CALIFORNIA HOSPITAL ASSOCIATION

CHA Key Messages

Rate Setting Doesn't Protect Patients

1. **Health care must be more affordable, but rate setting threatens access and quality.**
    - 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 services.
    - Cuts to resources that support these services **without consideration of the impact on patient care** could lead to adverse consequences for patients and communities.
    - Hospitals operating on already-thin margins — particularly in rural and underserved communities — would be even harder-pressed to maintain certain services.
    - Guaranteeing insurers receive set rates removes their incentive to offer broad networks that guarantee adequate access to all types of services and specialists across California.
    - If payments to hospitals are reduced, there is no guarantee that savings will be passed on to consumers through lower insurance premiums.

2. **California's hospitals are already doing their part to keep costs down, while rate setting benefits only insurance companies.**
    - The share of national health care spending attributable to hospitals is down by 17% since 1980. In California, the cost of hospital care per capita in California is more than 5% below the national average.
    - 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.
    - Over the past five years, California's hospital revenues per adjusted patient day have increased 25% (2013 vs. 2018 net revenue per adjusted day) while nationally, per capita costs to the health care system for private health insurance have increased 44%.

3. **Rate setting is a job-killer that doesn't account for health care's true cost drivers.**
    - Statewide, California hospitals are responsible for more than 1 million jobs.
    - Payment cuts that don't in any way reduce cost drivers — such as wages, pharmaceutical prices, technology, or real estate — will result in a loss of jobs in communities throughout the state.
    - A full 38% of California's hospitals operate at a loss (another 20% operate with less than a 5% margin). Rate setting for these vulnerable hospitals could put them at risk of closing altogether, further eliminating jobs.

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