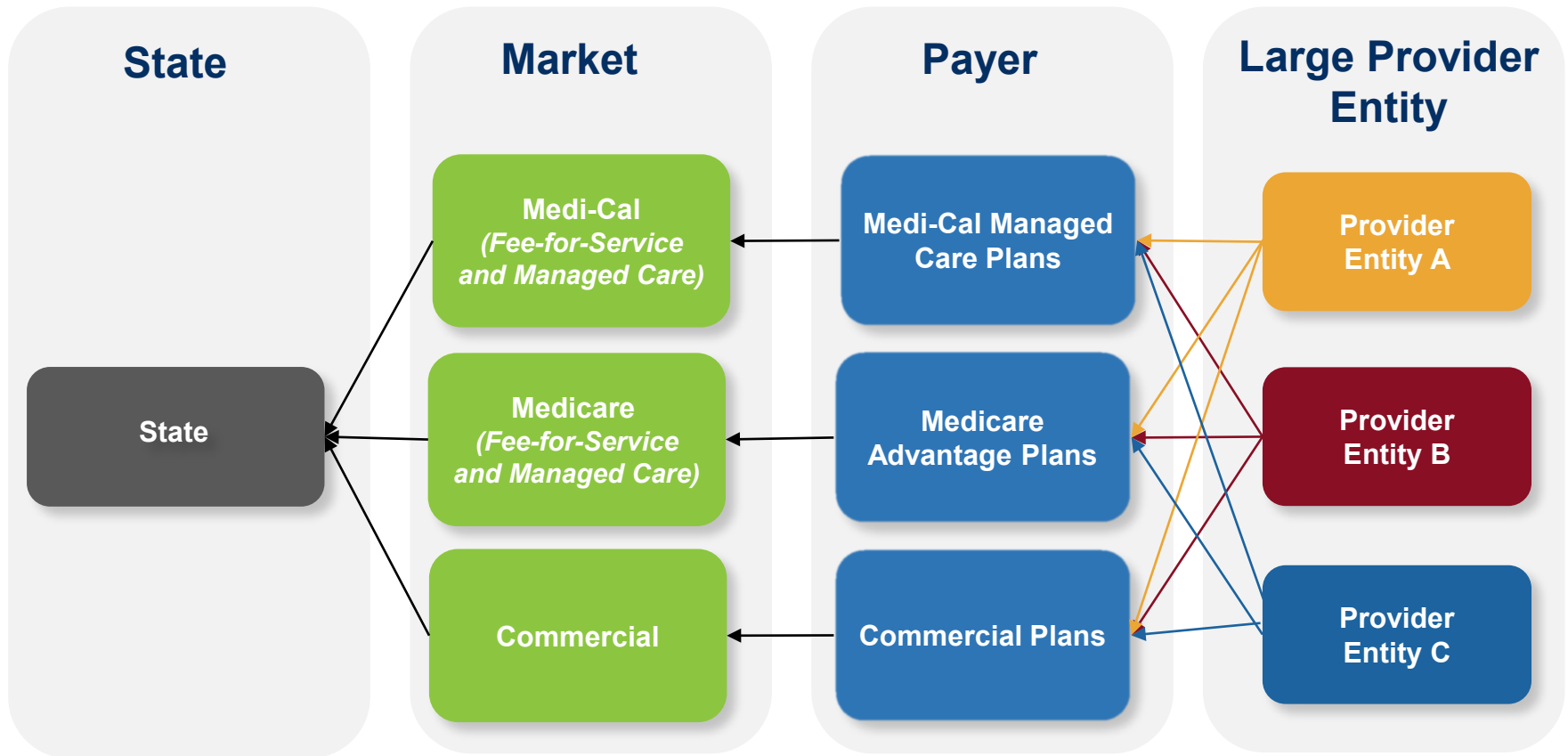
Providers

- Physician organizations
- Health facility, including acute care hospital
- Outpatient hospital department
- Clinic, general or specialty
- Ambulatory surgery centers
- 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

