OHCA

Office of Health Care Affordability

Department of Health Care Access and Information

Health Care Affordability Board Meeting

April 22, 2026

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Welcome, Call to Order, and Roll Call

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Agenda

Item #1 **Welcome, Call to Order, and Roll Call**
Secretary Kim Johnson, Chair

Item #2 **Executive Updates**
Elizabeth Landsberg, Director; Vishaal Pegany, Deputy Director

Item #3 **Action Consent Item**
Vote to Approve March 25, 2026 Meeting Minutes
Vishaal Pegany

Item #4 **Informational Items**

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

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

c) Spending Target Data Submission Enforcement – Introduction to Regulatory Text
CJ Howard, Assistant Deputy Director; Heather Hoganson

d) Spending Target Enforcement – Introduction to Spending Target Penalties
Vishaal Pegany; CJ Howard

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

Item #5 **General Public Comment**

Item #6 **Adjournment**

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Executive Updates

Elizabeth Landsberg, Director
Vishaal Pegany, Deputy Director

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Quarterly Work Plan*

		Total Health Care Expenditures & Spending Targets	Cost and Market Impact Review (CMIR)	Promoting High Value
APRIL	Board	• Spending Target Enforcement -- Introduction to Spending Target Penalties • Hospital Measurement Update: Fiscal Years 2022 & 2023 Inpatient and Outpatient Hospital Spending Trends • Spending Target Data Submission Enforcement – Introduction of Regulatory Text	• Cost and Market Impact Review of Res-Care, Inc. • CMIR Update	
	AC	• Spending Target Enforcement – Continued Performance Improvement Plan Discussion • Introduction to Non-Supervisory Organized Labor Adjustment and Assessment		• Introduction to Equity Adjustment and Quality Adjustment for Spending Targets
MAY	Board	• Spending Target Enforcement -- Continued Spending Target Penalty Discussion • Spending Target Data Submission Enforcement – Status Update and Comments on Regulatory Text	• CMIR Regulations – Regulatory Changes Discussion	• Cost-Reducing Strategy: Providence • Introduction to Equity Adjustment and Quality Adjustment for Spending Targets
	AC	**No Meeting**		
JUNE	Board	• Spending Target Enforcement -- Continued Spending Target Penalty Discussion • Report on Health Care Spending Trends, 2023-2024 • Non-Supervisory Organized Labor Adjustment and Assessment Update • Advisory Committee Membership Vote	• CMIR Regulations – Introducing Regulatory Text	• Update on HCAI Health of Primary Care in California Snapshot
	AC	**No Meeting**		

* Work plan is subject to change.

Future Topics Beyond June 2026*

THCE & Spending Target

- Spending Target Enforcement – Penalties, Board Vote, Regulations
- Exploring Variation in Utilization Intensity
- Exploring Regional Variation in Commercial Prices for Shoppable Services

Promoting High Value

- Review Report on 2023-2024 Alternative Payment Model Adoption and Primary Care Spending
- Update on HCAI Health of Primary Care in California Snapshot
- Update on Behavioral Health Spending Analysis and Benchmark

Assessing Market Consolidation

- Update on Material Change Notices Received, Transactions Receiving Waiver or Warranting a CMIR, and Timing of Reviews for Notices and CMIRs
- CMIR Regulations – Status Update for Regulatory Text

* Subject to change.

Slide Formatting

Indicates informational items for the Board and decision items for OHCA

Indicates current or future action items for the Board

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Action Consent Item: Vote to Approve March 25, 2026 Meeting Minutes

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Public Comment

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Informational Items

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Cost and Market Impact Review of Res-Care, Inc.

Brian Kearns, Assistant Chief Counsel
Bates White – Nitin Dua, PhD; Anirudh Jayanti, PhD; Michelle Lam, PhD

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Background on Transaction

- On March 23, 2025, ResCare, a subsidiary of BrightSpring Health Services, filed a material change notice (MCN) to sell its subsidiaries and assets to National Mentor Holdings, the parent company of Sevita, for $835 million.

- The transaction would combine two large national providers of services for individuals with intellectual and developmental disabilities (IDD).

- Both companies operate hundreds of intermediate care facilities for individuals with IDD (ICFs/IDD) and home- and community-based services (HCBS), including Adult Residential Facilities (ARFs) and Adult Day Programs (ADPs) across the United States.

- Multiple private equity firms hold ownership interest in Sevita. As part of the transaction, private equity firm Centerbridge Partners would acquire assets and equity from BrightSpring through its subsidiary, National Mentor Holdings, Inc.

Background on Transaction

- In California, ResCare operates 75 ICFs, 11 ARFs, and 6 ADPs, while Sevita operates 20 ICFs, 53 ARFs, and 54 ADPs.

- After its review of the MCN, OHCA determined that a Cost and Market Impact Review (CMIR) was required because the proposed transaction may result in the following:

  - Reduction in the availability and accessibility of services;
  - Diminished quality of care;
  - Increased costs for payers; and
  - Contribute to ongoing consolidation in the health care market.

Background on Transaction

- OHCA commenced the CMIR in December 2025. Pursuant to OHCA's regulations, the CMIR examined factors relating to a health care entity's business and relative market position, including:
  - The effect of lessening competition or potentially creating a monopoly, which could result in raising costs, reducing quality or equity, or restricting access or innovation.
  - The effect on competition for workers and the impact on the labor market.
  - The effect on the quality of health care services provided to any of the communities affected by the transaction.
  - The effect on the availability or accessibility of health care services to any community affected by the transaction.
  - Consumer concerns including, but not limited to, complaints or other allegations against any health care entity that is a party to the transaction related to access, care, quality, equity, affordability, or coverage.

Background on Transaction

- OHCA issued its preliminary report on March 10, 2026, that outlined its conclusions regarding the transaction's impact on health care costs, quality, accessibility, and market consolidation.
- After issuing the preliminary report, OHCA accepted public comments from the public and the parties for 10 business days.
- OHCA received a comment supporting OHCA's preliminary findings. The letter also expressed concerns regarding Sevita's quality-of-care issues and financial practices.
- OHCA did not make any changes to the preliminary report in response to public comment. The final report was released on April 8, 2026.

Background on Transaction

- To assist with the CMIR and author the preliminary report, OHCA engaged health care economic experts at Bates White, an economic consulting firm. The team includes:
  - **Nitin Dua, PhD**, Partner and co-chair of the Antitrust and Competition Practice at Bates White
  - **Saurav Karki, CFA, MBA**, Partner in the Finance Practice at Bates White
  - **Anirudh Jayanti, PhD,** Manager with a specialty in life sciences and health care matters, particularly as related to antitrust issues
  - **Michelle Lam, PhD**, Senior Economist with extensive experience in health care antitrust for both private and government clients
- Bates White will present their key findings and conclusions regarding this transaction.

Key Takeaways

- Sevita/ResCare serve Californians with intellectual and developmental disabilities (IDD)
- Services at issue are provided at Intermediate Care Facilities (ICFs), Adult Residential Facilities (ARFs), and Adult Day Programs (ADPs)
- Sevita's acquisition of ResCare is **unlikely to**
  - Increase health care costs in California
  - Harm competition for labor
  - Further a trend of consolidation
- However, because of Sevita's quality track record and aggressive financial practices, the transaction is **likely to** increase the risk of reduced quality and access to IDD services

Presentation Outline

1. Landscape of IDD Services
2. The Transaction's Impact on Competition
3. The Transaction's Impact on Quality and Access

Landscape of IDD Services

Three Main Care Settings for Californians with IDD

- Intermediate Care Facilities (ICFs)
  - 24-hour residential and healthcare services
- Adult Residential Facilities (ARFs)
  - Community-based setting with housing and supervision, but not skilled nursing care
- Adult Day Programs (ADPs)
  - Non-residential programs providing daytime care and social activities

ICFs, ARFs, and ADPs Provide Different Kinds of Care

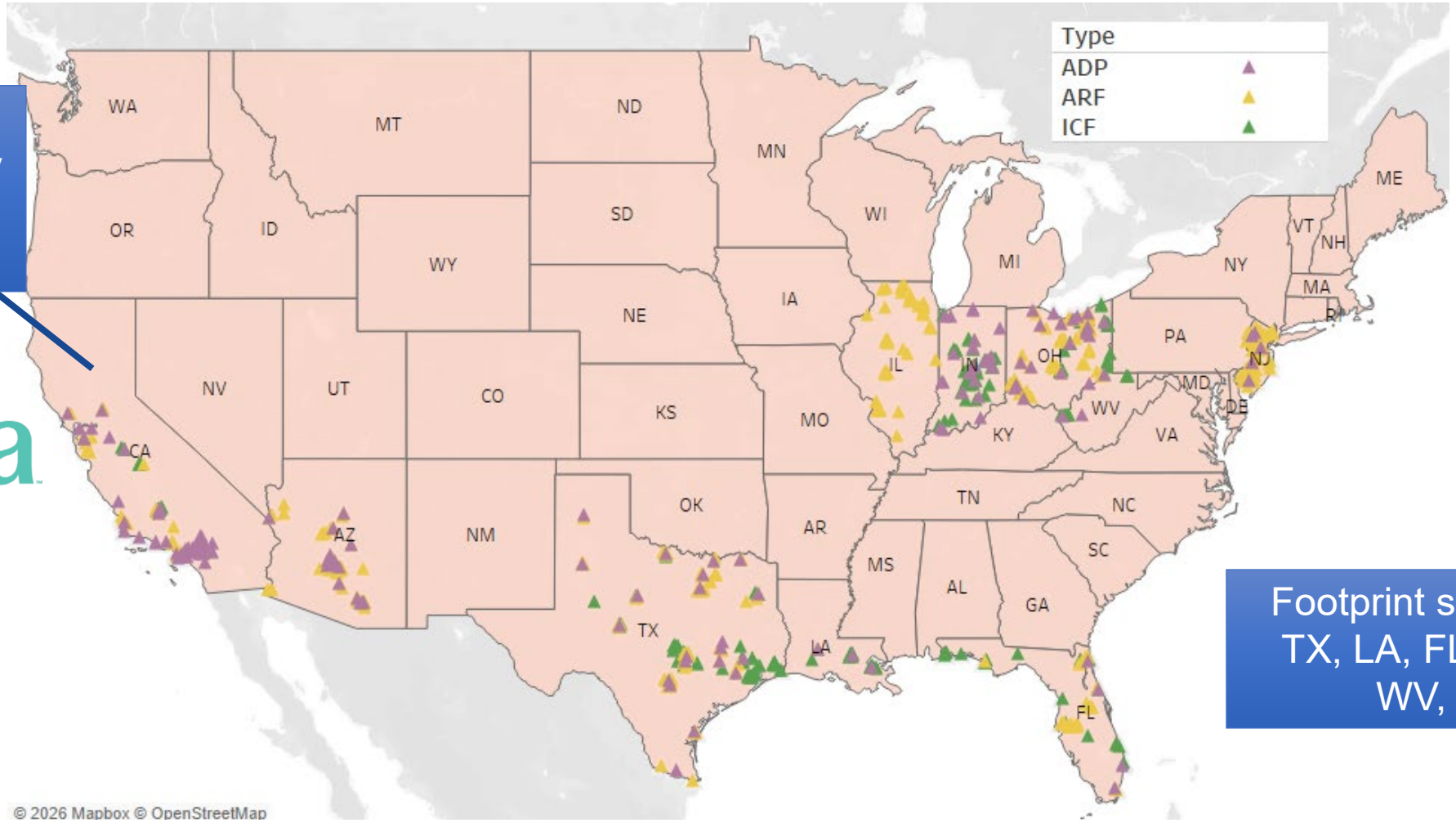
Key features	ICF	ARF	ADP
Residential	✓	✓	✗
Skilled nursing care	✓	✗	✗
Institutional setting	✓	✗	✗

Enabling Provision of ICF, ARF, and ADP Services

- Funding
  - ICF services are covered by Medi-Cal managed care
  - ARF and ADP services are covered by Medi-Cal under HCBS waiver programs
- Regulatory Authority
  - Department of Developmental Services
  - California Department of Public Health
  - Department of Health Care Services
  - California Department of Social Services
- Coordination of Services
  - Carried out by Regional Centers, non-profit entities that determine eligibility, contract with service providers, and coordinate with individuals with IDD

Sevita's National Footprint

In California, Sevita primarily operates ARFs and ADPs



Footprint spans CA, AZ, TX, LA, FL, IL, IN, OH, WV, and NJ

Sevita facility location data.

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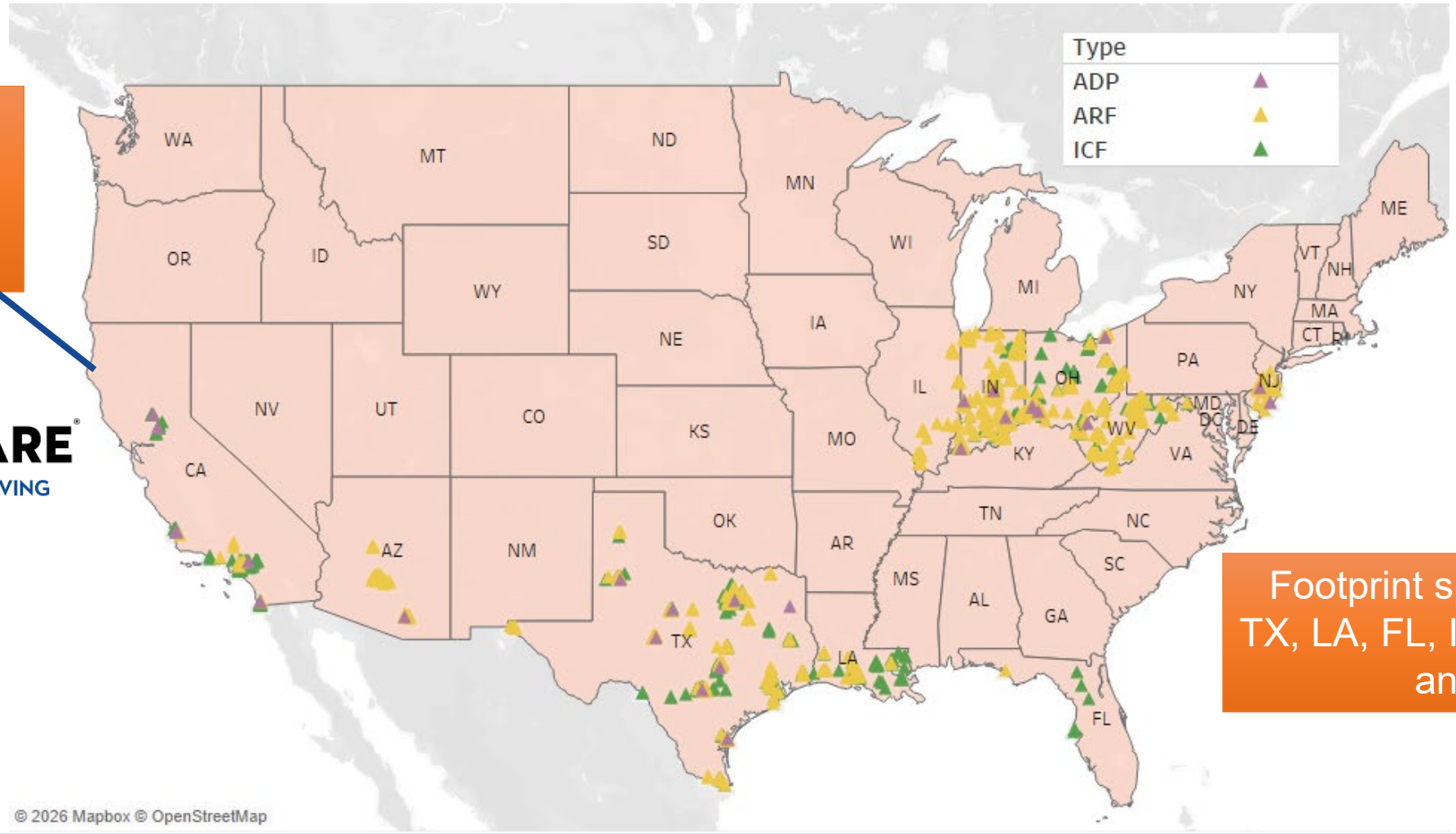
ResCare's National Footprint

In California, ResCare primarily operates ICFs



Footprint spans CA, AZ, TX, LA, FL, IL, IN, OH, WV, and NJ

BrightSpring facility location data.

