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OFFICE OF HEALTH CARE AFFORDABILITY

ADDENDUM TO FINDING OF EMERGENCY (October 1, 2026)

PROMOTION OF COMPETITIVE HEALTH CARE MARKETS; HEALTH CARE AFFORDABILITY; COST AND MARKET IMPACT REVIEWS (CMIR)

NEED FOR ADDENDUM

This Addendum incorporates and supplements the Finding of Emergency for this rulemaking package dated September 11, 2026.

Pursuant to the California Health Care Quality and Affordability Act (Act), Health and Safety Code section 127501.2, subdivision (c), any rule or regulation adopted as an emergency regulation shall be discussed by the Health Care Affordability Board (Board) during at least one Board meeting before the Office of Health Care Affordability (OHCA) adopts the rule or regulation.

OHCA presented the proposed regulations at the May 27, 2026 Board meeting as well as the June 24, 2026 Board meeting; OHCA discussed the proposal with the Board. Along with the relevant presentation slides listed in the Underlying Data at page 39 of the Finding of Emergency for this package, OHCA adds to the Underlying Data the May 2026 proposed text version provided to the Board and public in advance of the May meeting for full discussion and on which OHCA held an informal comment period.

OHCA notes that all comments in the Underlying Data with a June 11, 2026 date in response to the informal comment period were also posted online and provided to the Board and public in advance of the June meeting, and the substance of those comments, along with public comment at the meeting, informed the discussion with the Board.

OHCA made non-substantive (e.g. punctuation, grammar, syntax, organization) to the proposed text of the emergency regulations. This Addendum explains the changes. Additionally, OHCA provides further findings for this rulemaking.

NON-SUBSTANTIVE AMENDMENTS TO EMERGENCY TEXT

OHCA edits the proposed text as follows:

Section 97431:

- OHCA amended this section by relocating the definition of “subject of a transaction” from within the definition of “transaction” at subsection (u) to a standalone definition located at subsection (t) for reader convenience. Because of this non-substantive change, the definitions of “submitter” and “transaction” were renumbered to (u) and (v) respectively.

Section 97435:

- OHCA amended this section by adding “one or more” to subsection (b)(5)(C) to clarify that, to meet the threshold for filing, a management services organization must share one or more directors, officers, investors, or other natural persons with the ability to exercise control with respect to a health care entity.
- OHCA amended this section by adding “or management services organization” to the end of subsection (b)(9)(A) to be consistent with the text of the paragraph that requires filing of transactions involving private equity groups or hedge funds holding 10% or more of the assets, equity, debt, or liabilities of a health care entity or management services organization.
- OHCA amended this section for clarity by adding illustrative examples to subsection (c)(9)(a)(iii) that are non-exhaustive to provide clarity around what “changing arrangements” may mean for transactions involving management services organizations and payers.

Section 97437:

- OHCA reworded this section by replacing “in part” with “partial” for clarity and by clarifying requirements specific to requests for confidentiality of entire documents in subsection (b)(1). Submitters that request confidentiality for an entire document do not need to submit a redacted version of that document but must mark each page as confidential. A redacted version of a document is only needed if a submitter requests confidentiality for a portion of a document. Having the submitter prepare the redacted information ensures that there is no miscommunication on what is requested to be confidential; having an unredacted copy provided at the same time allows OHCA to better consider the confidentiality request and also have necessary information for the review. OHCA also reworded this section by adding a cross-reference to subsection (e) for clarity, specifying the location of OHCA’s portal description.

Section 97428:

- OHCA amended this section for clarity in subsection (b)(8)(D) by adding statutory and regulatory citations for each of the examples of governmental or private agencies that confer equity or quality of care ratings or assessments as well as the location of those assessments where available.

Section 97441:

- OHCA amended subsection (a)(4)(G) by adding examples of how the terms of transactions involving a real estate investment trust or other investing party could weaken the financial status or a health care entity or place access to care at risk. As described in the Finding of Emergency dated September 11, 2026, real estate investment trusts often purchase the property where health care entities provide services and then lease the property back to the health care entity. This practice adds debt to the health care entity which in turn can lead to reduction in health care service availability, reduction in workforce, and ultimate bankruptcy of the health care entity. OHCA included the example of increasing the debt of health care entity to illustrate how this type of transaction could negatively impact a health care entity and provide clarity for submitters.
- OHCA reworded this section by adding “subsection” in front of the regulatory citation in subsection (b)(3) for clarity.
- OHCA amended subsection (b)(4) by clarifying the basis for OHCA requiring additional time past the initial 30 calendar days allotted to review additional information following a remand decision by the Director. In order to provide clarity to submitters, OHCA included a requirement that good cause be shown in order to extend the 30-day review period. This language mirrors language in existing section 97442(e) but is made specific to the remand review process.
- OHCA reworded the last sentence of subsection (b)(4) by replacing “may” with “shall either” and replacing “issue a waiver” with “waive a CMIR” in subsection (b)(4) for clarity. The Director will either uphold a determination that a CMIR is required or will waive a CMIR, based on the additional review.

Section 97442:

- OHCA clarified subsection (b) with statutory and regulatory cross-references, again specifying the location of OHCA’s portal description as well as highlighting the authority of OHCA to request information.
- OHCA amended this section by adding illustrative examples to subsection (b)(1) of the types of detail that may be noted in a confidentiality log during a CMIR. This log is similar to a privilege log used during litigation and is used for purposes of organization and efficiency. Entities submitting a confidentiality log may be requested to additionally note things like the type of document, location of the document, and confidentiality information concerning the document. The information noted in the log will depend on the transaction and type of information requested but will help both the submitters and OHCA more efficiently discuss and review CMIR materials.

ADDITIONAL FINDINGS

OHCA adds the following reasoning for the proposed text:

Section 97435, subsection (b):

- The subsection identifies who must file a notice of material change transaction. OHCA received one comment expressing concern that an entity that meets both the definition of a health care entity and a noticing entity would need to submit multiple notices. Entities that must provide notice to OHCA under the regulations are referred to as submitters. A submitter must then file notice of the transaction and include all required information relevant to the type of submitter they are. A submitter that meets the definition of health care entity and noticing entity would provide all information required of both types of entities in their notice.

Section 97437, subsection (b)(4):

- The subsection, included below, is necessary to address situations in which confidential information is obtained from other parties to a transaction and submitted with the notice. The subsection permits submitters to request confidentiality for information obtained from another party to the transaction. The ability to submit a declaration from a party who originated a document to justify that document's confidential nature (pursuant to subsection (b)(3)) when a submitter lacks personal knowledge of the confidential nature of the document is intended to solve a dilemma that submitters have experienced, as their submissions are made under penalty of perjury.

...

(4) A submitter may request confidentiality of information or documents it has obtained from another party to the transaction if it lacks personal knowledge to establish their confidential nature under subsection (b)(3). In this event, a submitter may submit a declaration from the party to meet the requirements of subsection (b)(3) to obtain confidentiality for such information or document.