

# DMHC Financial Solvency Standards Board

Vishaal Pegany, Deputy Director

Office of Health Care Affordability

Department of Health Care Access and Information

October 16, 2024

# Agenda

- HCAI Overview
  - Collaboration and Stakeholder Engagement
- Office of Health Care Affordability (OHCA) Overview
- Major Accomplishments and Milestones
- Upcoming Goals and Objectives

# 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 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.

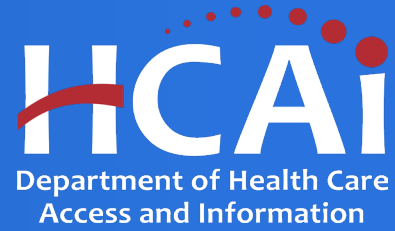
# Collaboration & Stakeholder Engagement

# OHCA Meetings and Workgroups

- Health Care Affordability Board
- Health Care Affordability Advisory Committee
- Investment and Payment Workgroup
- Cross-Department Workgroup
- THCE Data Submitter Workgroup
- Occasional Technical Workgroups

# Cross-Department Workgroup Members





# Office of Healthcare Affordability (OHCA)



# OHCA



**The Office of Health Care Affordability was established in statute July 1, 2022. The Office is charged with:**

- **slowing spending growth,**
- **promoting high value care, and**
- **assessing market consolidation.**

# Major Accomplishments and Milestones

## Spending Target

In April 2024, the Health Care Affordability Board approved a statewide health care spending target for California.

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

# Consideration of Spending Target During Premium Rate Review

## Health and Safety Code Section 1385.035

(a) It is the intent of the Legislature in enacting this section to ensure that enrollees and subscribers benefit from reductions in the rate of growth in health care costs as a result of the establishment of the Office of Health Care Affordability.

(b) In submitting rates for review consistent with this article, a health care service plan shall demonstrate the impact of any changes in the rate of growth in health care costs resulting from the health care cost targets set pursuant to Chapter 2.6 (commencing with Section 127500) of Part 2 of Division 107.

(c) In determining whether a rate is unreasonable or not justified, the director shall consider the impact on changes in health care costs as a result of the health care cost targets set pursuant to Chapter 2.6 (commencing with Section 127500) of Part 2 of Division 107.

# Consideration of Spending Target During Premium Rate Review

## Insurance Code Section 10181.35

(a) It is the intent of the Legislature in enacting this section to ensure that insureds benefit from reductions in the rate of growth in health care costs as a result of the establishment of the Office of Health Care Affordability.

(b) In submitting rates for review consistent with this article, a health insurer shall demonstrate the impact of any changes in the rate of growth in health care costs resulting from the health care cost targets set pursuant to Chapter 2.6 (commencing with Section 127500) of Part 2 of Division 107 of the Health and Safety Code.

(c) In determining whether a rate is unreasonable or not justified, the commissioner shall consider the impact on changes in health care costs as a result of the health care cost targets set pursuant to Chapter 2.6 (commencing with Section 127500) of Part 2 of Division 107 of the Health and Safety Code.

# Major Accomplishments and Milestones

## Cost and Market Impact Review

- The Office started reviewing proposed mergers and acquisitions within the health care delivery system. The Office will monitor the impact of market consolidation and evaluate transactions that could hurt competition, access, and affordability in California.
- Through revised regulations effective August 2024, OHCA has strengthened oversight of proposed transactions to ensure entities do not evade legislative intent to provide notice to the Office of pending transactions and regulatory review.
- OHCA [maintains a public list](#) of past and ongoing material change notices.

# Major Accomplishments and Milestones

## Alternative Payment Models (APM)

- The Board approved APM standards and adoption goals in June 2024. The APM standards and adoption goals are designed to move the health care system away from traditional fee-for-service payments and toward value-based models that incent equitable, high-quality, and cost-efficient care.

## Workforce Stability Standards

- OHCA is charged with monitoring the effects of spending targets on health care workforce stability, high-quality jobs, and training needs of health care workers, with the goal that workforce shortages do not undermine health care affordability, access, quality, equity and culturally and linguistically competent care.
- To achieve workforce stability in the context of spending targets, OHCA adopted its Workforce Stability Standards in June 2024.

