Key Facts for Providers on California's Health Care Spending Target

California Association of Health Plans

The Office of Health Care Affordability (OHCA) in April 2024 adopted a statewide health care spending target, which will apply to health plans, providers and hospitals. The OHCA board adopted a phased-in target to gradually decrease health care system spending growth over time. The purpose of the spending target is to rein in health care costs and make health care more affordable, while also aiming to address inequities in the health care system.

What is the OHCA Spending Target?

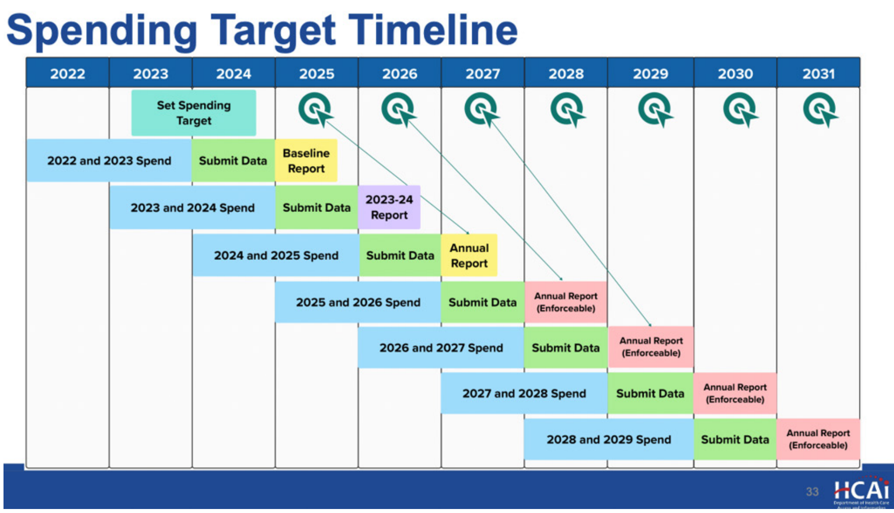
The OHCA board adopted a phased-in target to decrease statewide health care spending growth from 3.5% in 2025 to 3% in 2029.

2025-2026: 3.5%

2027-2028: 3.2%

2029: 3%

The spending target is based on the average growth rate of median household income from 2002-2022. It signals that health care spending should not grow faster than the incomes of California families.



The target applies to provider organizations with at least 25 physicians, along with health plans, and hospitals.

What Happens if Entities Do Not Meet the Spending Target?

Beginning with the 2026 target, OHCA can begin taking enforcement action against health care entities that exceed the spending growth target.

Enforcement actions include:

- Financial penalties.
- Technical assistance by OHCA to help comply.
- Imposing performance improvement plans.

Can OHCA Adjust the Spending Target?

The OHCA board is expected to meet annually to consider any needed updates to the spending target. This could include adjustments for unforeseen circumstances or significant changes to the health care system or the economy.

What does this mean?

Health plans will be increasing efforts to drive affordability across the health care system to meet these targets. Everyone, including health care providers, is going to have to work together to slow the growth of health care spending in California.