Office of Health Care Affordability
Department of Health Care Access and Information

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HEALTH CARE AFFORDABILITY BOARD

MEETING MINUTES
Wednesday, April 22, 2026
10:00 am

Members Attending: Secretary Kim Johnson, Dr. Sandra Hernández, Richard Kronick, Ian Lewis, Elizabeth Mitchell, Dr. Richard Pan, Don Moulds

Presenters: Elizabeth Landsberg, Director, HCAI; Vishaal Pegany, Deputy Director, HCAI; Brian Kearns, Assistant Chief Counsel, HCAI; Nitin Dua PhD, Bates White; Anirudh Jayanti, PhD, Bates White; Michelle Lam, PhD, Bates White; CJ Howard, Assistant Deputy Director, HCAI; Heather Hoganson, Assistant Chief Counsel, HCAI; Andrew Feher, Research and Analysis Group Manager, HCAI

Meeting Materials: https://hcai.ca.gov/public-meetings/april-health- https://hcai.ca.gov/public-meetings/april-health-care-affordability-board/care-affordability-board/

Agenda Item #1: Welcome, Call to Order, and Roll Call
Elizabeth Landsberg, Director, HCAI

Secretary Johnson opened the April meeting of the California Health Care Affordability Board. Roll call was taken, and a quorum was established.

Agenda Item #2: Executive Updates
Elizabeth Landsberg, Director, HCAI
Vishaal Pegany, Deputy Director, HCAI

Director Landsberg provided an overview of the meeting agenda.

Director Landsberg then provided Executive Updates, including the following:

- On April 16, HCAI hosted its first Data Exchange Framework Advisory Committee meeting since its transfer from the California Health and Human Services Agency to HCAI in August 2025. The Data Exchange Framework is an important affordability measure that promotes the sharing of information and right care in the right place at the right time.

- For the Rural Health Transformation Program (RHTP), at the end of March, the Centers for Medicare and Medicaid Services (CMS) unrestricted the remaining $50 million from HCAI's $233.8 million award for fiscal year 2026.
    - On April 21, HCAI hosted an informational webinar regarding the RHTP and its request for applications process for the transformative care model and workforce development initiatives that will be released in late spring or early summer.

Deputy Director Pegany provided Executive Updates, including the following:

- The Total Health Care Expenditures (THCE) Data Submission (DSG 3.0) emergency regulations became effective on April 20, 2026. The regulations can be found on OHCA's website.
- A quarterly work plan update, highlighting topics that will be discussed at the May and June board meetings.
- A list of future topics beyond June 2026.
- A reminder about slide formatting.

Discussion and comments from the Board included:

- A member asked if there are plans to assess health plan administrative costs and if these costs are part of the target.
    - The Office replied that administrative costs are subject to the target, adding that at the March Board meeting the Office presented an early analysis of the 2023-2024 Center for Consumer Information and Insurance Oversight filings for medical loss ratio and derived administrative costs and profits on a per year and aggregate basis. This data will be included in OHCA's Interim Report on Health Care Spending Trends, 2023-2024.
- A member asked if OHCA is considering measuring administrative spending by health care providers, which is often misclassified as medical spending.
    - The Office replied that this measurement is not within the scope of OHCA's enabling statute and its definition of THCE. The Office is charged with looking at health plan administrative costs and profits but acknowledged that there are questions about administrative costs and profits of providers and those in capitated, delegated arrangements which are counted as medical spending.
- A member expressed concern that without the clarifying data that correctly categorizes administrative costs, health care entities could be incentivized to push administrative costs onto medical practices, creating a bigger baseline of the allowed percentage for profit and administrative costs at the plan level.
    - The Office acknowledged the importance of the issue but questioned whether OHCA could require hospitals and medical groups to report administrative costs and profits as well as the types of reporting that would be required to obtain this information. The Office acknowledged that this issue could be explored further.
- A member asked how costs related to multi-billion-dollar acquisitions by health care entities, which employers and patients end up bearing, are assessed in the methodology.