Read more about the OHCA Alternative Payment Model Standards and Adoption Goals here: <https://hcai.ca.gov/affordability/ohca/promote-high-value-system-performance/apm-standards-and-adoption-goals/>

Read more about the OHCA Workforce Stability Standards here: <https://hcai.ca.gov/affordability/ohca/promote-high-value-system-performance/workforce-stability/>

# Upcoming Goals and Objectives

## Primary Care Benchmark

- OHCA will define, measure, and report on primary care spending.
- This fall the board will vote on a benchmark for investment in primary care.

## Quality and Equity Performance Measurement

- OHCA will propose a set of standard quality and equity measures for assessing health care quality and equity across health care entities, including hospitals, in Fall 2024 Health Care Affordability Advisory Committee and Board meetings.

## Behavioral Health Benchmark

- OHCA will define, measure, and report on behavioral health care spending.
- In spring 2025, the board may vote on a benchmark for investment in behavioral health care.

# Upcoming Goals and Objectives

## Cost Reducing Strategies

- OHCA collects [examples of cost-reducing strategies](#) that health plans, hospitals, and physician organizations are implementing to reduce cost while maintaining or improving quality in their care delivery systems.

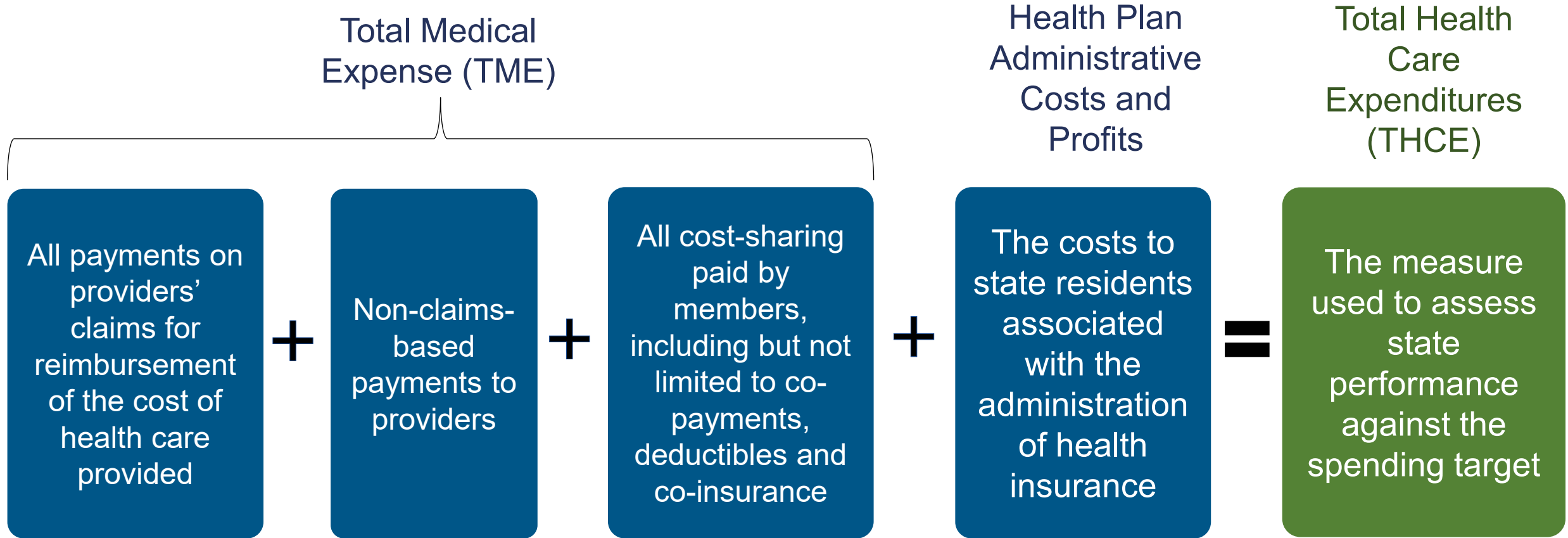


# Upcoming Goals and Objectives

## Total Health Care Expenditures

- The Office finalized regulations for the collection of data on total health care expenditures.
- This Fall the Office collected data from health care payers to measure and report the state's total health care expenditures for calendar years 2022 and 2023.
- By June 1, 2025 the Office will release the state's first baseline report on total health care expenditures.
- The Office is engaging a workgroup to develop a methodology to measure hospital spending against the statewide spending target.