Four levels of reporting on spending growth



Timeline: Enforcement

2025
Set target
for 2026

2027
Data collection
for 2026

2026
First year
of enforcement

2028
Reporting on 2026
data: progressive
enforcement begins

Progressive Enforcement

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

Healthcare Payments Data (HPD) Program

HPD Program Overview

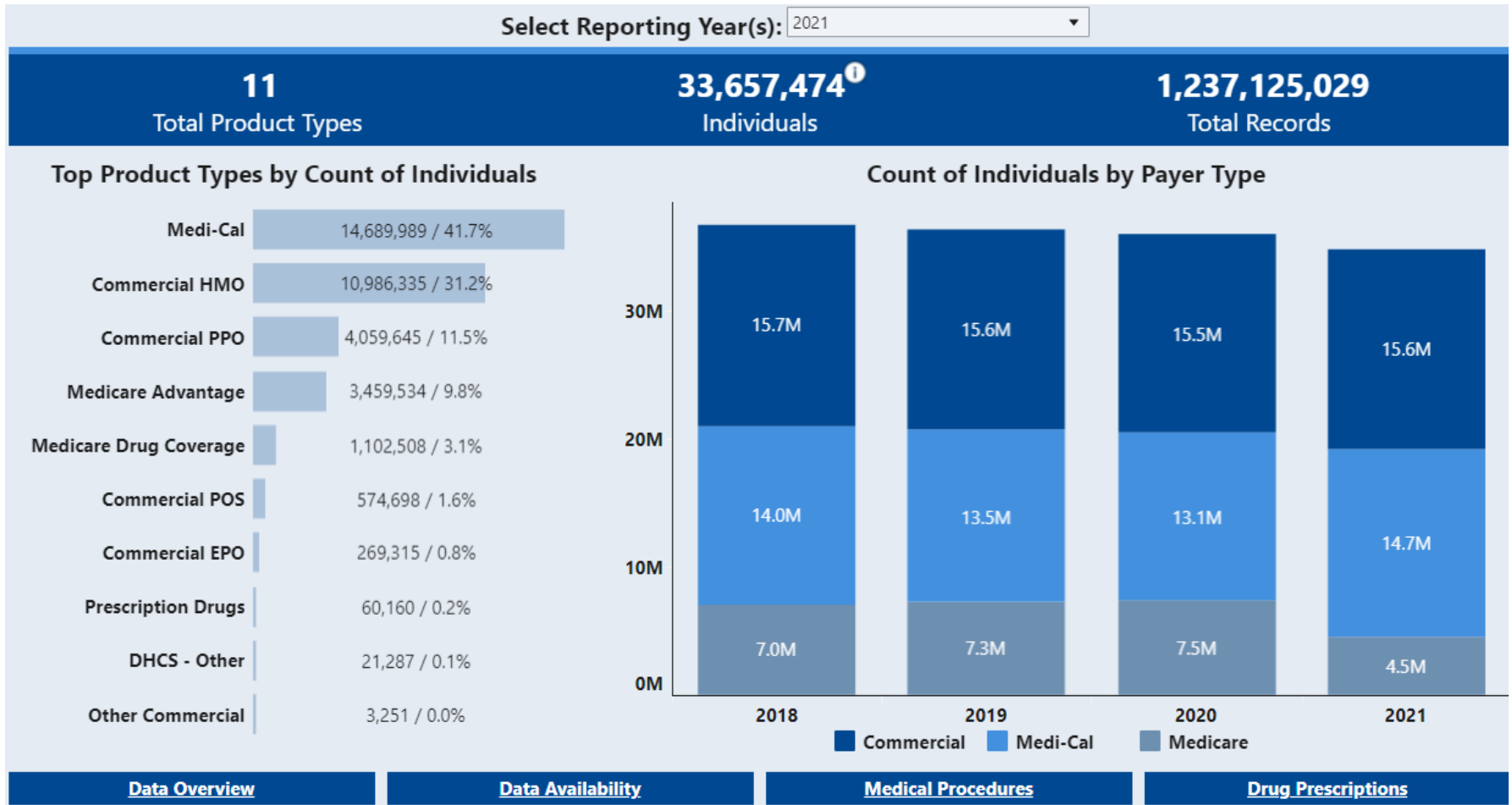
- The Healthcare Payments Database (HPD) is California's APCD – a large research database of healthcare administrative data.
- The HPD collects four core file types:
 1. Medical claims and encounters
 2. Pharmacy claims
 3. Member eligibility
 4. Provider
- The HPD collects data from:
 1. Commercial and Medicare Advantage health plans and insurers
 2. Department of Health Care Services (Medi-Cal)
 3. Centers for Medicare and Medicaid Services (Medicare Fee-For Service)
- HPD uses the National Association of Health Data Organizations [APCD Common Data Layout](#) data file format

The HPD Program will develop:

- Approaches to incorporate other data, beyond claims
- Approaches to accept data from voluntary submitters
- Policies and procedures for access to non-public data
- A report for the Legislature by March 2024 that outlines the quality and completeness of the database
- Long-term, sustainable funding

For more information, visit hcai.ca.gov/hpd

Gathering Data: HPD Snapshot



Explore the Snapshot: <https://hcai.ca.gov/visualizations/healthcare-payments-data-hpd-snapshot>

HPD Measures

- Standardized chronic conditions, demographics, and utilization measure categories
- Filters for up to 23 measure categories
- And additional filters for up to two simultaneous grouping dimensions, including age band, county, sex, product type, and reporting year
- Feature to compare to statewide averages
- With four distinct views:
 1. Measure Map
 2. Measure Trending
 3. Statewide Comparison
 4. Measure Table



Next Steps

- **Continue to produce public analytic reports & refine potential use cases**

View all of HCAI's featured data visualizations:

hcai.ca.gov/visualizations

- **Continue to engage with stakeholders**

Join the public discussion:

hcai.ca.gov/hpd/#hpd-stakeholder-engagement

- **Launch data release program**

HCAI expects to begin accepting requests for non-public HPD data in Q1 of 2024.

