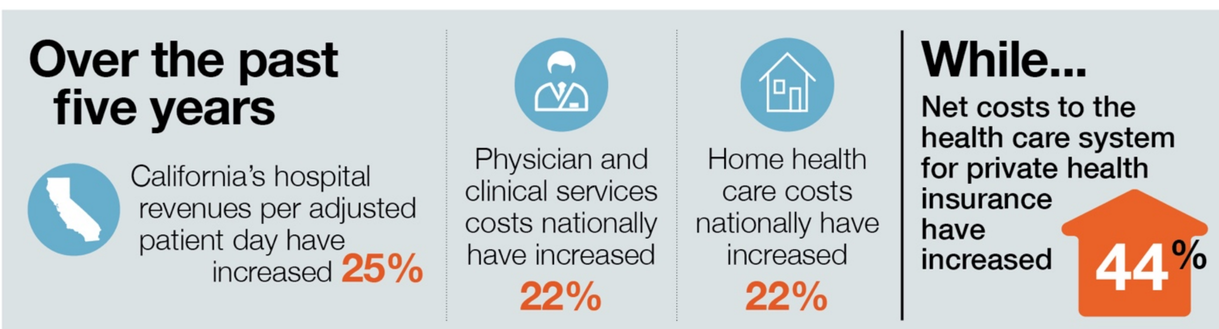
CALIFORNIA HOSPITAL ASSOCIATION

Leadership in Health Policy and Advocacy

Rate Setting Doesn't Protect Patients

The Issue

Health care must be more affordable — but rate setting is not the answer. Guaranteeing that insurers receive set rates removes their incentive to offer broad provider networks that guarantee adequate access to all types of services and specialists across California. Hospitals are committed to providing a broad range of high-quality health services — 24/7 emergency care, leading-edge surgeries, advanced diagnostics, optimal labor and delivery care. Cutting the resources that support these services, without consideration of the impact on patient care, could lead to adverse short- and long-term consequences for patients and communities. Beyond the impact to patient care, hospitals are an important foundation of California's economy, responsible for more than 1 million jobs. Payment cuts that don't in any way reduce cost drivers — such as wages, pharmaceutical prices, or real estate — will result in a loss of jobs in communities throughout the state. In a state where 38% of hospitals operate with negative margins, rate setting would only harm the hospitals on which all Californians rely.



What's Needed

Hospitals are committed to working with the state and federal governments, as well as private payers, to develop innovative and simplified payment models that improve quality and decrease costs. Hospitals are already doing their part to keep costs down. Nationally, health care spending by hospitals is down 17% since 1980. In California, the cost of hospital care per capita in California is more than 5% below the national average. Key to solving the affordability conundrum is a hard look at the drivers of health care costs. For example:

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