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Competitive Impact

Analytical Framework

Analytical Framework

- Mergers alter market structure — such as, number of sellers and entry/exit conditions
- A merger of competing providers can lead to higher prices and/or reduced quality
- Greater the pre-merger competition, greater the impact from loss of that competition — “Competitive effects”
- Change in market shares and concentration help assess the extent of change in market structure (and the likely competitive effects)
- Requires defining “relevant geographic” and “relevant product” markets. Scope of the relevant market limited by
  - Patient aversion to travel distances/time
  - Similarity of product attributes

Analytical Framework

- Relevant product market
  - ICFs
  - ARFs
  - ADPs
- Relevant geographic market
  - Regional Centers for ICFs and ARFs
  - Counties for ADPs
- Assess the risk using DOJ and FTC's Merger Guidelines
  - Competitive concerns if share and concentration metrics exceed presumption thresholds

2023 DOJ and FTC Merger Guidelines

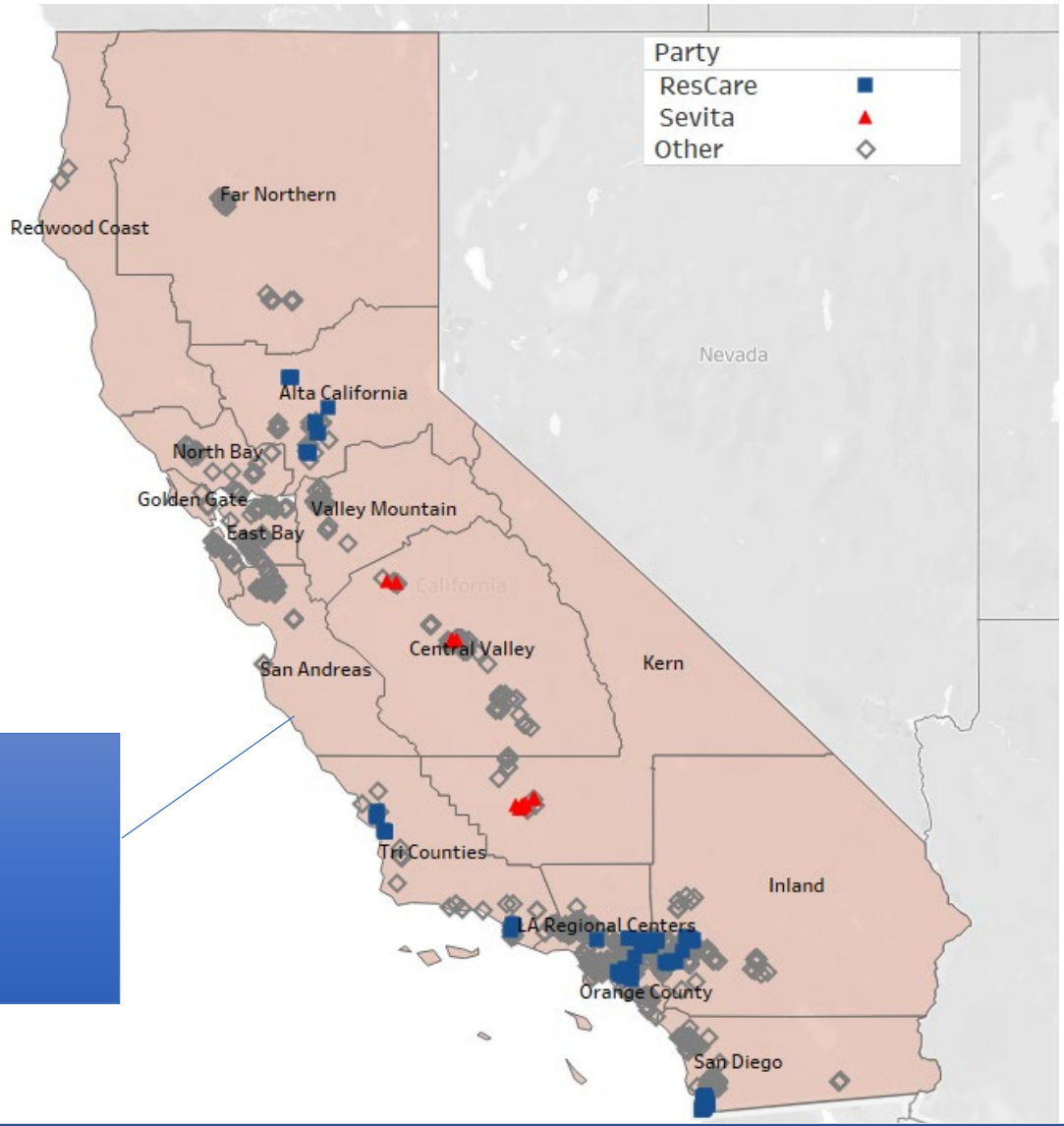
Indicator	Threshold for Structural Presumption
Post-merger HHI	Market HHI greater than 1,800 AND Change in HHI greater than 100
Merged Firm's Market Share	Share greater than 30% AND Change in HHI greater than 100

Competitive Impact

Impact on Health Care Costs and Quality Due to Change in Competition

ICFs: No Overlap Between Sevita and ResCare

- Combined share in California is less than 10%, well below Merger Guidelines' thresholds
- Relevant market is likely narrower than the entire state
  - No overlap in narrower markets (e.g., County, Regional Centers)



California
Sevita: 20 ICFs
ResCare: 75 ICFs
Others: 994 ICFs

CalHHS - Licensed and Certified Healthcare Facility Listing; BrightSpring and Sevita facility location data.

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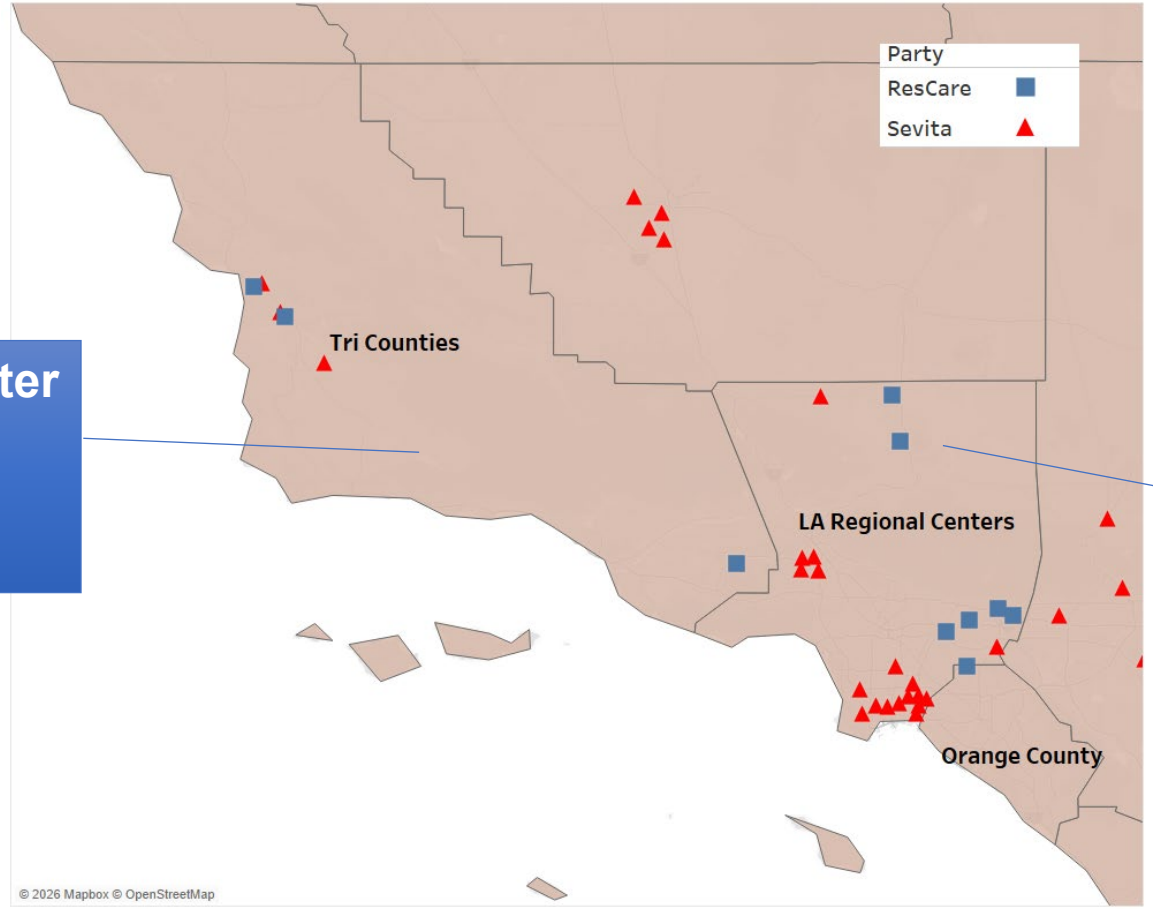
ARFs: Limited Overlap Between Sevita and ResCare

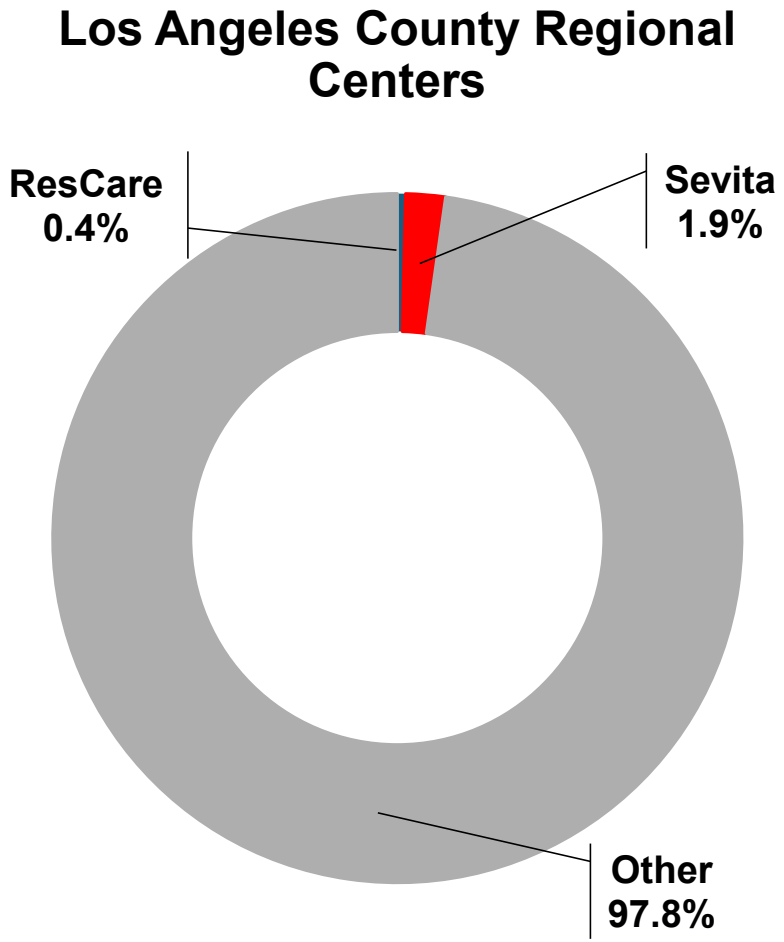
Tri Counties Regional Center
Sevita: 4 ARFs
ResCare: 3 ARFs
Others: 145 ARFs

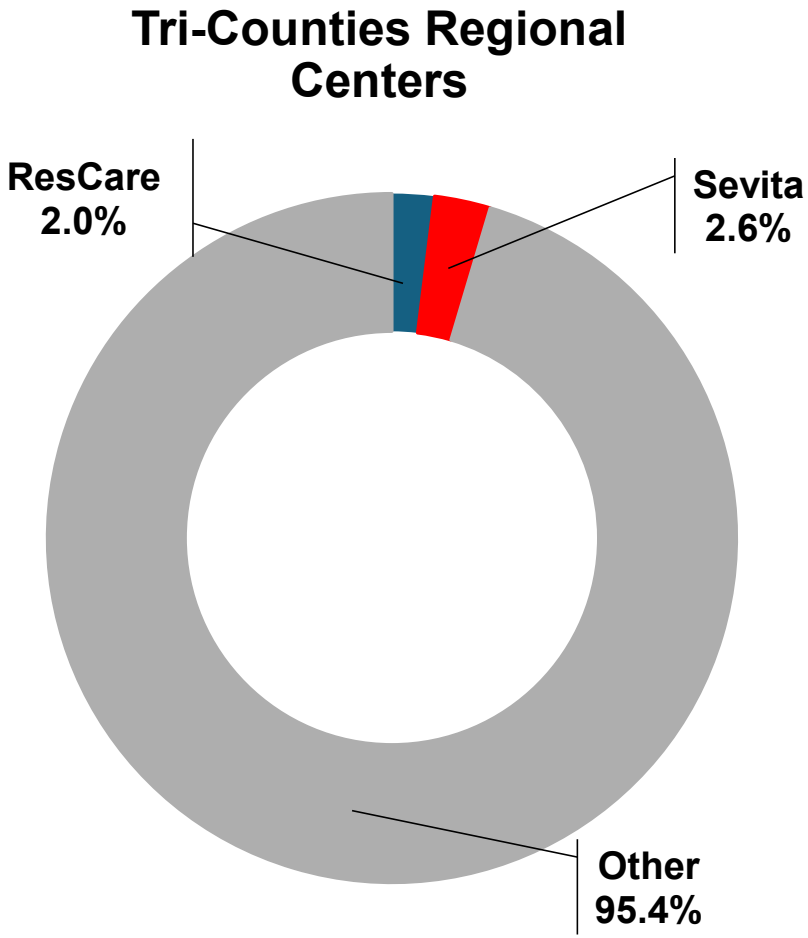


LA Regional Centers
Sevita: 29 ARFs
ResCare: 6 ARFs
Others: 1,526 ARFs

https://www.nlacrc.org/service-providers/service-provider-list/; https://www.sgprc.org/service-providers/.