    - The Office replied that this type of spending is outside the scope of its current methodology for measuring health care spending, adding that the Cost and Market Impact Review (CMIR) program may address some of these issues because it assesses the financing and terms of these types of transactions.
- A member emphasized the importance of understanding the administrative costs and profits at the medical group level and suggested that this research could be undertaken by relevant foundations because it would require a different type of data collection than that which is collected by HCAI.
- A member suggested that some effort be made to investigate this issue because these acquisitions are contributors to the affordability crisis.
- A member encouraged investigation into the collection of this data to determine if the scale of increased costs warrants more action and stated that statutory authority could be changed if there is data that supports the need for these changes.

Public comment was held on agenda item 2. Two members of the public provided comments.

Agenda Item #3: Action Consent Item
Vote to Approve March 25, 2026 Meeting Minutes
Vishaal Pegany, Deputy Director, HCAI

Deputy Director Pegany introduced the action item to approve the March 2026 meeting minutes. Board member Pan proposed a motion to approve. Board member Lewis seconded the motion.

There were no comments or discussion from the Board.

Public comment was held on agenda item 3. No members of the public provided comments.

Voting members who were present voted on agenda item 3. There were four ayes, and two members abstained. The motion passed.

Agenda Item #4: Informational Items

a) Cost and Market Impact Review of Res-Care, Inc.
Brian Kearns, Assistant Chief Counsel, HCAI
Nitin Dua, PhD, Bates White
Anirudh Jayanti, PhD, Bates White
Michelle Lam, PhD, Bates White

Assistant Chief Counsel Kearns provided an overview of OHCA's first completed Cost and Market Impact Review (CMIR) of the Res-Care and Sevita transaction. Nitin Dua of Bates White provided key takeaways and a detailed summary of the merger analysis.

Discussion and comments from the Board included:

- A member expressed concern that Centerbridge and Sevita practices pose a genuine risk to health care quality and access and asked if there would be a follow-up report regarding the possibility for enhanced scrutiny to monitor or prevent these undesirable outcomes.
    - The Office replied that the statute only requires OHCA to submit a preliminary report and a final report with the option of referring its findings and the investigative file to the Attorney General for further investigation. The statute does not allow for follow-up reporting unless the Director orders another study on this transaction. The Office additionally noted that it was an unusual transaction for its first CMIR in that there were many sibling departments within state government that had an important oversight role related to these facilities. Continued coordination with the Department of Developmental Services, the California Department of Public Health, the Department of Health Care Services, and the California Department of Social Services will provide valuable perspectives and play an important role going forward.
- A member asked if public comments will be posted on the CMIR website.
    - The Office replied that it is not currently planning to post public comments on the CMIR website. These comments are included in public documents that can be obtained from the state through a Public Records Act request.
- A member encouraged the Office to consider publicly posting public comments along with the reports so that the impact of the comments can be compared to the final report.
    - The Office replied that it will consider including public comments in future reports. There is a concern about protecting private information that may be disclosed in the comments made by patients.
    - A member also noted that some of the data and information in the report is part of public record transparency, e.g., substantiated violations; there is another source on the data components.
- A member expressed appreciation for the public availability of the report on OHCA's website and expressed the hope that bringing attention to this merger will alert other agencies to the potential effects resulting from the merger.
- A member mentioned the in-depth nature of this presentation and asked how future reports will be presented.
    - The Office replied that future presentations may have less detail about the analytical framework, but quality concerns and market concentration issues will need to be included. Board feedback about which information should be included is welcome.
- A member asked if the agencies receiving this final report have the authority to intervene in the proposed merger, and if so, which agencies and what is the timeline for that intervention.
    - A member noted that the different types of facilities are overseen by different state agencies and are subject to each agency's oversight authority. The posting of the public report that coordinates across the departments provides a new transparency component that facilitates a collaborative review of potential impacts of a proposed merger.