High Value System Performance

Focus areas for promoting high value system performance

APM Adoption

- Define, measure, and report on alternative payment model adoption
- Set standards for APMs to be used during contracting
- Establish a benchmark for APM adoption

Primary Care Investment

- Define, measure, and report on primary care spending
- Establish a benchmark for primary care spending

Behavioral Health Investment

- Define, measure, and report on behavioral health spending
- Establish a benchmark for behavioral health spending

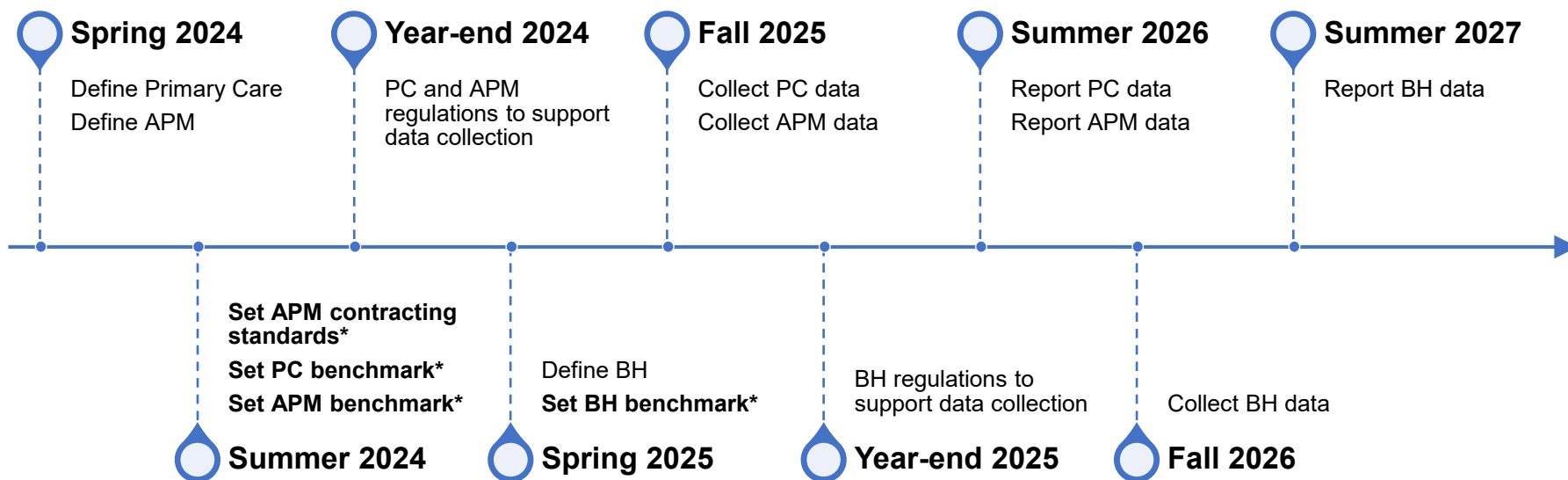
Quality and Equity Measurement

- Develop, adopt, and report performance on a single set of quality and health equity measures

Workforce Stability

- Develop and adopt standards to advance the stability of the health care workforce
- Monitor and report on workforce stability measures

Preliminary timeline for APM, primary care, and behavioral health workstreams



*Board approval required

All included in the first annual report, due June 2027

Workgroup to engage stakeholders on APM adoption, primary care, and behavioral health investment

OHCA has launched the monthly **Investment and Payment Workgroup** to support the development of the APM, primary care, and behavioral health definitions, data collection processes, and benchmarks.

The workgroup will:

- Ensure stakeholder engagement in key program development decisions about definitions and data collection
- Provide input and feedback as OHCA develops recommendations for benchmarks
- Identify and discuss the relationships and interactions between the APM, primary care, and behavioral health components

Workgroup members includes representatives from:

- Patients/families
- Primary care clinicians
- Physician organizations (medical group, IPA, FQHC)
- Hospitals/health systems
- Health plans
- Consumer advocates
- Researchers/experts
- State departments engaged in related work

Stakeholder Engagement with OHCA

- Contact us at ohca@hcai.ca.gov with your comments and questions
- Subscribe to the [OHCA listserv](#) on the HCAI website
- Visit [HCAI's public meeting page](#) for materials and information on:
 - Health Care Affordability Board
 - Health Care Affordability Advisory Committee
 - Investment and Payment Workgroup
- Visit the [OHCA landing page](#) on the HCAI website for:
 - Board information, FAQs, fact sheet, statute link, and upcoming activities
 - Advisory Committee information
 - Future regulations “workshopping” meetings and opportunities to provide input to OHCA on key aspects of implementation policy

Follow Us!



Website



Twitter



Facebook



YouTube



LinkedIn

**#WeAreHCAI #HCAI #HealthWorkforce
#HealthFacilities #HealthInformation**