# THCE Calculation



# Upcoming Goals and Objectives

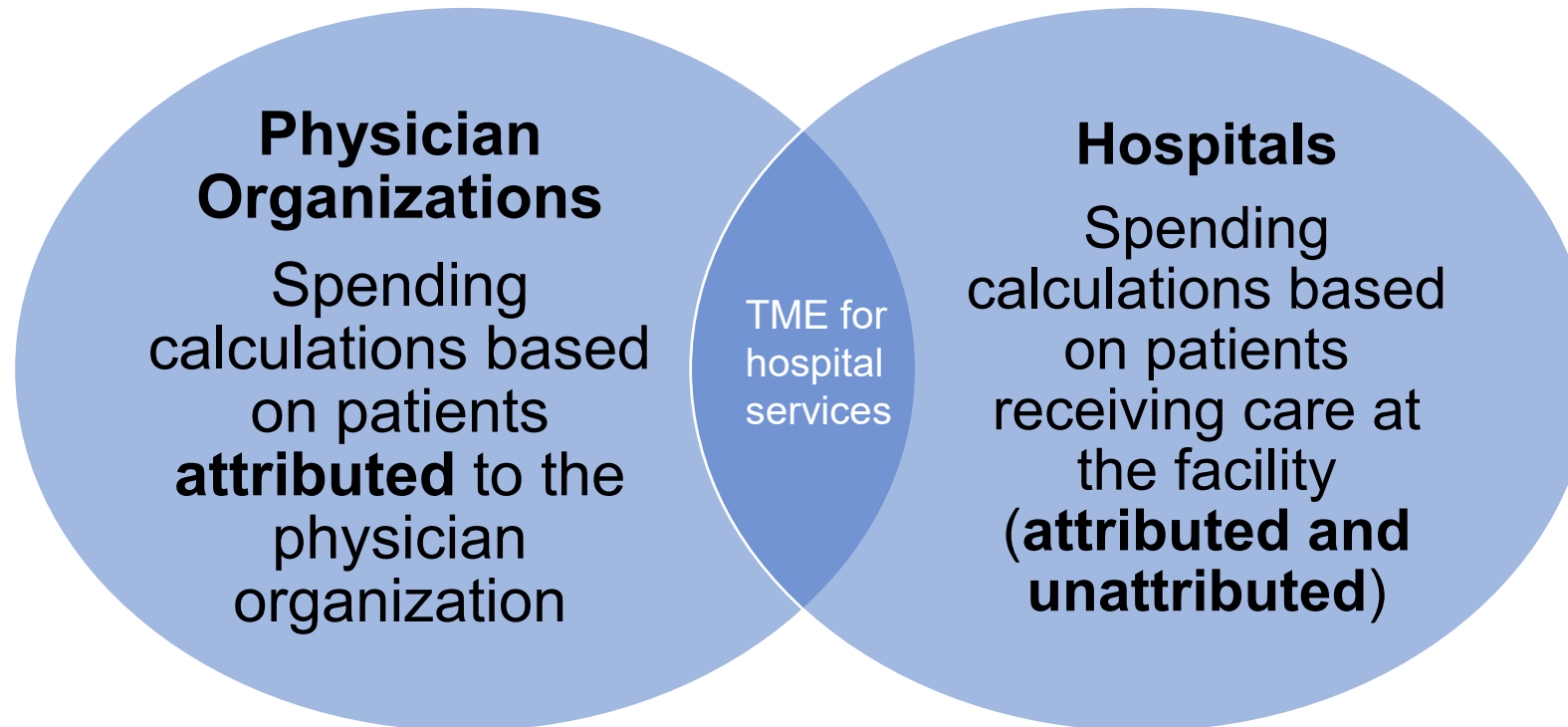
## Total Health Care Expenditures (continued)

OHCA expects the current Total Medical Expenditures (TME) approach to measure spending performance for hospitals that are part of a health system with attributed lives. It will need additional strategies to better understand hospital spending across all patients.