    - The Office added that this was an interactive process with the various agencies. Future reports will also likely include this agency coordination and feedback.
- A member asked if any agency has the authority to stop the merger or if the Attorney General would have that authority.
    - The Office replied that the Attorney General would have the authority to stop the merger based on anti-competitive impacts of the transaction.
- A member asked if the Attorney General would have the authority to stop the merger based on quality concerns.
    - The Office replied that the statute contemplates referral to the Attorney General to investigate anti-competitive impacts.
- A member asked for clarification regarding how revenue from Intermediate Care Facilities (ICFs) would impact competition and prices for this set of facilities, given that nearly all the revenue for ICFs comes from Medi-Cal, which sets prices. Even if ICFs were highly concentrated, prices likely wouldn't increase.
    - Bates White replied that even though prices are regulated by Medi-Cal, there may be facilities that are located near each other that compete with each other on quality or featured services. In the case of this merger, the quality concern does not come from a reduction in competition but rather from the fact that Sevita is the acquirer in this case. Bates White added that this transaction was reviewed by the Federal Trade Commission, which asked the parties to divest ICFs in parts of the country where both Sevita and Res-Care compete on those services.
- A member expressed concern that competition for patients covered by Medi-Cal may reduce access for individuals with intellectual and developmental disabilities and their families.
- A member asked if the facilities reviewed come in different sizes in terms of market share (e.g., percentage of beds).
    - Bates White responded they were limited by available data for the denominator, i.e., parties other than those involved in the transaction. There was limited information on bed sizes and other information; however, many of these facilities tend to be homogenous in size, thus minimizing the concern about not having that metric.
    - A member added that some oversight is built into processes and accountability. If there are more substantiated complaints for a particular setting, those settings are intentionally likely to see more oversight from licensing entities.

Public comment was held on agenda item 4a. One member of the public provided comments.

b) Update on Cost and Market Impact Review Program
Heather Hoganson, Assistant Chief Counsel, HCAI

Assistant Chief Counsel Hoganson provided an update of the Cost and Market Impact Review (CMIR) Programs' transactions that have taken place since the November 2025 Board update.

Discussion and comments from the Board included:

- A member noted that some CMIRs have taken about a year or longer to complete and asked what factors are impacting the duration of these complex transactions and what measures could be implemented to facilitate their completion in a timelier manner.
  - The Office replied that there are time lags when it requests information from a party, at which time it tolls the 45-day clock until it receives the information. The regulations provide a 45-day clock if the Office is waiving a CMIR and a 60-day clock if the transaction proceeds to a CMIR. The status of each party's file is listed on the CMIR website.
- A member expressed appreciation for the clarity provided by the publication of the tolling status for CMIRs on OHCA's website.
  - The Office added that specific to the Sevita/Res-Care CMIR, in which there was ongoing FTC review, OHCA tolled the transaction pending the FTC review, as it likely will do if a state or federal agency review would impact how OHCA would view a transaction. This explains the length of time between the receipt of the case and the release of the final report.
- A member asked if there were plans to publish on the website the reasons for waiving a CMIR.
  - The Office replied that it has concerns about publishing confidential information, as well as creating confusion for the public. CMIRs are waived if triggering factors are not present. The Office can consider if more information about CMIR waivers might be published in the future.

Public comment was held on agenda item 4b. Two members of the public provided comments.

c) Spending Target Data Submission Enforcement – Introduction to Regulatory Text
Heather Hoganson, Assistant Chief Counsel, HCAI

Assistant Chief Counsel Hoganson provided an update on Spending Target Data Submission enforcement regulations.

There were no questions or comments from the Board.

Public comment was held on agenda item 4c. One member of the public provided comments.

d) Spending Target Enforcement – Introduction to Spending Target Penalties
Vishaal Pegany, Deputy Director, HCAI
CJ Howard, Assistant Deputy Director, HCAI

Assistant Deputy Director Howard presented an overview of proposed financial penalties related to exceeding the spending target.

Discussion and comments from the Board included:

- A member asked if the timeline in the scenario presented on slide 90 was hypothetical or if it was a proposed timeline.
    - The Office responded that the timeline was hypothetical for the purposes of discussion.
- A member asked if the PIP is for a calendar year.
    - The Office responded that in this instance it is thought of as a performance year.
    - The member asked if approval of a PIP that occurs in April or May would cover the full year.
    - The Office confirmed that it would cover the full year.
- A member asked if there was consideration into how PIPs could be structured so that there are benchmarks at specified time intervals that would allow OHCA to take action prior to the end of the PIP timeframe.
    - The Office replied that this could happen on a case-by-case basis with an entity. Initial PIPs can last for up to three years. Milestones built into the PIP would allow OHCA to determine that an entity is non-compliant if the milestones are not met by the specified goal date.
- A member suggested that creating a structured PIP with timed milestones would compel the entity to act and prevent them from running out the clock.
- A member emphasized the need to include milestones in the PIPs as a safeguard to prevent an entity from using the PIP process to restart the clock in perpetuity.
    - The Office replied that it will be important that the Office approves PIPs that have a meaningful impact. Additionally, the Office stated that the PIP process has reporting requirements at timed intervals that could be used to assess financial penalties on entities that fail to timely meet the PIP's milestones rather than waiting until the end of the PIP.
- A member supported this and suggested also requiring measurable improvements during the interval so that it is clear if and when a penalty would be assessed. The member also asked if there would be additional penalties for not meeting a timed milestone or if these are penalties for missing the target.
    - The Office replied that the penalties currently being discussed are for missing the target as well as not complying with the PIP.
    - The member commented that there is no financial incentive for an entity not to pursue an extended PIP and asked if there would be compounding penalties for an entity that failed to meet the PIP requirements more than once.
    - The Office replied that there is a portion of the statute that addresses penalties for repeated violations of a PIP. The Office will include further discussion on this topic at a future Board meeting.
- A member asked, regarding slide 83, if the penalty for non-compliance with the target could apply to the year prior to the implementation of the PIP.
    - The Office replied that there will be a separate discussion of this topic at a future Board meeting.
- A member provided an example of an entity's spending at double the target, whereby it gradually decreases its spending over the two years of its PIP, then it complies with the PIP and arrives at a higher baseline than its competing entities; the entity is then motivated to repeat this process. The member asked if the Board could set an individual entity target to bring it back into alignment with where it

should be. Additionally, process-wise, how does OCHA approve a PIP if it hasn't already determined an individual target—would it need to be at the same meeting in which the PIP is considered?
    - The Office replied that the PIP would not be a vehicle for adjusting targets; this would be done during the Board's target setting process. The Board, however, could look at entity historical spending growth and levels of spending as an input during deliberations on which entities to set a lower target.
- A member asked if a spending target could be included in a PIP as a milestone to be achieved. This is a way to address the issue in the example.
- A member asked if, for example, the target is 3.5 percent and an entity came in at 7 percent, can the PIP be designed so that the subsequent year is zero without necessarily setting a separate target. Requiring the PIP to get to zero would make up for the first 3.5 percent overage.
    - The Office replied that it would take a closer look at this idea of setting a target within the creation of a PIP. The Office will provide a response at a future meeting.
    - A member stated that having milestones that are measurable in real time suggests that PIPs should be shorter if we want entities to come into compliance sooner. Additionally, they asked if milestones are within a PIP, why couldn't we name an expectation about spend as part of the milestones.
    - The Office replied that it will look into this topic and report back to the Board.
- A member asked if it would be possible for an entity to exceed the target and complete a PIP in which it complied without hitting the spending target and then not be subject to any penalty. Under what circumstances could this happen?
    - The Office replied that this could happen. This is why PIPs need to be meaningful and geared toward addressing spending growth.
- A member stated that an entity complying with a PIP without meeting the spending target seems to undermine the purpose of having a PIP.
- A member asked if entities would seek a PIP if it is a pass for meeting the target and stated a PIP should include meeting the target.
- A member referenced the Mass General Brigham PIP and noted it could satisfy the conditions of the PIP and still not meet Massachusetts' target. OHCA should be careful about this.
    - The Office agreed that the PIPs are about an entity coming into compliance with the target and would review the question about including a lower target in the PIP.
- A member emphasized the importance of designing the structure of a PIP so that it provides clear expectations that will result in beneficial outcomes rather than dysfunctional or ineffective outcomes.
    - The Office replied that this discussion has been helpful in highlighting possible scenarios in addition to the question of penalties for non-compliance with a PIP.
- A member asked how adjustment factors, such as an entity's poor fiscal condition or market share would affect how the Board would assess penalties, e.g., a rural hospital.