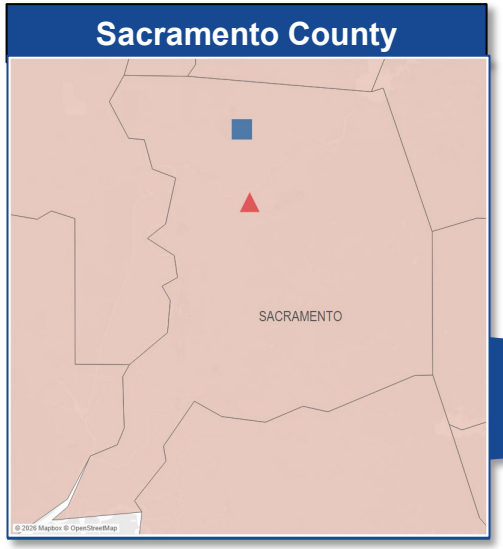
ARFs: Sevita and ResCare Have a Low Combined Share



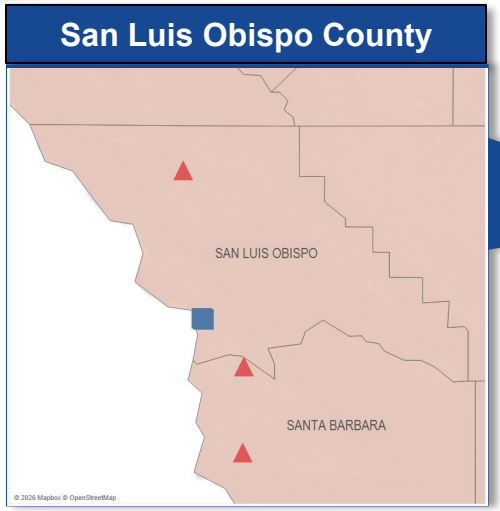


BrightSpring and Sevita facility location data; https://www.nlacrc.org/service-providers/service-provider-list/; https://www.sgprc.org/service-providers/.

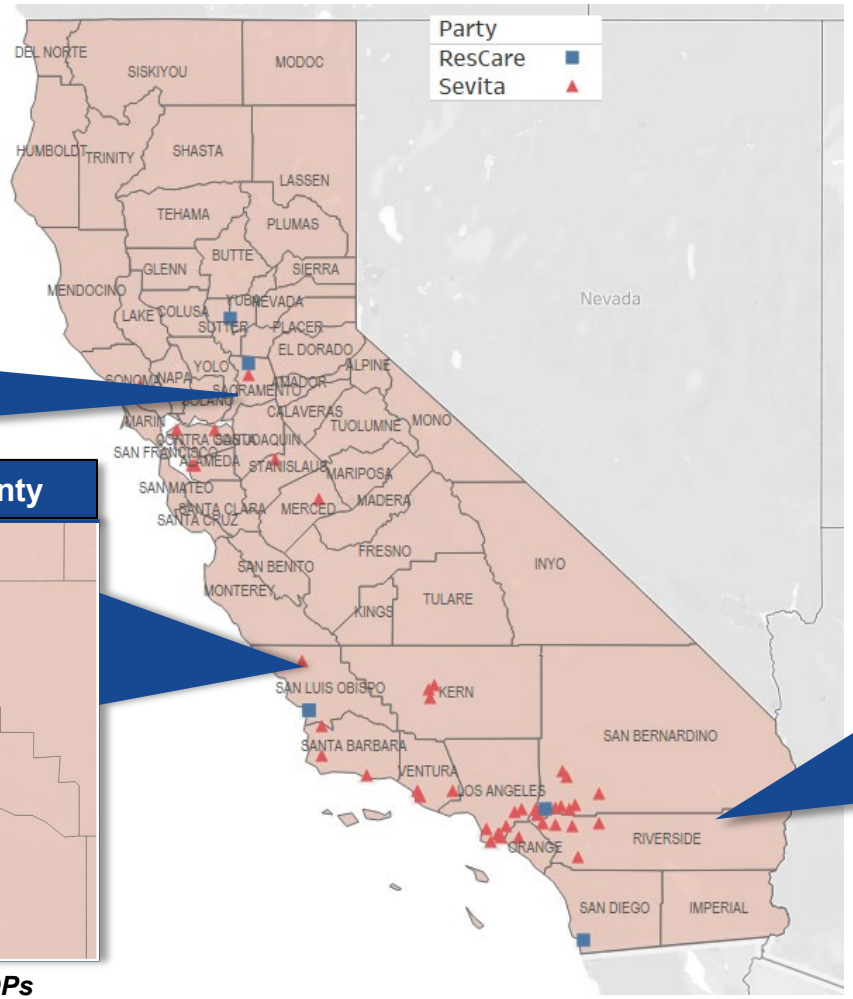
ADPs: Some Overlap Between Sevita and ResCare

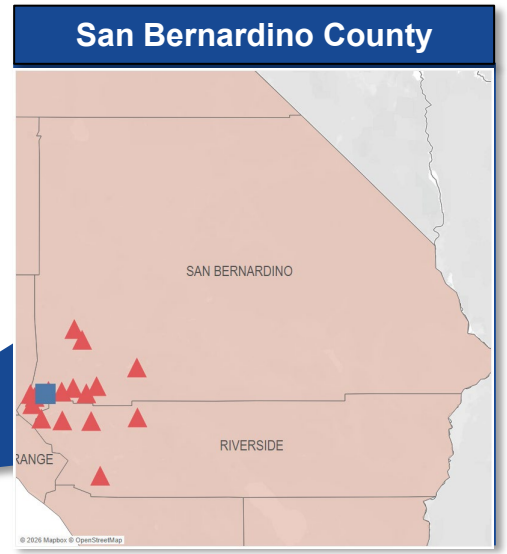


Includes 83 non-party ADPs



Includes 10 non-party ADPs





Includes 58 non-party ADPs

BrightSpring and Sevita facility location data.

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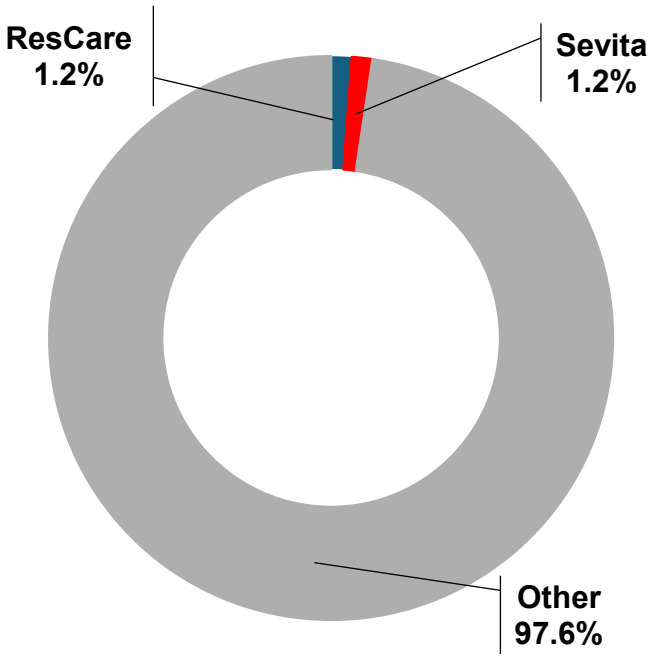
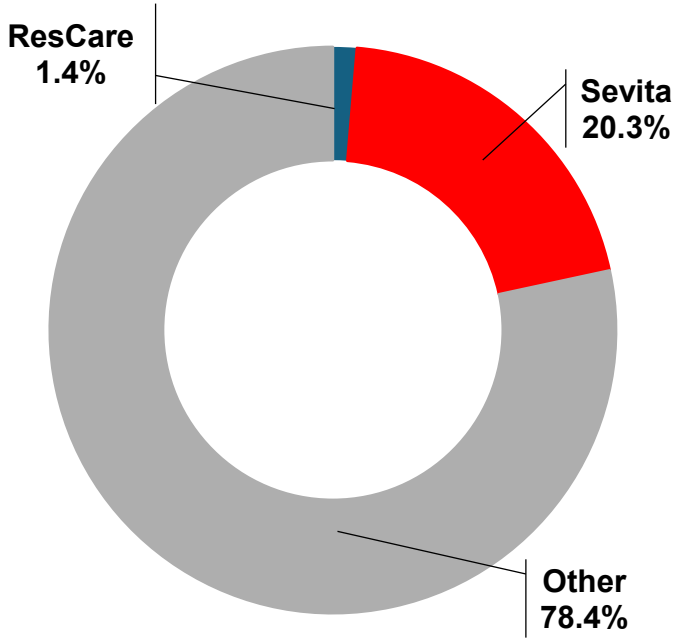
ADPs: Sevita and ResCare Have a Moderate Combined Share

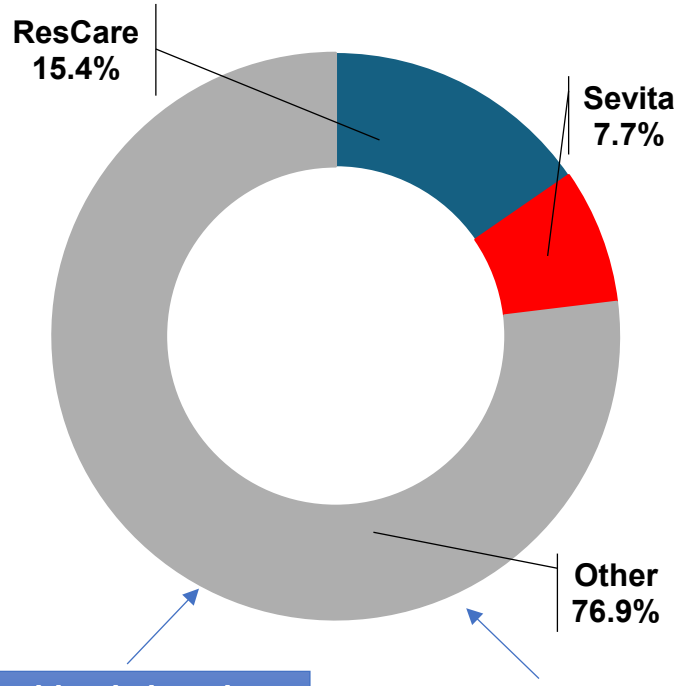
Sacramento County



San Bernardino County



San Luis Obispo County



Combined share low, change in concentration higher than MG threshold

Parties' facilities are ~50 minutes apart

BrightSpring and Sevita facility location data.

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The Transaction Is Not Likely to Reduce Competition for IDD Services

- Limited market structure changes due to the transaction
  - **ICFs**: No overlap
  - **ARFs**: Minimal overlap, does not meet Merger Guidelines' thresholds
  - **ADPs**: Some overlap, San Luis Obispo meets Merger Guidelines' thresholds, but concerns mitigated due to other factors
- Absent significant market structure changes, **increases in health care costs are unlikely**

Competitive Impact

Impact on Competition for Labor

The Transaction is Not Likely to Reduce Competition for Labor

"Wage growth slows only following mergers that lead to substantial increases in employer concentration, and only for workers whose skills are less transferable outside of the industry." (Prager and Schmitt, 2021)

- Academic research has found that mergers that do not significantly increase concentration tend not to reduce wages

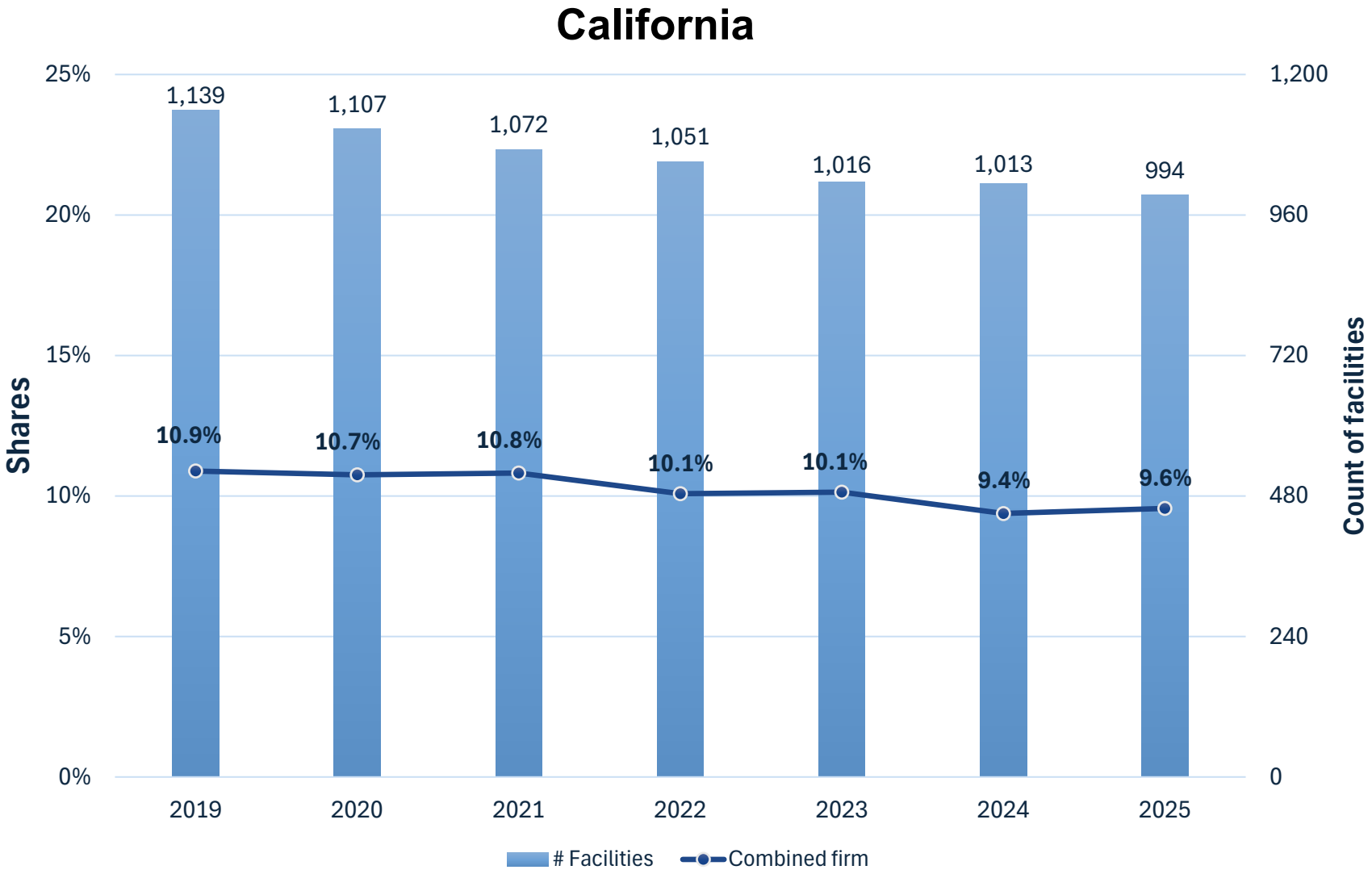
- This transaction is unlikely to significantly increase employer concentration, so is **unlikely to substantially reduce competition for workers** or lead to a reduction in their wages

Elena Prager and Matt Schmitt, "Employer Consolidation and Wages: Evidence from Hospitals," American Economic Review 111, no. 2 (2021): 397-427 at 399.