# Total Medical Expenditures (TME)

## Payers

Captures TME for all services and all insured patients (attributed and unattributed)



# Follow Us!



**Website**



**Twitter**



**Facebook**



**YouTube**



**LinkedIn**

---

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

# Sign Up for our Newsletter!



<https://hcai.ca.gov/mailing-list/>

## Contact Us!



Phone (916) 326-3600

---

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

# Appendix

# OHCA APM Standards

## APM Standards for Payer-Provider Contracting

1. **Use prospective, budget-based, and quality-linked payment models** that improve health, affordability, and equity.
2. **Implement payment models that improve affordability** for consumers and purchasers.
3. **Allocate spending upstream to primary care and other preventive services** to create lasting improvements in health, access, equity, and affordability.
4. **Be transparent** with providers in all aspects of payment model design and terms including attribution and performance measurement.
5. **Engage a wide range of providers** by offering payment models that are fiscally feasible to entities with varying capabilities and appetites for risk, including small independent practices and historically under-resourced providers.



# OHCA APM Standards

## APM Standards for Payer-Provider Contracting

6. **Collect demographic data**, including RELD-SOGI\* data, to enable stratifying performance.
7. **Measure and stratify performance** to improve population health and address inequities.
8. **Invest in strategies to address inequities** in access, patient experience, and outcomes.
9. **Equip providers with accurate, actionable data** to inform population health management and enable their success in the model.
10. **Provide technical assistance** to support new entrants and other providers in successful APM adoption.

\*Race, ethnicity, language, disability status (RELD), sex, sexual orientation and gender identity (SOGI).

# OHCA APM Adoption Goals

**APM Adoption Goals for Percent of Members  
Attributed to HCP-LAN Categories 3 and 4 by Payer Type**

	Commercial HMO	Commercial PPO	Medi-Cal	Medicare Advantage
2026	65%	25%	55%	55%
2028	75%	35%	60%	65%
2030	85%	45%	65%	75%
2032	90%	55%	70%	85%
2034	95%	60%	75%	95%

The OHCA Board approved APM Adoption Goals based on the percent of members attributed to HCP-LAN Categories 3A, 3B, 4A, 4B, and 4C arrangements.

To count towards adoption goal, APMs must include:

- **Meaningful risk sharing** – Category 3A and 3B APMs should be required to meet a minimum threshold for shared savings or shared risk
- **A link to quality** – payments are defined as “linked to quality” if they involve potential for financial bonuses or penalties based on provider’s performance against predetermined quality benchmarks.

# OHCA Workforce Stability Standards

1. Monitor a priority set of key performance indicators of health care workforce stability. Relevant indicators to monitor include:
  - Turnover rates;
  - Retention rates;
  - Vacancy rates;
  - Contract and temporary labor use rates;
  - Time to fill vacant positions;
  - Percentage of employees eligible for benefits (e.g., health benefits, paid time off, and retirement);
  - Employee engagement, including assessing for job satisfaction, burnout, and moral injury;
  - Investment in continuing education, professional development, and training programs; and
  - Diversity of workforce and languages spoken in relation to the population served.

# OHCA Workforce Stability Standards

2. Develop formal processes to adapt to changing workforce conditions.
3. Allocate resources for professional development for health care workers to strengthen the current and future workforce.
4. Increase use of interdisciplinary health care teams to support worker engagement and improve affordability, access, quality, and equity.
5. Prioritize hiring, employee advancement, and care delivery practices that ensure culturally and linguistically competent care.
6. Monitor and address workplace safety and violence.

# Primary Care Investment Benchmark (OHCA Recommendation)

Performance Years	Annual Improvement Benchmark
2025-2033	0.5 - 1% per year for each payer and product
Performance Year	Investment Benchmark
2034	15% statewide for all payers and products

## Rationale and Considerations:

- Has received strong stakeholder support from Workgroup and public commenters
- Gives all payers reasonable opportunity to demonstrate immediate progress and long-term success
- Emphasizes demonstrating annual progress
- Offers gradual glidepath to ambitious but achievable 15% goal
- Offers some flexibility since OHCA does not have exact measures of current spend using its definition

\*Payers at or above 15% of total medical expense may refrain from continued increases if not aligned with care delivery or affordability goals.