

Office of Health Care Affordability: California's Healthcare Cost Commission Gears Up for Implementation

In the 2022 session, California enacted legislation to create the state's healthcare cost commission, the Office of Healthcare Affordability (OHCA). As part of the Department of Health Care Access and Information (HCAI), OHCA is authorized to analyze the health care market for cost trends and drivers of spending and set and enforce cost-growth benchmarks for the state. It also has the authority to review and assess the impact of mergers, acquisitions, affiliations, and other healthcare transactions on price and competition. As OHCA prepares for its launch, the California Health Care Foundation (CHCF) hosted a briefing last month that provided updates on OHCA's implementation and plans. Specifically, the briefing highlighted OHCA's priorities for initial implementation in the first two years and addressed the roles that key industry stakeholders could play to support OHCA's goals.

Implementation Timeline and Two-Year Milestones

Elizabeth Landsberg, the Director of the Department of Health Care Access and Information (HCAI) spoke at the briefing and shared that OHCA has hired its first staff member, Vishaal Pegany, who presented key information about the status of OHCA's implementation. In line with the key components OHCA will focus on, namely 1) manage cost growth, 2) monitor system performance, and 3) assess market consolidation, the Office has set two-year milestones as follows:

2022-2023: The focus in 2022 is on hiring leadership and building the team to quickly set up the Office and plan for implementation, including establishing the Health Care Affordability Board (HCAB). To that end, the Office will also bring on

contract resources and hire necessary staff and expert consultants. In 2023, the focus shifts to planning with the convening of HCAB and the Advisory Committee to develop cost target methodology and general regulations, all while beginning work on primary care components. Work will also begin on regulation and guidelines for data collection for total health care expenditures and developing regulations for cost and market impact reviews (CMIR).

2024-2025: In this next stage, data collection of 2022 and 2023 total cost data will begin in 2024 to set a 2025 cost target. OHCA will also adopt alternative payment models and workforce stability standards. As early as January 1, 2024, OHCA will begin receiving notices of proposed transactions signaling the launch of CMIRs.

Beyond the initial 2-year setup planning, OHCA will set cost targets for 2026 in June 2025, with 2026 scheduled as the first year of enforcement. In terms of data collection and report, there will be a 6-9 month lag into the following year because of the time needed for claims data to settle, so that 2026 data will not be received until late 2027. The office will also need time to review and analyze that data in preparation for the annual report that will include market performance against the cost target and policy recommendations for legislators and private entities. Progressive enforcement from the 2026 data collection, therefore, will not begin until 2028. OHCA is empowered to use progressive enforcement of cost targets with a variety of tactics including technical assistance, public testimony, performance improvement plans and escalating financial penalties.

Key Roles and Components of the Office

The briefing also elaborated on the establishment of the key components and roles within OHCA: the Health Care Affordability Board (HCAB) and Advisory Committee:

Health Care Affordability Board (HCAB): As a decision-making board, HCAB will set the cost targets, approve key benchmarks and appoint members to the Health Care Affordability Advisory Committee. HCAB is composed of 8 members, 7 voting and 1 non-voting member. The voting members are the California Health and Human Services Secretary, 4 appointees from the Governor's Office and 1 appointee each

from the Assembly and Senate. The nonvoting member is the CalPERS Chief Health Director. Except for retirement income, the board members may not receive compensation from health care entities. The first convening of HCAB is planned for the first quarter of 2023, which will be followed by appointing the Advisory Committee members.

Advisory Committee: To ensure that industry and other stakeholders are providing key feedback, HCAB can appoint representatives to the Advisory Committee. The committee members will be able to make recommendations, but they do not have approval authority or access to nonpublic information. In December 2022, OHCA plans on sending out a call for nominations for Advisory Committee members for HCAB's consideration.

How Stakeholders Can Engage with OHCA

Lastly, prior to OHCA becoming fully operational, there are many ways for stakeholders to stay informed and/or become involved, including:

1. Subscribe to the [OHCA listserv](#);
2. Send comments and questions to OHCA at ohca@hcai.ca.gov;
3. Visit the [OHCA page](#) on the HCAI website for information on:
 - FAQ and statute for OHCA
 - Information about regulations “workshopping” meetings and opportunities to provide input on implementation
 - Links to HCAB and Advisory Committee meeting agenda and materials (anticipated to begin in Q1 2023)

As always, The Source's [California Legislative Beat](#) will also be sure to bring the latest updates on California's implementation of its healthcare cost commission and other legislative and policy developments.