Competitive Impact

Impact on Furthering a Trend of Consolidation

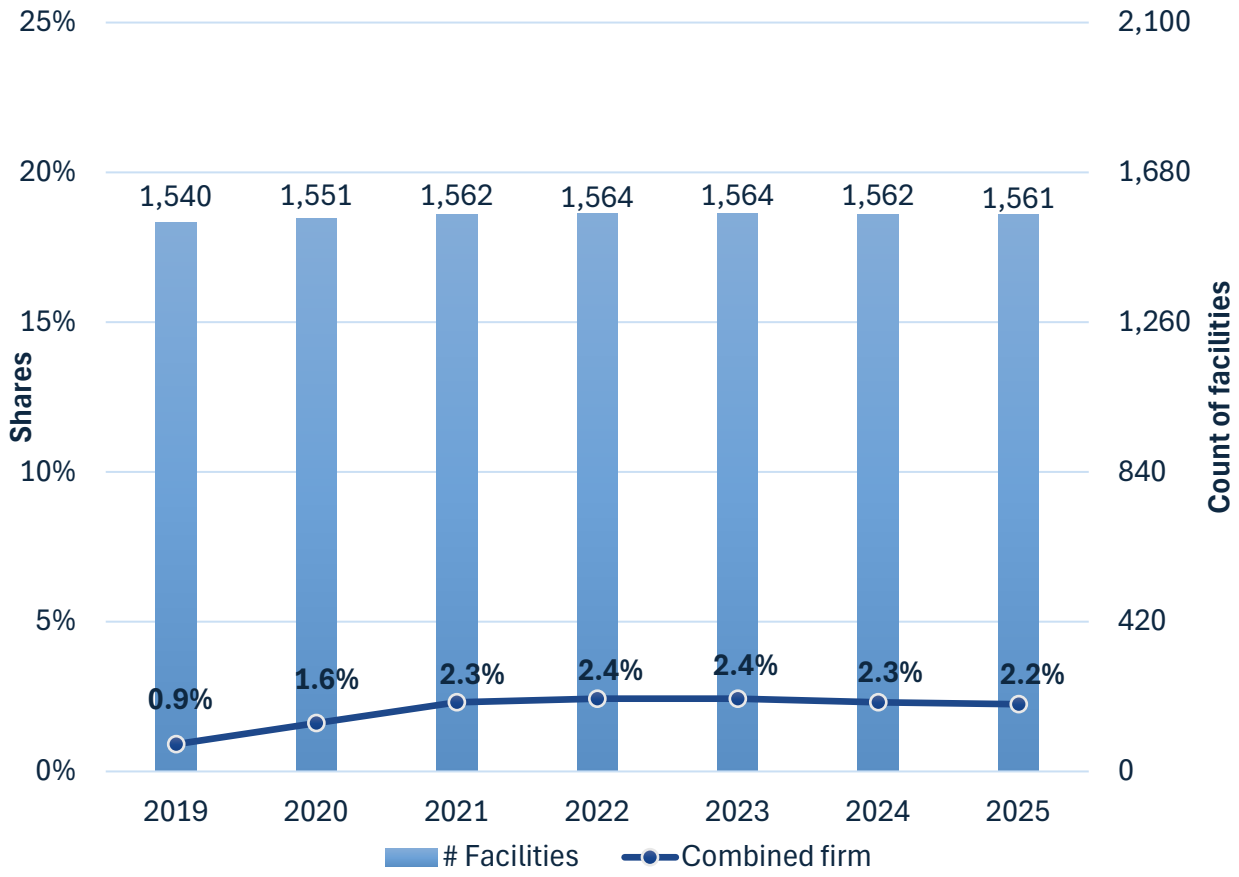
ICFs: No Trend Toward Consolidation



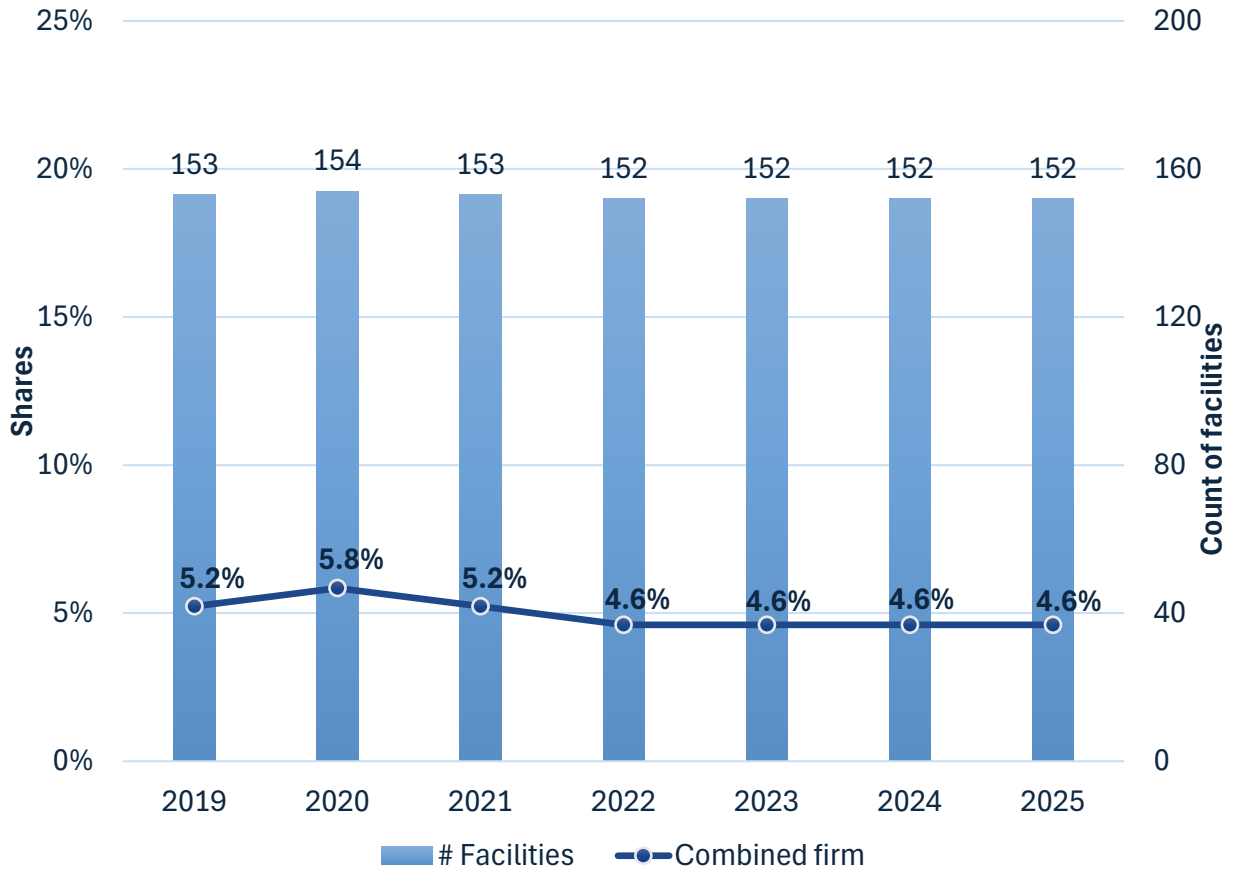
CalHHS – Across Time Summary Data-Licensed and Certified HealthCare Facilities; CAL HHS – Licensed and Certified Healthcare Facility Listing.

ARFs: No Trend Toward Consolidation

Los Angeles County Regional Centers



Tri-Counties Regional Center



BrightSpring and Sevita facility location data.

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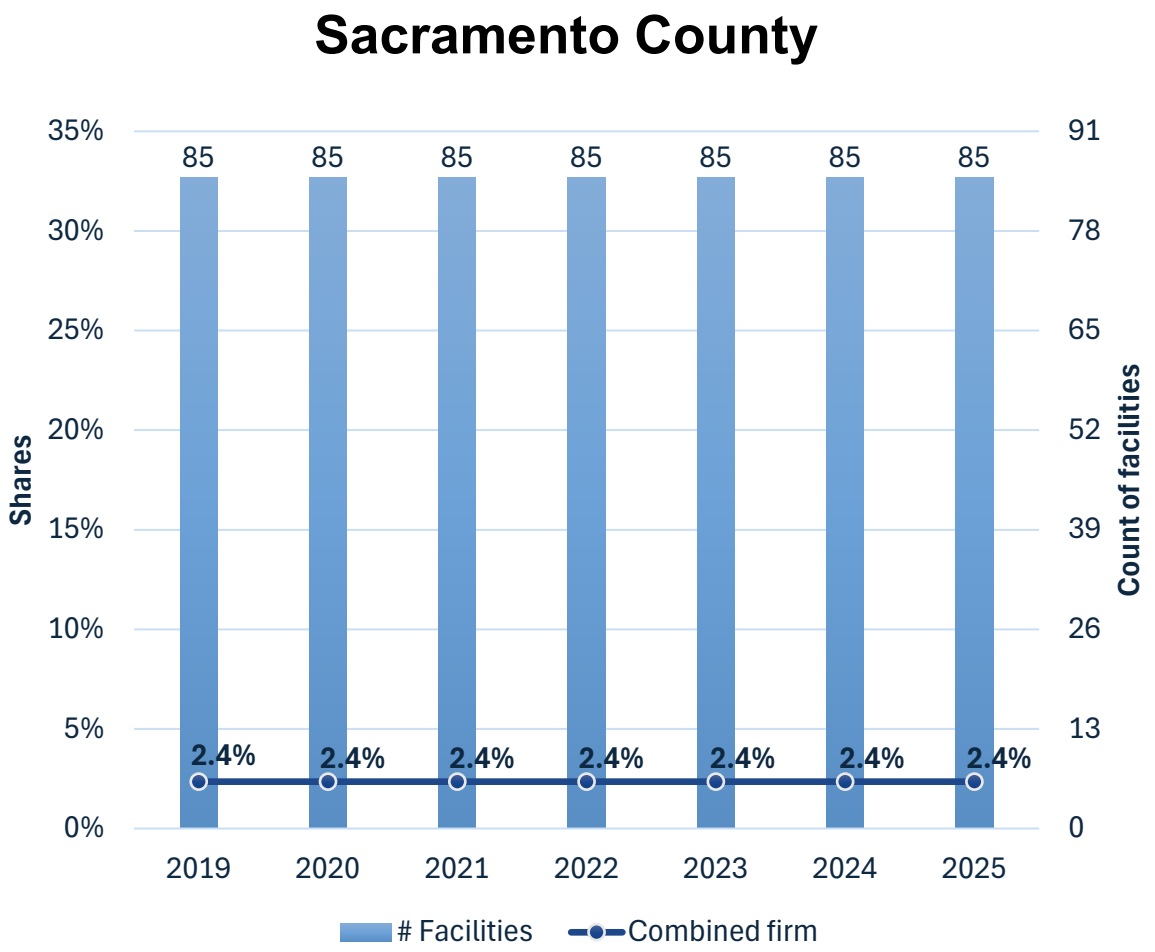
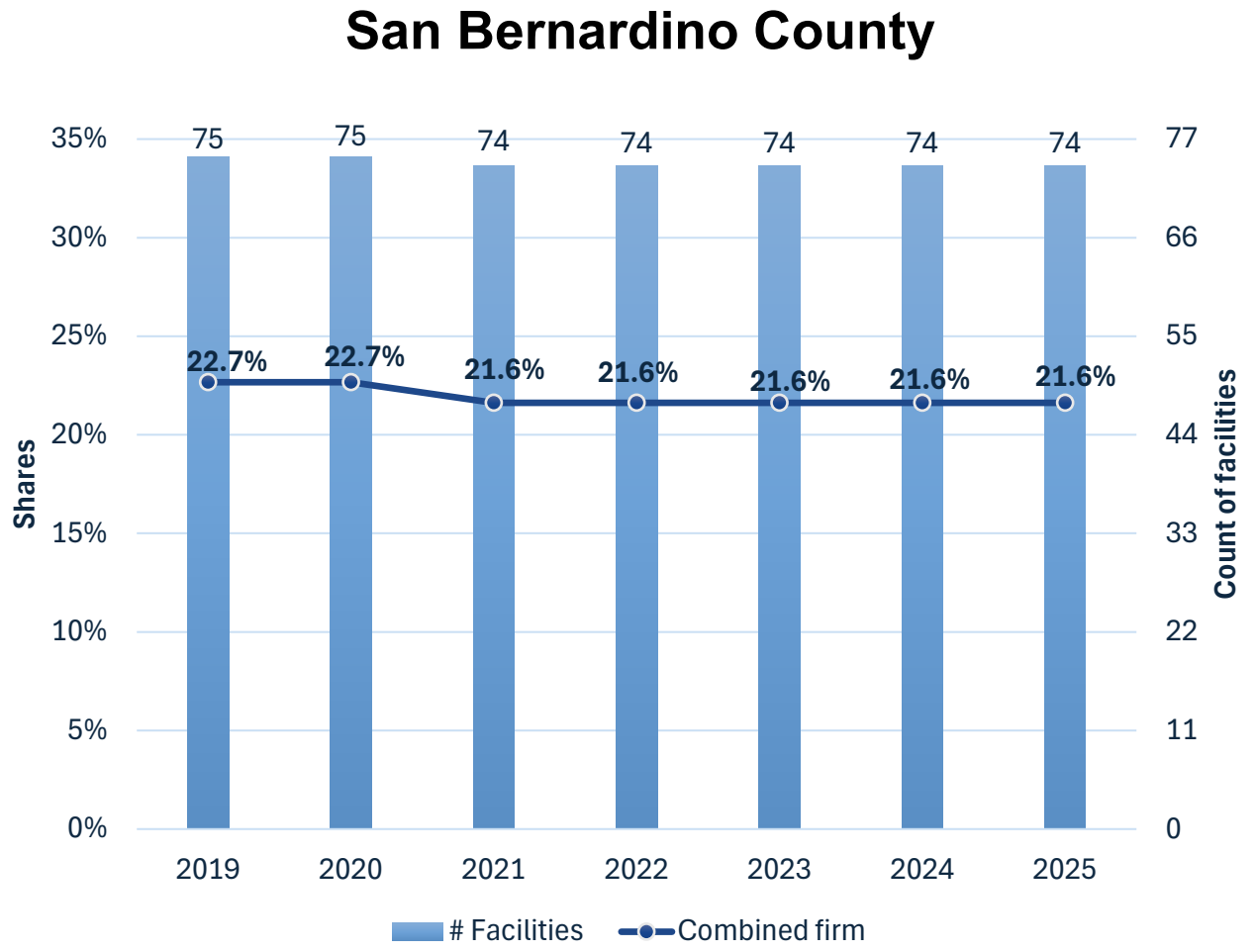
ADPs: No Trend Toward Consolidation





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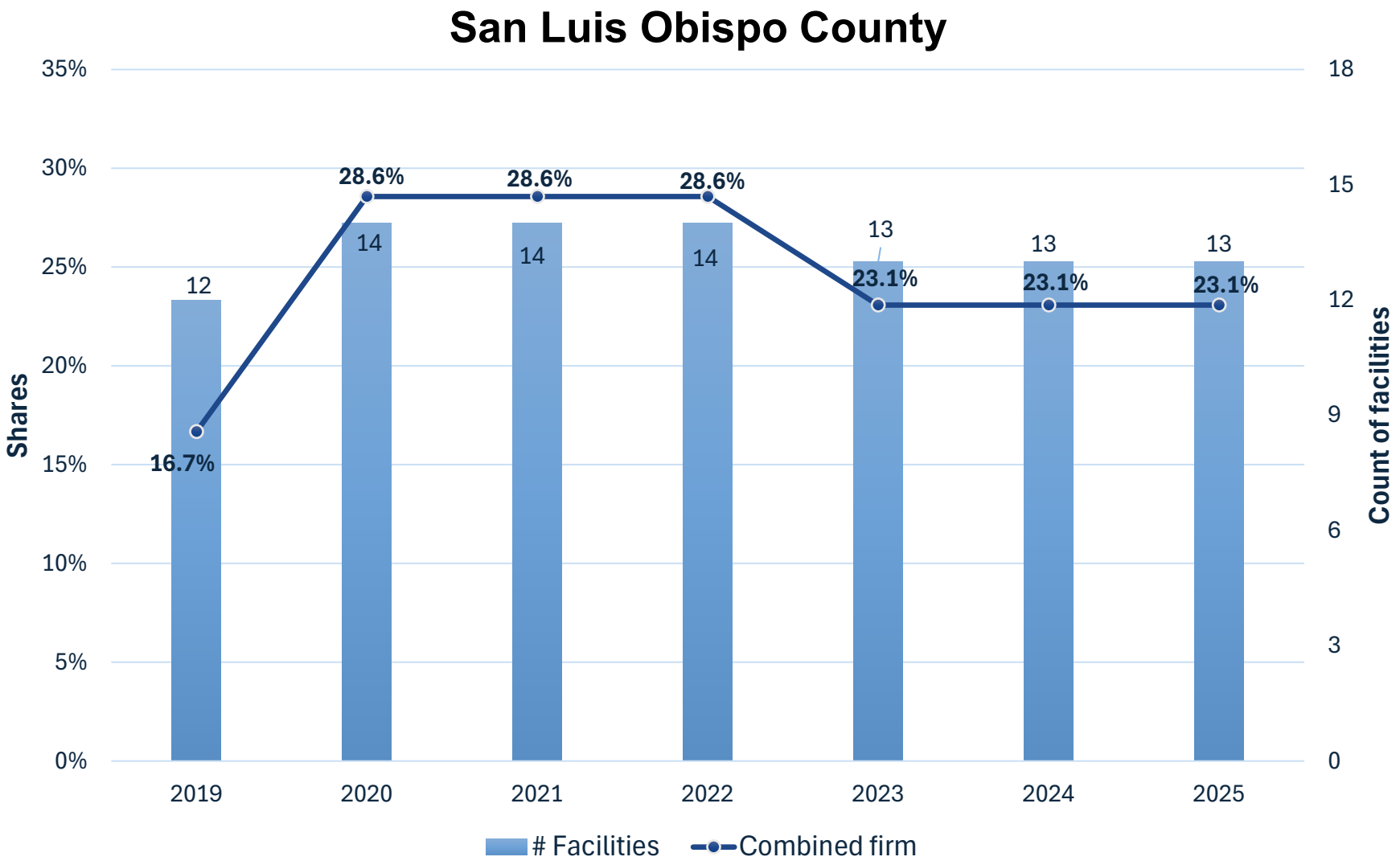
ADPs: No Trend Toward Consolidation



BrightSpring and Sevita facility location data; https://spd.tri-counties.org/.