- A member asked if the Board or the Office would be responsible for assessing the penalties for entities that do not meet the requirements of the PIP and do not meet the spending target.
    - The Office replied that it would assess the penalties, but the Board could provide input on penalties for individual entities.
- A member asked for clarification regarding the penalty structure for the market impact of the entity.
    - The Office explained that this could consider size in terms of market share, such as assessing larger penalties for larger entities that would have more of an impact on the market.
- A member noted consolidation in the market today and asked if the Office is thinking about the impact of market share or about the impact of consolidation on the market.
    - The Office replied that it welcomes feedback about how to operationalize market impact.
- The member suggested an entity that exceeds the target in a market is having an influence on that market.
- A member suggested an alternative reading of the legislation could be there is only one provider in a rural area and a penalty could put it out of business. They would define market impact as the impact on affordability in the market broadly.
- A member expressed that there seem to be two contradictory ideas: an entity with a larger market impact that exceeds the target will then drive overall spending in that market area while assessing a penalty on a smaller entity may have an outsized negative impact on access to patient care. The issue is how to assess penalties for individual entities while achieving the aims of the statewide target to slow down overall spending across the state.
- A member stated a plain reading of the statute, in the case of a monopolistic rural entity and the risk of putting it under requires looking at the fiscal condition of the entity. If its spending overages are driving up the cost of care in the entire market, that is reason enough to increase its initial penalties.
- A member commented that one challenge is that California does not have high-functioning markets. Unless we approach the impact on markets as a partial solution, we will not solve the problem we are trying to solve.
- A member asked if the adjustment factor regarding changes to state and federal law would apply to all entities.
    - The Office replied that it would likely not apply to all entities equally. There may be some entities that could partially explain exceeding the target due to a change in state or federal law while other entities may not be able to do so. The Office is asking the Board if the difference between what spending under the target would have been if they had not exceeded it and what their actual growth was, there may be portions of that spend that are explainable and could be factored out from the initially commensurate delta.
- A member stated that the probable intent of the law was to spare entities from penalties that resulted from increased spending caused by new state or federal mandates, adding that there is a question as to how to measure the amount of spending that results from new legislation.

- A member stated that if a legislative change is affecting all entities in the same way, this change would be taken into account as the Board sets targets. If a change affects one entity quite differently, that would be a justification for an individual adjustment for that entity.

Public comment was held on agenda item 4d. Seven members of the public provided comments.

e) Hospital Measurement Update: Fiscal Years 2022 & 2023 Inpatient and Outpatient Hospital Price Trends
Vishaal Pegany, Deputy Director, HCAI
Andrew Feher, Research and Analysis Group Manager, HCAI

Deputy Director Pegany and Andrew Feher presented an overview of Hospital Inpatient and Outpatient Price Trends for Fiscal Years 2022 and 2023.

Discussion and comments from the Board included:

- A member asked if it was correct to say that 20 percent of facilities are driving up a disproportionate share of commercial growth.
  - The Office replied that the growth was not driven by a small subset of facilities. The median point reflects many facilities that are well above a 200 percent growth rate and some facilities that are well below a 200 percent growth rate.
- A member asked if the data had been measured north vs. south or by region.
  - The Office replied that the data set posted online did not include any regional variables, although facility numbers were included, allowing for further regional analysis using publicly available data. The Office expects to explore potential variation across hospital levels and regional characteristics going forward.
- A member expressed concern about the level of difference and the reliability of the data regarding inpatient revenue per case mix adjusted discharge (CMAD) for Medi-Cal compared to Medicare and for revenue per outpatient adjusted visit for Medi-Cal compared to Medicare. The member also questioned the wide variation in a year-to-year change in Medicare inpatient revenue per CMAD and per outpatient revenue per adjusted visit.
  - The Office replied that, regarding hospital growth rates, some values on the distribution tails were not shown because there were a small number of facilities with growth rates of more than several hundred percent. More work can be done to understand the possible explanations for these fluctuations.
- A member asked about the volatility regarding the non-operating revenue expenses for 2022 and 2023. Non-operating revenue appears to be driving profits, not patient care.
  - The Office explained that the descriptive statistics on slide 101 were aligned with the two reporting years and that it could review prior complete data sets to better understand how those values would evolve in a longer time series.
- A member expressed concern that entities may be driven to increase profits by pursuing methods for generating revenue that are not related to improving patient care.

- A member expressed interest in seeing the context of multiple years of data, noting that CalPERS saw strange things happen in their rates in 2022 that was not a trend.

Agenda Item #5: General Public Comment

General public comment was held on agenda items 4e and 5. Five members of the public provided comments.

Agenda Item #6: Adjournment

Chair Johnson adjourned the meeting.