Impact on Quality and Access

Risks to Quality and Access Due to Change in Ownership

Analytical Framework

- Mergers involve a change of ownership
  - In this transaction, Sevita will assume control of ResCare
- Change in ownership can result in, among other things, changes to managerial incentives, business practices, and quality standards
  - Potential to impact quality and access via sharing of best practices and change in business objectives
- Assessing Sevita's track record provides information on potential changes due to change in ownership

Analytical Framework: Sevita's Track Record

- Analyze Sevita's internal quality and financial data
  - Compare Sevita's performance against (1) internal and external benchmarks, and (2) peers
- Analyze publicly available data: public reporting, government administrative data, and credit rating reports
  - Evaluate consistency with Sevita's internal metrics
  - Compare Sevita's performance against peers
- Assess whether Sevita's quality and financial track record may pose risks to quality and access of IDD services

Impact on Quality and Access

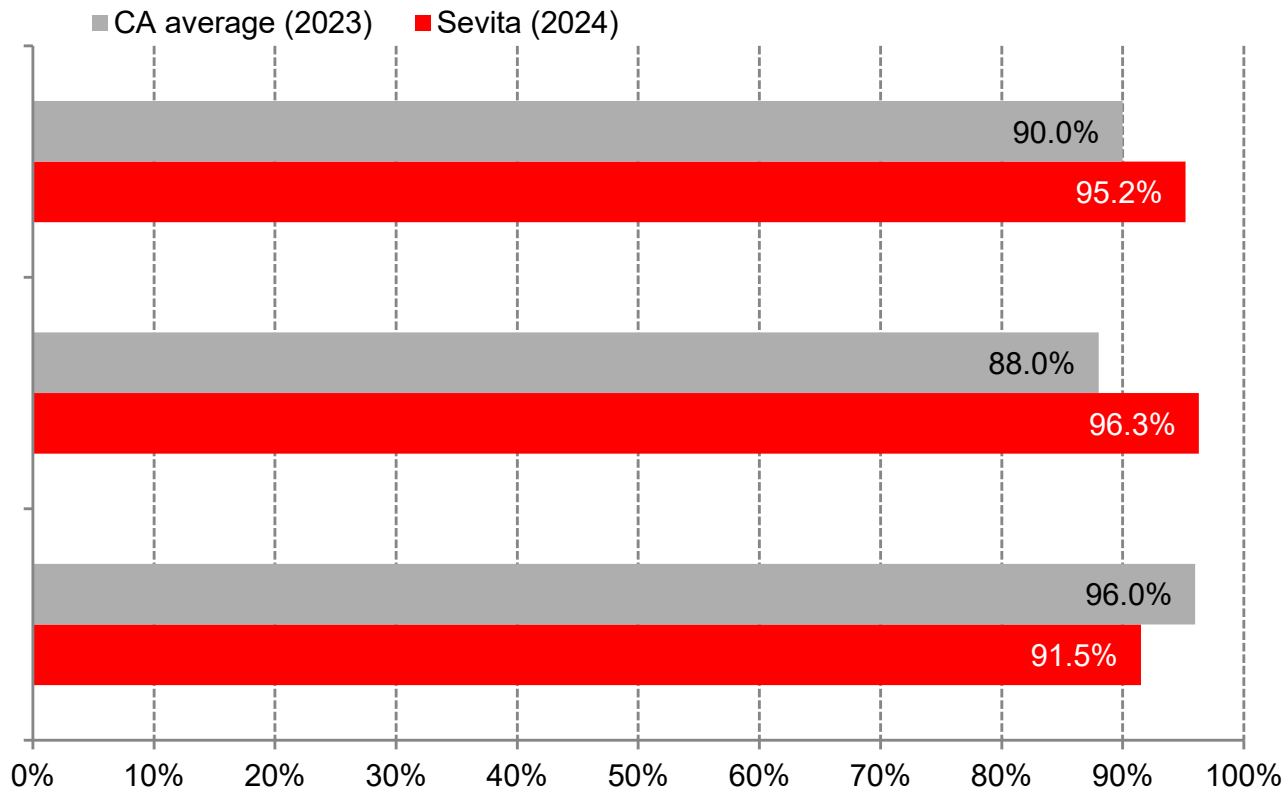
Sevita’s Internal Quality Metrics Show a Positive Picture

Sevita's Client Satisfaction Surveys Are Generally Favorable

Individuals in ICFs/ARFs: Do you like your home/where you live?

Individuals in ADPs: Do you like going to your day program?

Family/Guardian of individuals in ADPs: The person's day program/job staff are respectful to you and to him/her.



On self-conducted surveys, Sevita exceeds the CA average on individual satisfaction but is below the CA average for family/guardian satisfaction

Sevita's internal survey responses; https://www.dds.ca.gov/wp-content/uploads/2025/06/2022-23_IPS-CA-StatewideReport_v4.pdf.

Sevita Meets its Internal Benchmarks

Internal metric	Does Sevita meet its internal benchmark?	Has Sevita's performance remained stable or improved?
Program participation rate	✓	✓
Chronic condition management rate	✓	✗
Physical requirement rate	✓	✓
Medication errors per thousand patient days	✓	✓
Flu vaccination rate	✓	✓
Rate of compliance in inspections	No internal benchmark	✗
Rate of reports made on time	No internal benchmark	✗

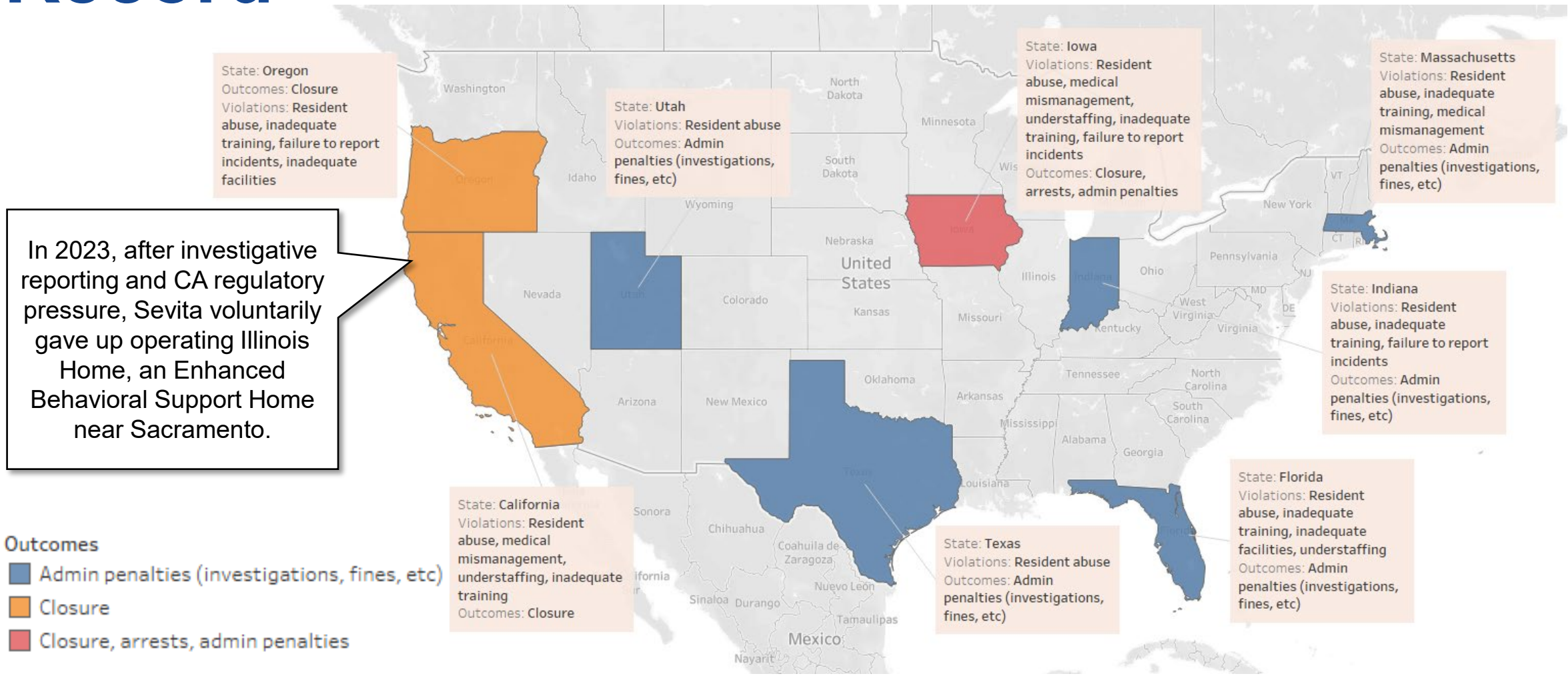
Sevita's internal quality metrics (nonpublic); Sevita's internal 2024 benchmarks (nonpublic).

Impact on Quality and Access

Public Track Record of Poor quality Is Inconsistent with Sevita's Internal Metrics

Sevita Has a Decade Long Poor-Quality Record

In 2023, after investigative reporting and CA regulatory pressure, Sevita voluntarily gave up operating Illinois Home, an Enhanced Behavioral Support Home near Sacramento.



Various news outlets reporting incidents that occurred since 2014. See Appendix A in CMIR.

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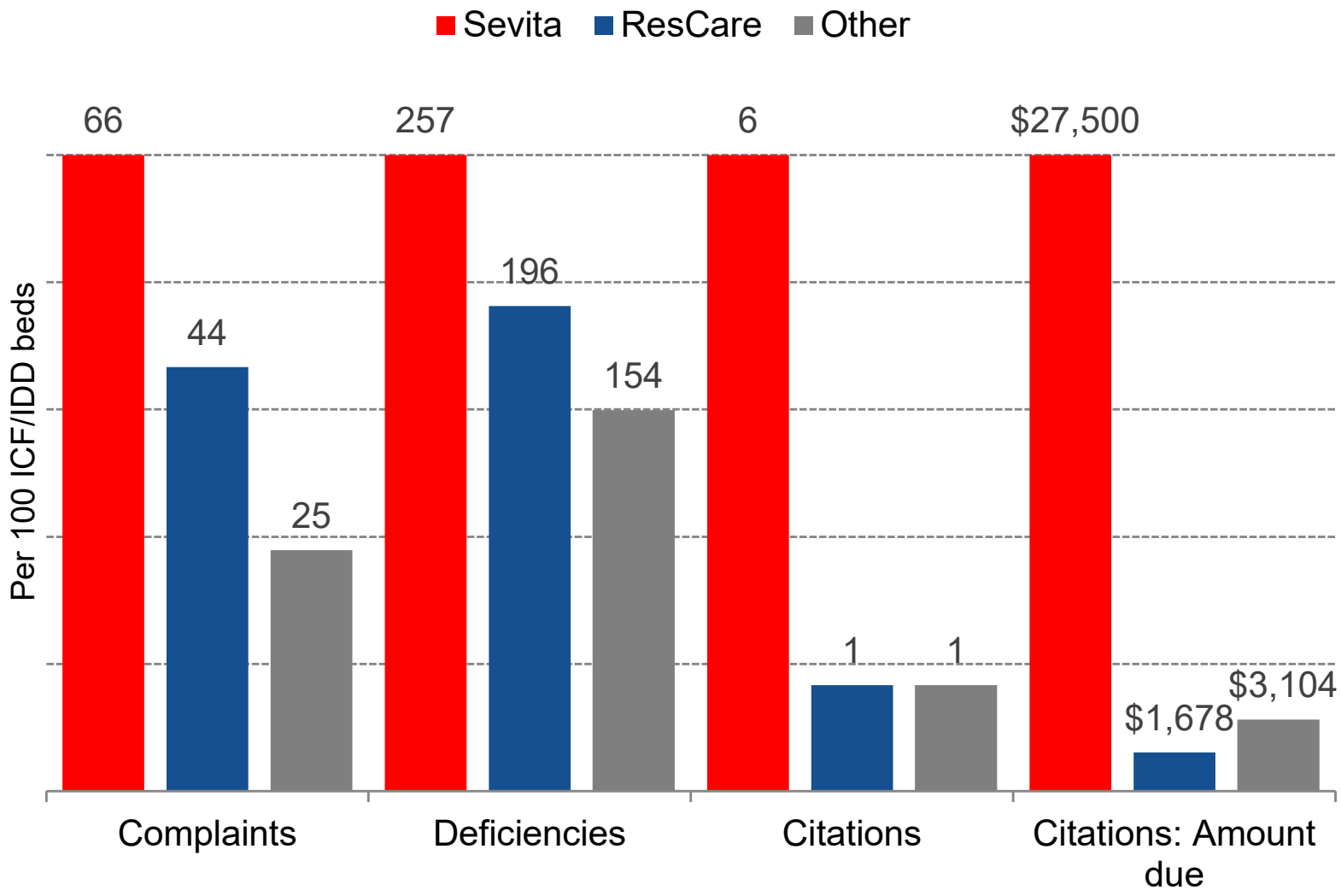
Sevita's Quality Is Lower Than Peers

- CDPH reports data on:
  - *Substantiated complaints*
  - *Deficiencies*: documented violations of regulations
  - *Citations*: enforcement actions and penalties

In 2024, Sevita performed worse on all dimensions than ResCare and other similarly-sized facilities



California Department of Public Health, Cal Health Find Database; BrightSpring and Sevita facility location data.

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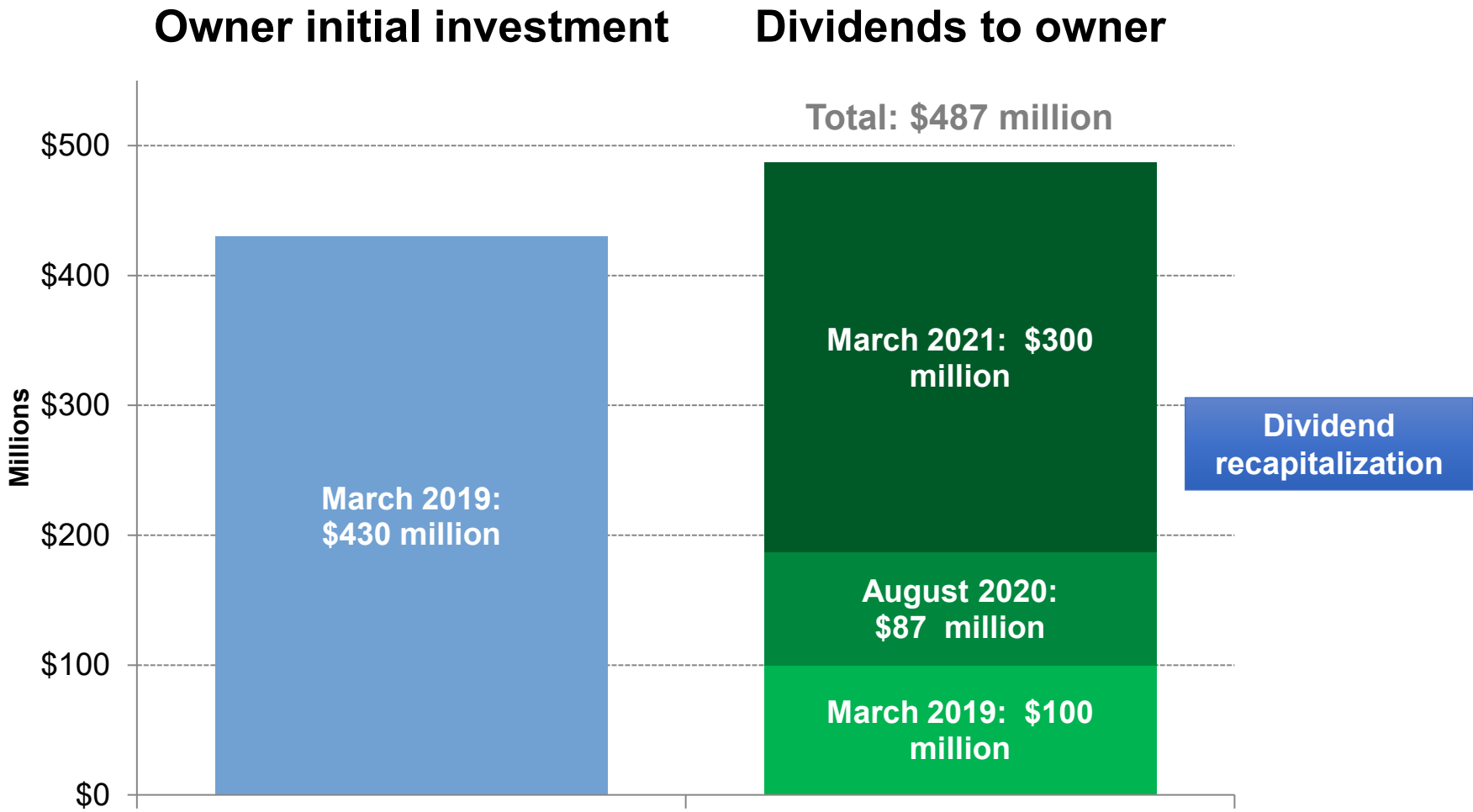
Impact on Quality and Access

Sevita’s Aggressive Financial Strategy Raises Quality and Access Risks

Over a Short period, Sevita's Owners Extracted Dividends Exceeding Investment

- Taking on debt to pay dividends increases leverage
  - Increases financial risk
  - Reduces cash for investment in operations (e.g., staffing, facilities)
  - Limits flexibility during weaker economic environments



https://ratings.moodys.com/ratings-news/306916, https://www.sec.gov/Archives/edgar/data/1608638/000119312519039441/d689911ddefm14a.htm, https://ratings.moodys.com/ratings-news/333597, Nonpublic financial disclosures provided to OHCA by Sevita.

Credit Agencies Highlight Sevita's High Leverage and Aggressive Financial Practices

S&P Global

to integration costs. We expect Sevita will remain highly leveraged over the next several years given its ownership by a financial sponsor.

MOODY'S RATINGS

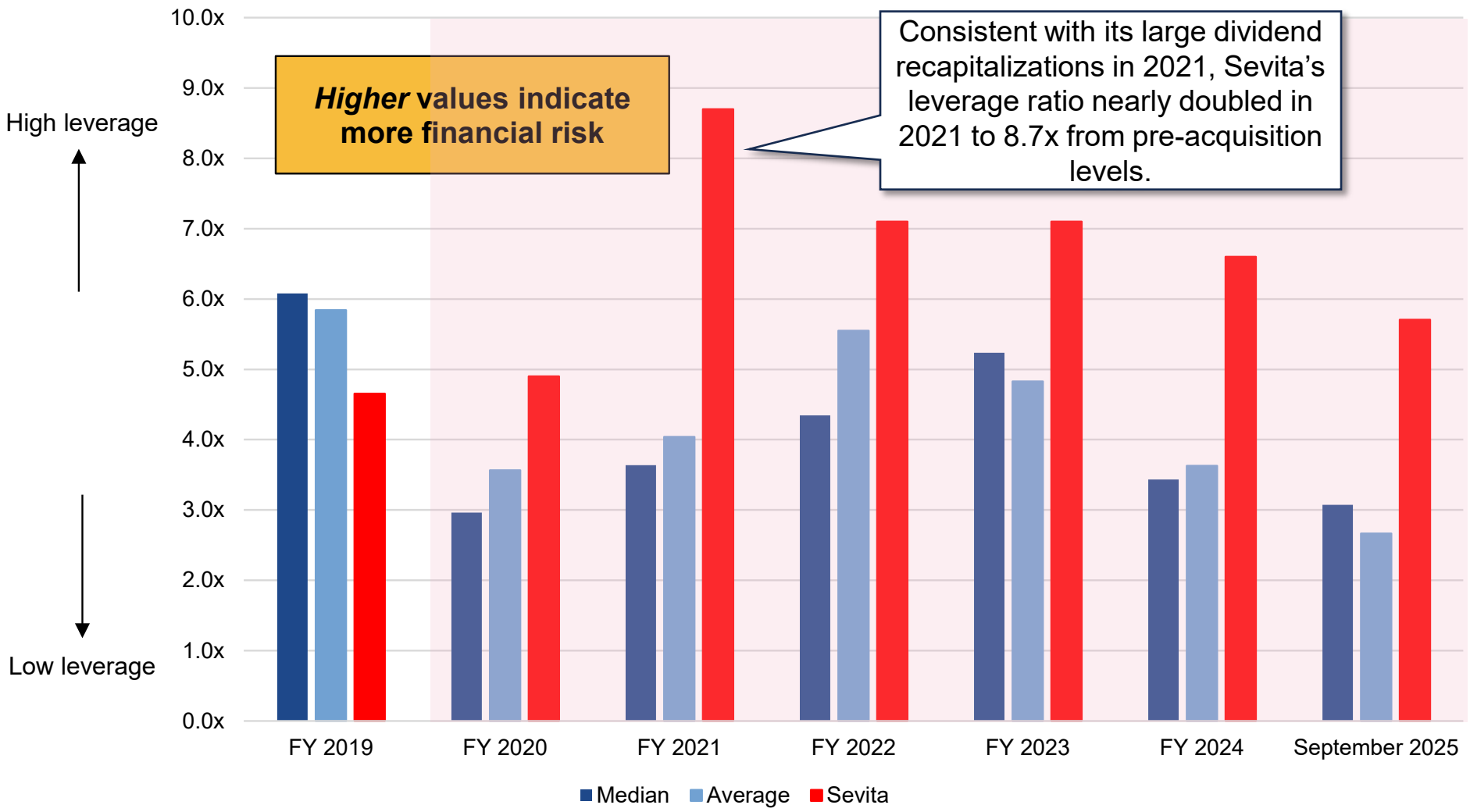
Moody's views debt-financed dividends as "particularly aggressive" when they are paid within about a year after a leveraged buyout, or they exceed 75 percent of a private equity firm's initial equity investment in the deal.

Sevita's dividend payments total approximately **113%** of the owners' initial investments.

https://www.institutionalinvestor.com/article/2bsxi2no82x949jl4sxds/portfolio/the-most-aggressive-buyout-firms-taking-debt-financed-dividends,
https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3320219

Sevita Carries More Financial Risk Than its Peers

Since acquisition by PE in 2020, Sevita's leverage ratio has remained elevated compared to peers



Nonpublic financial disclosures provided to OHCA by Sevita; S&P Capital IQ.

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Sevita's Poor Track Record Increases Risk of Reduced Quality and Access of IDD Services

- **Sevita performs worse than its peers** across a variety of quality and financial metrics
  - Raises the risk that these practices may carry over to the combined entity

- Despite Sevita's financial risk measures improving in recent years, its elevated debt load may reduce its ability to
  - Invest in quality,
  - Withstand worsening economic conditions, and
  - Avoid facility closures

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Update on Cost and Market Impact Review Program

Heather Hoganson, Assistant Chief Counsel

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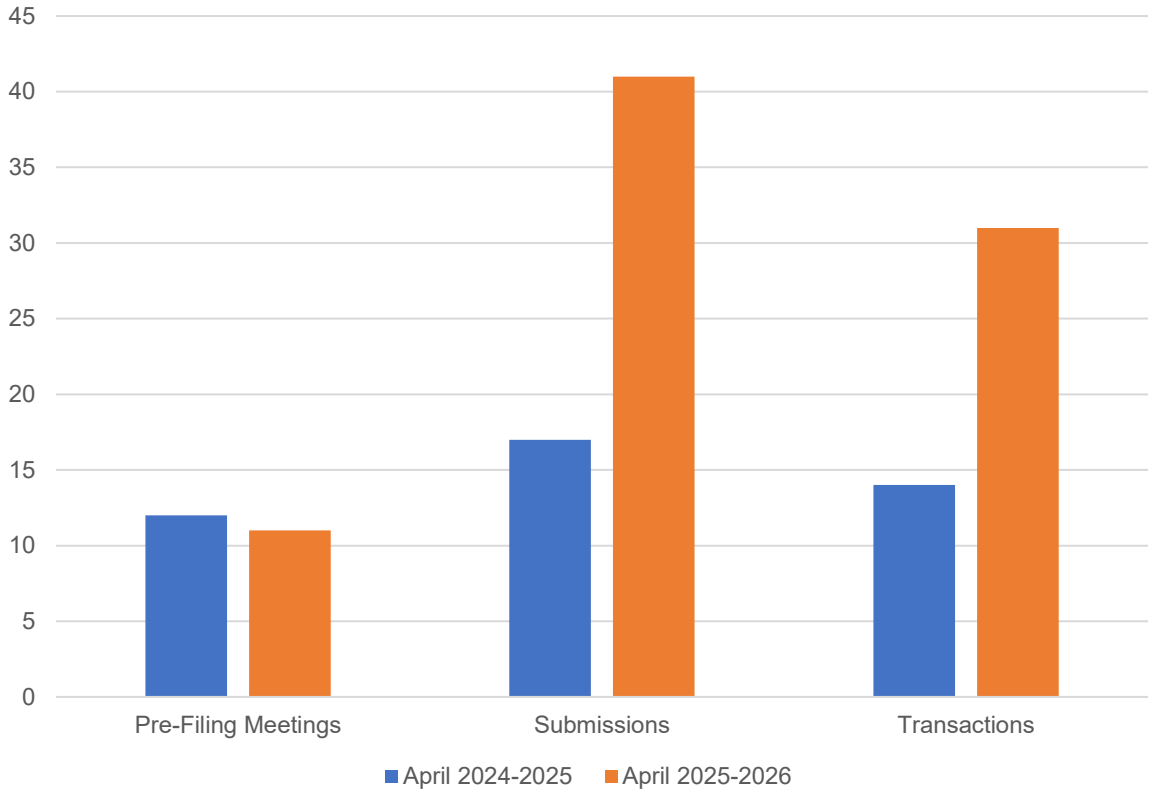
2 Years of the CMIR Program



April 1, 2024 – March 31, 2025

- 12 Pre-Filing Meetings
- 17 Distinct Notices Submitted
- 14 Transactions

April 1, 2025 – March 31, 2026

- 11 Pre-Filing Meetings
- 41 Distinct Notices Submitted
- 31 Transactions

45 Total Transactions Filed

April 2024 – 2026

CMIR Program April 1, 2024 to March 31, 2026

Type of Transaction	Number	Percentage
Skilled Nursing Facilities (SNFs)	11	24%
Laboratories	8	18%
Physician Organizations	7	16%
Health Plans (HPs) / HPs plus Physician Organizations and/or Hospital	5	11%
Hospitals	2	4%
Ambulatory Surgery Centers	2	4%
Radiology Services	2	4%
Others	8	18%
Total	**45**	**100%**

CMIR Program: November 2025 to Present

Since the November Board Presentation:

- 9 Transaction Reviews Commenced
  (14 Different Submissions)
- 14 Transaction Reviews Completed/Waived
- 1 CMIR Completed
- 7 Pre-Filing Meetings

CMIRs Completed Since November 2025

Submitters	Transaction Summary	Submission Complete	Status
Res-Care, Inc.	National Mentor Holdings, Inc. will acquire subsidiaries, equities, and assets from ResCare, an operator of intermediate care facilities for individuals with intellectual and developmental disabilities.	April 21, 2025	CMIR Complete on April 8, 2026

Transaction Reviews Completed Since November 2025

Submitters	Transaction Summary	Submission Complete	Status
Rezolut Holdings, LLC	Envision Radiology, LLC will acquire 100% of the issued and outstanding equity interests of Rezolut Holdings, LLC from Rezolut, LLC pursuant to an Equity Purchase Agreement.	November 12, 2025	CMIR Waived (December 24, 2025)
MedImpact Healthcare Systems, Inc.	MedImpact Healthcare Systems, Inc. will acquire all of the membership interests of A&A Services, LLC d/b/a Sav-Rx. Both entities provide pharmacy benefit manager services nationwide.	November 7, 2025	CMIR Waived (December 19, 2025)
CCW La Jolla and Classic Residence Management Limited Partnership	The transaction is a merger by and among CC Living Holding Company, LLC, CC Merger Sub, LLC, CC-Development Group, Inc. (the target company, hereinafter “Vi Parent”) and representatives of Vi Parent’s stockholders. Following the proposed merger, an internal corporate restricting will result in changes to the indirect ownership of the skilled nursing facilities operated by CCW La Jolla, L.L.C. (“Vi at La Jolla Village) and Classic Residence Management Limited Partnership (“Vi at Palo Alto”).	October 31, 2025	CMIR Waived (December 10, 2025)

Transaction Reviews Completed Since November 2025

Submitters	Transaction Summary	Submission Complete	Status
Evolent Health LLC	Evolent Health LLC is selling all shares of Evolent Care Partners Holding Company, Inc. (ECPHC) to Privia Management Company, LLC for a purchase price of $100 million. An Enhanced Track Accountable Care Organization operating a Medicare Shared Savings Program is included among ECPH's subsidiaries.	October 16, 2025	CMIR Waived (November 21, 2025)
El Centro Regional Medical Center, City of El Centro, and Imperial Valley Healthcare District	Pursuant to Assembly Bill 918 (2023), the newly established Imperial Valley Healthcare District will acquire El Centro Regional Medical Center, which includes its 161-bed general acute care hospital and outpatient centers in California.	October 8, 2025	CMIR Waived (December 15, 2025)
Ambulatory TopCo, LLC	Through an equity purchase agreement, Ascension Health Alliance, an out-of-state Catholic health system, will acquire Ambulatory TopCo, LLC's (AMSURG) ambulatory surgery centers (including 25 in California) for the purchase price of $3.9 billion.	October 1, 2025	CMIR Waived (November 13, 2025)

Transaction Reviews Completed Since November 2025

Submitters	Transaction Summary	Submission Complete	Status
CareMeridian, LLC	CareMeridian, LLC, a rehabilitation services provider, will acquire all assets of Sierra Summit Head Injury Care Homes.	December 5, 2025	CMIR Waived (January 16, 2026)
Physician Health Network Medical Corporation	Current shareholders are selling their equity interest in Physician Health Network Medical Corporation to David Ulick, M.D., and Eva L. Vargas, RN/BSN, through a Stock Purchase Agreement.	December 1, 2025	CMIR Waived (January 16, 2026)

Transaction Reviews Completed Since November 2025

Submitters	Transaction Summary	Submission Complete	Status
Imperial Care LLC and El Centro Regional Medical Center	Imperial Care LLC (licensee of El Centro Post-Acute Care), a skilled nursing facility located in El Centro, CA. The transaction will result in the transfer of the skilled nursing facility's operations to El Centro Regional Medical Center and sublease of the skilled nursing facility's real property to El Centro Regional Medical Center.	December 22, 2025	CMIR Waived (February 5, 2026)
Abbott Laboratories and Exact Sciences Corporation	Pursuant to an Agreement and Plan of Merger, Abbott Laboratories (Abbot) is acquiring Exact Sciences Corporation through a merger with Abbott's subsidiary.	February 4, 2026	CMIR Waived (March 19, 2026)

Transaction Reviews Completed Since November 2025

Submitters	Transaction Summary	Submission Complete	Status
UC San Diego Health and Palomar Health	The transaction will result in the formation of a Joint Powers Authority between Palomar Health and The Regents of the University of California, on behalf of UC San Diego Health	January 14, 2026	CMIR Waived (**JPA Formation**) (March 24, 2026)
Inform Diagnostics, Inc. and Fulgent Therapeutics, LLC	Inform Diagnostics, Inc. and Fulgent Therapeutics, LLC will acquire equity interests of Dermatopathology Experts, LLC and all assets related to the diagnostic and therapeutic services of Bako Pathology Holdings Corp. and its subsidiaries.	January 7, 2026	CMIR Waived (February 23, 2026)

Transaction Reviews Completed Since November 2025

Submitters	Transaction Summary	Submission Complete	Status
Vitalant and San Diego Blood Bank	Vitalant, an Arizona-based non-profit specializing in providing blood supplies to health systems and hospitals, will acquire San Diego Blood Bank, also a non-profit specializing in blood-related services, and will serve as its sole member.	February 13, 2026	CMIR Waived (April 3, 2026)
Sharp HealthCare and Tri-City Healthcare District dba Tri-City Medical Center	Tri-City Healthcare District plans to transfer substantially all of Tri-City Medical Center's assets and the District's liabilities to Sharp HealthCare and its wholly-controlled subsidiary Tri-City Medical Center Corporation. The transaction will be subject to voter approval in June 2026.	February 25, 2026	CMIR Waived (April 13, 2026)

CMIRs Currently in Review

Submitters	Transaction Summary	Submission Complete	Status
Covenant Care California, LLC; Covenant Care Mission, Inc.; Covenant Care Long Beach, Inc.; Covenant Care Morgan Hill, LLC; Covenant Care Capitola, LLC; Covenant Care Encinitas, LLC; Covenant Care La Jolla, LLC; Covenant Care Courtyard, LLC; and Covenant Care Lodi, LLC.	Submitters will transfer the assets and operations of its respective skilled nursing facilities to subsidiaries of International Equity Partners, Spyglass Heathcare, Links Healthcare Group, and The Ensign Group. OHCA is conducting a CMIR over three acquisitions by The Ensign Group.	April 24, 2025	In CMIR Review

Material Change Notices Currently in Review

Submitters	Transaction Summary	Submission Complete	Status
Euclid Endoscopy Center, L.P. and AmSurg Holdings, LLC	AmSurg Holdings, LLC, a subsidiary of Ambulatory TopCo, LLC (AmSurg), will acquire 51% of issued and outstanding membership interests in Euclid Endoscopy Center, L.P. (Euclid). Euclid will convert from a limited partnership to a limited liability company.	December 16, 2026	In Review

Material Change Notices Currently in Review

Submitters	Transaction Summary	Submission Complete	Status
Centene Corporation (“Centene”), Madison Health Group (“Madison”), Magellan Health Service of California, Inc. – Employer Services (“MHSC”), Magellan Federal, Inc. (“Magellan Federal”), Magellan Healthcare Provider Group, Inc. (“MHPG”), and Magellan Life Insurance Company (“Magellan Life”)	Centene will divest itself of several health care entity subsidiaries pursuant to a Stock Purchase Agreement with Madison. The transaction will ultimately result in MHSC, Magellan Federal, MHPG, and Magellan Life becoming wholly indirectly-owned subsidiaries of Madison.	March 19, 2026	In Review

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Spending Target Data Submission Enforcement: Introduction to Regulatory Text

CJ Howard, Assistant Deputy Director
Heather Hoganson, Assistant Chief Counsel

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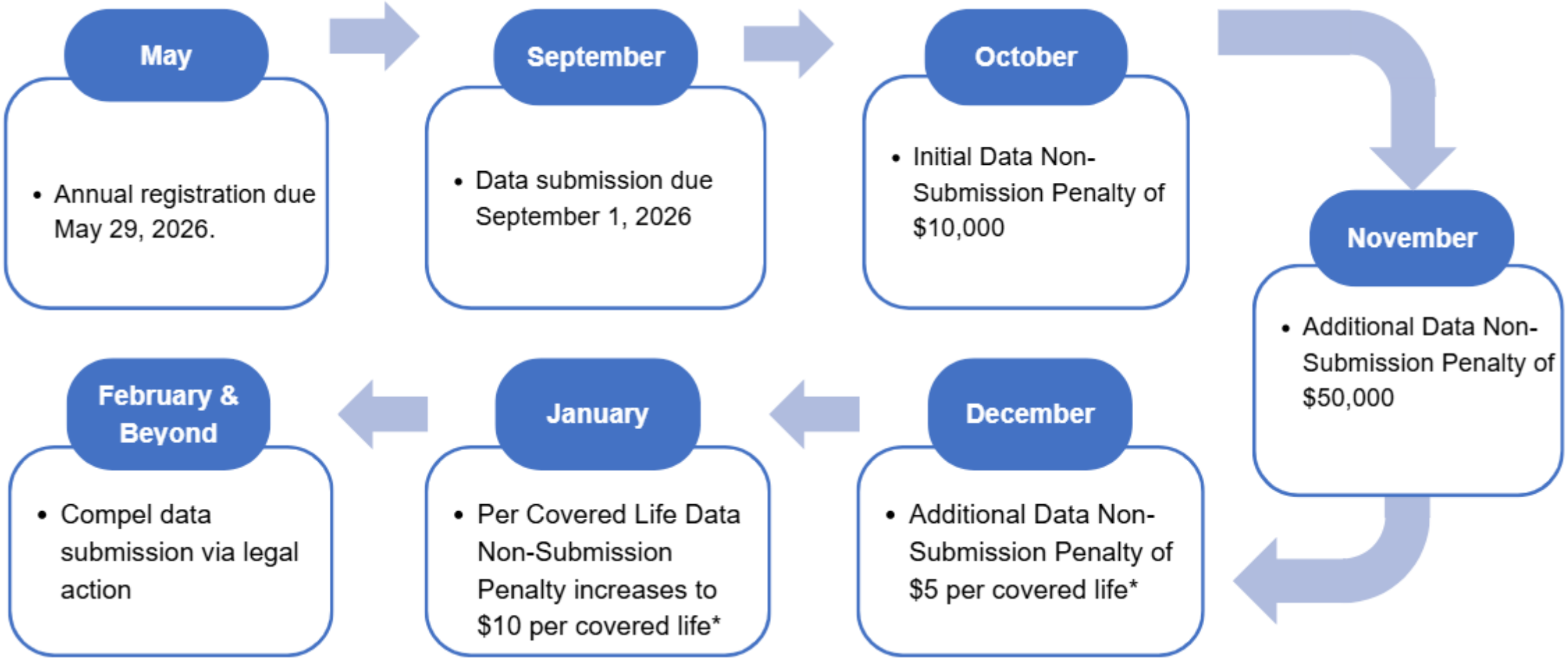
Data Submission Enforcement

- Board Approved in November 2025.
- The scope and range of data submission penalties is the following:
  a) An administrative penalty of $10,000 for data not submitted by September 1st of the submission year or an agreed upon extension date.
  b) An additional administrative penalty of $50,000 for data not submitted by November 1st of the submission year.
  c) An additional administrative penalty up to a base amount of $5 per member if data is not submitted by December 1st of the submission year, and up to $10 per member if data is not submitted by December 31st .
     1) The per member base penalty amounts will double for each consecutive year that the Office assesses an entity a per member administrative penalty.

Data Submission Enforcement

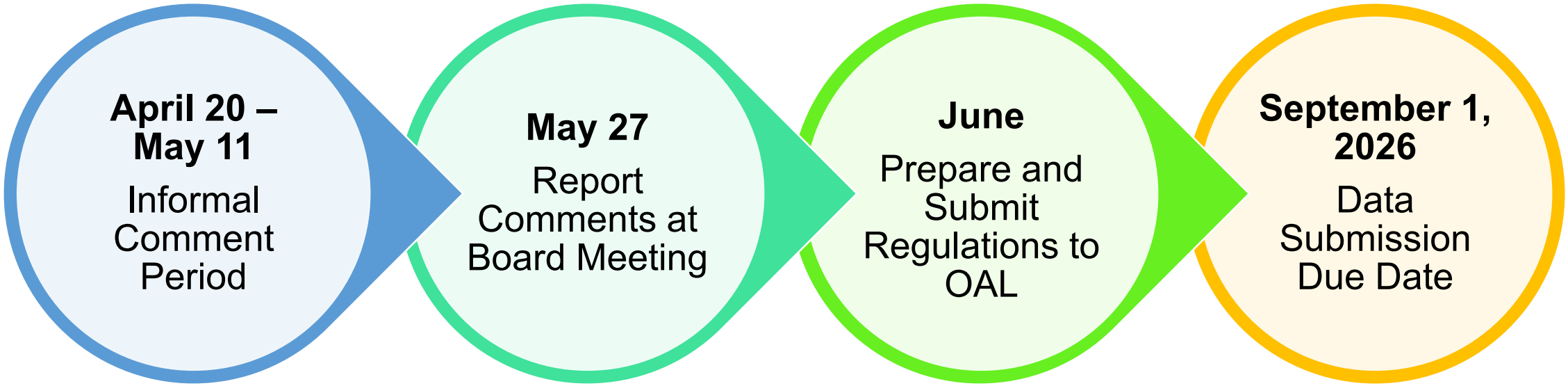


* The data non-submission penalties are subject to consultation with state regulators, pursuant to Health and Safety Code section 127502.5.
** Variances include Extension(s) of Time, Technical Assistance, Data Submission Plan, and compelled Public Testimony.
*** Per covered life amounts double for each consecutive year that the Office assesses a per covered life administrative penalty.

Data Submission Enforcement Regulations

- Will include Extension Process, Interim Carve-Outs for newer files, Appeals Process
- Drafts is available for review on HCAI website: https://hcai.ca.gov/about/laws-regulations
- Informal comment period April 20 to May 11 - Comments to OHCA@HCAI.ca.gov
- Submission to the Office of Administrative Law as an Emergency Regulation

Next Steps


April 20 – May 11
Informal Comment Period
May 27
Report Comments at Board Meeting
June
Prepare and Submit Regulations to OAL
September 1, 2026
Data Submission Due Date

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Spending Target Enforcement: Introduction to Spending Target Penalties

Vishaal Pegany, Deputy Director
CJ Howard, Assistant Deputy Director

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Department of Health Care Access and Information

Spending Target Enforcement Follow-Up

Question: Is the goal of Performance Improvement Plans (PIPs) to come into compliance with future targets or to look backwards and account for prior excess spending?

Applicable Statute:

- 127500.5.(m) “It is the intent of the Legislature in enacting this chapter that enforcement actions to address growth in per capita total health care expenditures are implemented in a progressive manner, such **that health care entities are assisted to come into compliance with cost targets**, including through technical assistance and performance improvement plans…”

- 127502.5.(c)(1) “…The office may require a health care entity to submit and implement a performance improvement plan that identifies the causes for spending growth and shall include, but not be limited to, specific strategies, adjustments, and action steps the health care entity proposes to implement **to improve spending performance** during a specified time period. …”

Spending Target Enforcement Follow-Up

Question: Is the goal of Performance Improvement Plans (PIPs) to come into compliance with future targets or to look backwards and account for past years' excess spending?

Analysis:

- PIPs are forward-looking to accomplish the intent of assisting entities with coming into compliance with the spending target(s).
- PIPs provide the Office and health care entities with an opportunity to learn about causes for spending growth and which strategies, adjustments, and action steps lead to positive and sustainable change in the system and ultimately lowering costs for consumers.
- If the Board wishes to account for the inflated baseline cost resulting from exceeding the target, it could consider:
  - Exploring adjustments to targets.
  - Approving scope and range of spending target penalties that account for each year of missing the target in conjunction with a failure to implement a PIP.

Statute

Board

Approves Scope, Range, and Justification Factors

127501.11. (b) The board shall approve all of the following: …
(2) The scope and range of administrative penalties and the penalty justification factors for assessing penalties.

Review and Provide Input on Administrative Penalties

127501.11. (c) The director shall present to the board for discussion all of the following: …
(5) Review and input on administrative penalties to inform any adjustments to the scope and range of administrative penalties and the penalty justification for assessing penalties.

Closed Sessions

127501.10. (e) (2) The board shall be subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code), except that the board may hold closed sessions when considering matters related to the office assessing administrative penalties, requiring performance improvement plans under Section 127502.5, and discussing nonpublic information and documents received by the office and board under this chapter.

Statute

OHCA

Authority to Assess Penalties

127501. (c) The office shall do all of the following: …
(6) Oversee the state's progress towards meeting the health care cost target by providing technical assistance, requiring public testimony, requiring submission of and monitoring compliance with performance improvement plans, and assessing administrative penalties through enforcement actions, including escalating administrative penalties for noncompliance.

127502.5. (a) Commensurate with the health care entity's offense or violation, the director may take the following progressive enforcement actions: …

- (4) Assess administrative penalties in amounts initially commensurate with the failure to meet the targets, and in escalating amounts for repeated or continuing failure to meet the targets.
- (d)(5) If, after the implementation of one or more performance improvement plans, the health care entity is repeatedly noncompliant with the performance improvement plan, the director may assess escalating administrative penalties that exceed the penalties imposed under paragraphs (1) and (2) of this subdivision and paragraph (4) of subdivision (a).

Statute

OHCA

Limitations on Penalty Assessments

127502.5. (d)(1) If the director determines that a health care entity is not compliant with an **approved performance improvement plan and does not meet the cost target**, the director may assess administrative penalties commensurate with the failure of the health care entity to meet the target. An entity that has fully complied with an approved performance improvement plan by the deadline established by the office **shall not be assessed administrative penalties.** However, the director may require a modification to the performance improvement plan until the cost target is met.

Penalty Adjustment Considerations

127502.5. (d)(6) The director shall consider all of the following to determine the penalty:

(A) The nature, number, and gravity of the offenses.

(B) The fiscal condition of the health care entity, including revenues, reserves, profits, and assets of the entity, as well as any affiliates, subsidiaries, or other entities that control, govern, or are financially responsible for the entity or are subject to the control, governance, or financial control of the entity.

(C) The market impact of the entity.

Statute

OHCA

Consultation and Coordination Requirements

127502.5. (b) Prior to taking any enforcement action, the office shall do all of the following: …
(4) The director shall consult with the Director of Managed Health Care, the Director of Health Care Services, or the Insurance Commissioner, as applicable, prior to taking any of the enforcement actions specified in this section with respect to a payer regulated by the respective department to ensure any technical assistance, performance improvement plans, or other measures authorized by this section are consistent with laws applicable to regulating health care service plans, health insurers, or a Medi-Cal managed care plan contracted with the State Department of Health Care Services.

127502.5. (d) (3) Prior to assessing an administrative penalty against a health care entity, the director **may** consider related provision of nonfederal share, determined to be appropriate by the Director of Health Care Services, associated with Medi-Cal payments, such as expenditures by providers or provider-affiliated entities that serve as the nonfederal share associated with Medi-Cal reimbursement.
(4) To the extent that an administrative penalty is related to a Medi-Cal expenditure, including federal financial participation, the office shall coordinate with the State Department of Health Care Services to ensure appropriate treatment and return of any federal funds pursuant to Subpart F commencing with Section 433.300 of Part 433 of Title 42 of the Code of Federal Regulations.

When Can Penalties be Assessed?

Statute provides for various instances where financial penalties may be assessed:

1. When an entity is not compliant with an approved PIP and does not meet the spending target. (127502.5 (d)(1)) — **Focus of today's discussion.**
2. After the implementation of one or more performance improvement plans, the health care entity is repeatedly noncompliant with the performance improvement plan, the director may assess escalating administrative penalties that exceed the commensurate penalties. (127502.5 (d)(5))
3. When a health care entity has(127502.5 (h)(1)):
   - Willfully failed to report complete and accurate data. (Data Submission Penalties)
   - Repeatedly neglected to file a performance improvement plan with the office.
   - Repeatedly failed to file an acceptable performance improvement plan with the office.
   - Repeatedly failed to implement the performance improvement plan.
   - Knowingly failed to provide information required by this section to the office.
   - Knowingly falsified information required by this section.

When Can Penalties be Assessed?

Today's Focus:

Financial penalties for failing to meet the spending target which can be assessed when an entity is not compliant with an approved PIP and does not meet the spending target. (127502.5 (d)(1))

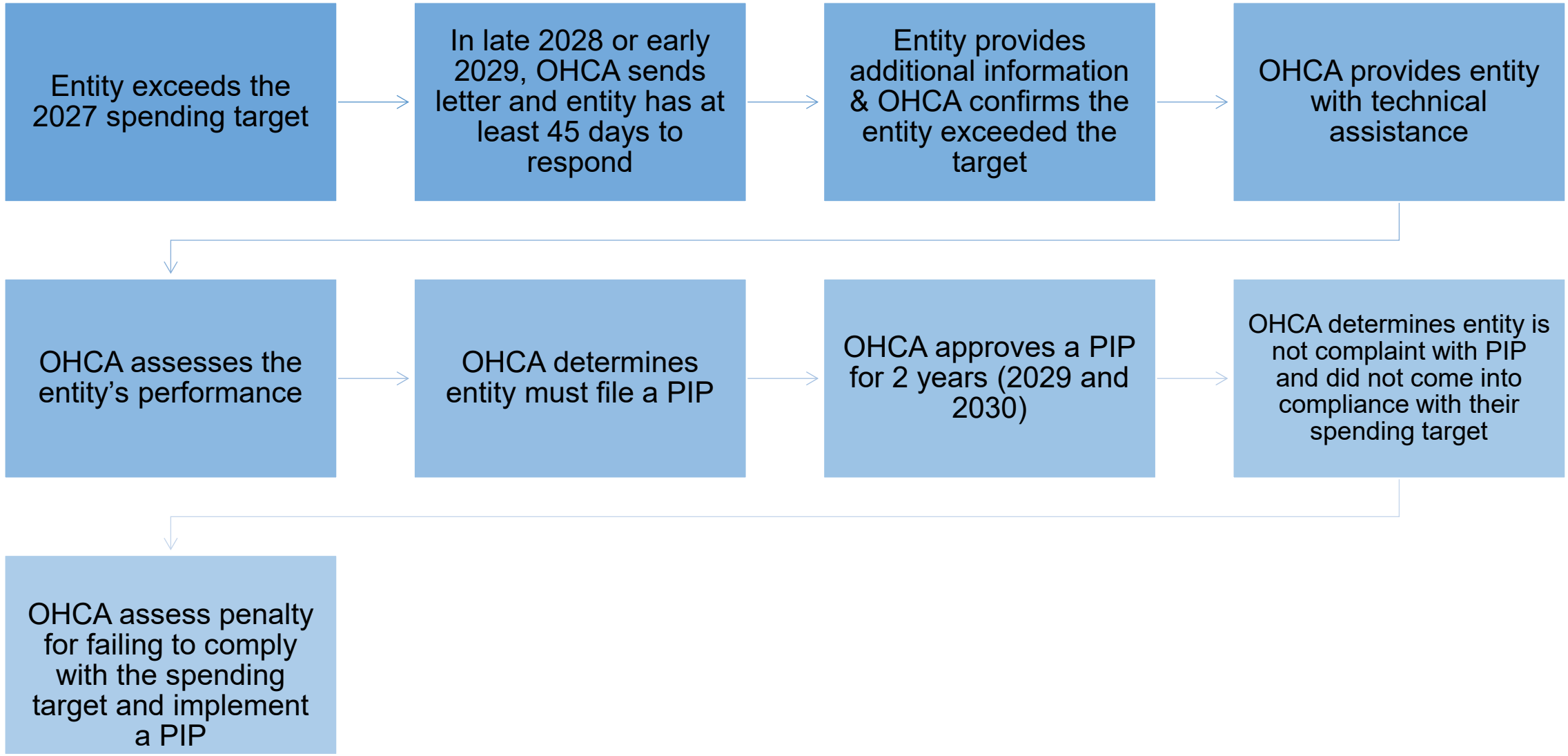
- Penalties can be assessed when an entity both fails to come into compliance with the spending target AND when they do not comply with their approved PIP.
- Penalties can not be assessed when an entity is compliant with an approved PIP but does not meet the spending target.
  - Under these circumstances penalties can be assessed if an entity repeatedly fails to implement a PIP, and a PIP can be modified until a spending target is met.

Context for Today's Discussion - Scenario

There are an infinite number of scenarios of how enforcement can proceed for entities based on several factors. For today's discussion, we will focus on the following scenario.

1. An entity exceeds their applicable target and proceeds to implement a PIP for 2 years.
2. After the 2 years, OHCA determines the entity failed to comply with their PIP.
3. OHCA also determines the entity failed to come into compliance with their applicable target.
4. This entity will proceed to a penalty.

Context for Today's Discussion – Scenario



Considerations for Spending Target Penalty Structure

- The penalty needs to provide an incentive to implement a PIP so entities can come into compliance with applicable targets.
- Statute indicates the penalty should be initially commensurate with an entity's failure to meet its applicable target.
- Statute directs and enables OHCA to consider a number of penalty adjustment factors to determine the final assessed penalty amount, including but not limited to the nature and gravity of the offense and the entity's fiscal condition and market impact.
- Entities have multiple years and opportunities to come into compliance with applicable targets, including through implementation of PIPs, before penalties are assessed.

Recommended Spending Target Penalty Structure

OHCA recommends a penalty structure that is initially commensurate with an entity's failure to meet a spending target with adjustments.

Step 1: Initially Commensurate

- OHCA would first calculate penalties that are initially commensurate with the degree to which the entity exceeded the spending target.
- "Initially commensurate" is the difference between an entity's actual spending growth and what the growth would have been had the entity met the target.
- If we applied this to an unidentified sample of 2023 spending growth data, "initially commensurate" penalties may have included:
  - Lower range: $4M
  - Middle range: $40M
  - Upper range: $350M

Recommended Spending Target Penalty Structure

OHCA recommends a penalty structure that is initially commensurate with an entity's failure to meet a spending target with adjustments.

Step 2: Penalty Adjustment Factors

- OHCA would adjust the initially commensurate penalty for a variety of factors, including but not limited to:
  - Penalty adjustment factors (127502.5(d)(6)):
    (A) The nature, number, and gravity of the offenses.
    (B) The fiscal condition of the health care entity, including revenues, reserves, profits, and assets of the entity, as well as any affiliates, subsidiaries, or other entities that control, govern, or are financially responsible for the entity or are subject to the control, governance, or financial control of the entity.
    (C) The market impact of the entity
  - Input from other California state agencies, e.g., DMHC. (127502.5. (b))
  - Penalty justification factors approved by the Board (127501.11. (b)(2))
    - Many of the enforcement considerations that could explain a portion of an entity's excess spending growth could also be factored when determining financial penalty amounts (e.g., Investments in primary care, changes in state/federal law, others to be determined by the board)
  - Escalating amounts for repeated or continuing failure to meet the targets (127502.5. (a)(4))

- The final result could be an increased or decreased assessed penalty amount.

Alternative Penalty Structures

Penalty Multiplier

- Calculates penalty by applying a pre-determined multiplier to any entity's initially commensurate penalty. Multipliers could be tied to factors such as the number of years the entity exceeded the target.
- The multiplier could be a deflator (95% of initially commensurate amount) or inflator (105% of initially commensurate amount).
- This pre-determined approach conflicts with statutorily required adjustments.

Market Share

- Bases penalty amounts on the total statewide excess spending above the target, and assigns a portion of the statewide excess spending to entities based on their market share (share of enrollees) and the degree by which the entity exceeded the target.
- While this approach considers entities' impact on the market and contribution to cost growth in excess of the target, penalties may not always correlate to an entity's spending.

Discussion: Options for Penalty Structure

Does the Board have any initial feedback on the penalty structure? Specifically:

A penalty structure that calculates penalties that are initially commensurate and then makes adjustments based on a variety of factors.

Future Discussion Items

Today we only looked at one scenario. The Office will return to the Board with the following:

1. What should the penalties be under 127502.5 (h)(1), such as repeatedly neglecting to file a performance improvement plan with the Office?
2. What other penalty adjustment factors should be considered and approved by the Board as penalty justification factors?
3. What years should penalties be assessed after an entity fails to comply with a performance improvement plan and misses the spending target?

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Hospital Measurement Update: Fiscal Years 2022-2023 Inpatient and Outpatient Hospital Price (Spending) Trends

Vishaal Pegany, Deputy Director

Andrew Feher, Research Manager

HCAI

Department of Health Care Access and Information

Background

- From July through December 2025, OHCA convened a Hospital Workgroup, soliciting input from key stakeholders on its approach to inpatient and outpatient measurement.
- At the December 2025 Board meeting, we described how OHCA will measure inpatient and outpatient spending using a combination Hospital Financial Data, Patient Discharge Data and Health Care Payments (HPD) Data.
- In January 2026, we posted the OHCA Hospital Facility to national provider identifier (NPI) Crosswalk on the OHCA website with a request to hospitals to confirm the NPIs that map to their California license number.
- After incorporating hospital feedback on the crosswalk, OHCA posted both a revised crosswalk and a facility-level dataset that uses payer-specific case mix index (CMI) and average visit intensity (AVI) to derive measures for inpatient and outpatient spending measures across the Commercial, Medicare and Medi-Cal markets for FY 2022 and 2023.
- Today we share results from FY 2022 and 2023 data.

Differences in Approaches to Measuring Hospital Spending

	OHCA Hospital Spending Measurement Methodology	Federal Hospital Price Transparency	RAND Price Transparency Initiative (Round 5.1)
Data source	Combination of hospital financial data, Patient Discharge Data and Health Care Payments Data.	Hospital-disclosed contract negotiated rates for selected procedures	Claims data
Population	Hospitals submitting comparable hospital financial data to HCAI.	21% of hospitals are fully compliant*	6% of U.S. commercial insurance hospital spending; 4,000 hospitals across 50 states(except Maryland), 2020 -2022
Adjustment	Volume-only and volume- and intensity adjustments using Medicare weights.	As negotiated per unit. Dataset includes no utilization data.	Volume and intensity adjusted using Medicare relative weights.
Measure(s)	Facility-level inpatient and outpatient spending adjusted for volume and intensity.	Per unit negotiated amount by contract.	Reference-based price (i.e., how commercial payments compare with what Medicare would have paid for the same services) and standardized price (i.e., the commercial payment per standardized unit of care using Medicare relative weights)
Scope of payments	Payments included in Net Patient Revenue (e.g., allowed amounts for all payer types, DSH payments, 340B etc.).	Allowed amounts per contract without any measure of utilization/volume.	Allowed amounts from a sample of commercial payers.

* Seventh Semi-Annual Hospital Price Transparency Report — PatientRightsAdvocate.org

Resources

OHCA published the following resources to accompany the forthcoming slides:

- Updated crosswalk
- Hospital Measurement Dataset
- Methodology Documentation
- Summary of analyses (Issue Brief)

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Descriptive Statistics for Comparable Hospitals

Between 2022 and 2023, operating revenue for hospitals grew 7.5% and aggregate profit across comparable hospitals grew 311%.

	Formula	2022	2023	2022-2023 Growth
Number of comparable hospitals		368	366	
Operations				
Total operating revenue, billions $	A	$135.5B	$145.7B	7.5%
Total operating expenses, billions $	B	$134.1B	$145.7B	8.7%
Net from operations, billions $	C=A-B	$1.41B	$0.015B	-99%
Operating margin, %	C / A	1.0%	0.1%	-93%
Net non-operating revenue and expenses, billions $	D	$0.5B	$7.5B	1400%
Profit (Net Income), billions $	E=C+D-taxes – extraordinary items	$1.8B	$7.4B	311%
Total margin, %	E/A	1.3%	5.1%	292%

Data from Hospital Financials (HAFDR) for fiscal year ending in 2022 and 2023. Comparable hospitals only – that is, those hospitals that are statutorily required to submit all HAFDR pages.

Number of Comparable Facilities in the Analysis

There are a total of 368 comparable hospitals in 2022 and 366 comparable hospitals in 2023. We calculated inpatient and outpatient spending measures by payer, which results in some missingness; common reasons include hospitals (1) not reporting revenue for a certain payer, (2) not reporting discharges or visits for a certain payer, (3) not found in Health Care Payments Data (HPD) or (4) the absence of outpatient visits with ambulatory payment classification (APC) weights in the HPD.

	Number of Facilities with Calculated Measures	
	2022	**2023**
Outpatient Spending Measures		
Commercial	319	315
Medicare	319	314
Medi-Cal	294	292
Inpatient Spending Measures		
Commercial	357	357
Medicare	354	354
Medi-Cal	349	349

Outpatient spending are measured as Outpatient Net Patient Revenue per intensity-adjusted visit or as Outpatient Net Patient Revenue per visit. Inpatient spending are measured as Inpatient Net Patient revenue per case-mix adjusted discharge or as Inpatient Net patient Revenue per discharge.

Comparing December 2025 and April 2026 Results: Number of Outpatient Visits Found in the HPD for FY 2022

2022 Fiscal Year Comparable Hospitals	Commercial	Medicare	Medi-Cal
Outpatient visits in Hospital Financial Reports among hospitals found in HPD	15.2 million	15.8 million	15.3 million
December 2025: Outpatient visits in HPD with APC weights	**1.7 million**	**6.7 million**	**3.8 million**
% of Hospital Financial reported visits	***11.2%***	***42.7%***	***24.8%***
April 2026: Outpatient visits in HPD with APC weights	**3.0 million**	**6.9 million**	**5.2 million**
% of Hospital Financial Reports reported visits	***20%*** ***(+9.8 pp)***	***44%*** ***(+1.3 pp)***	***34%*** ***(+9.2 pp)***

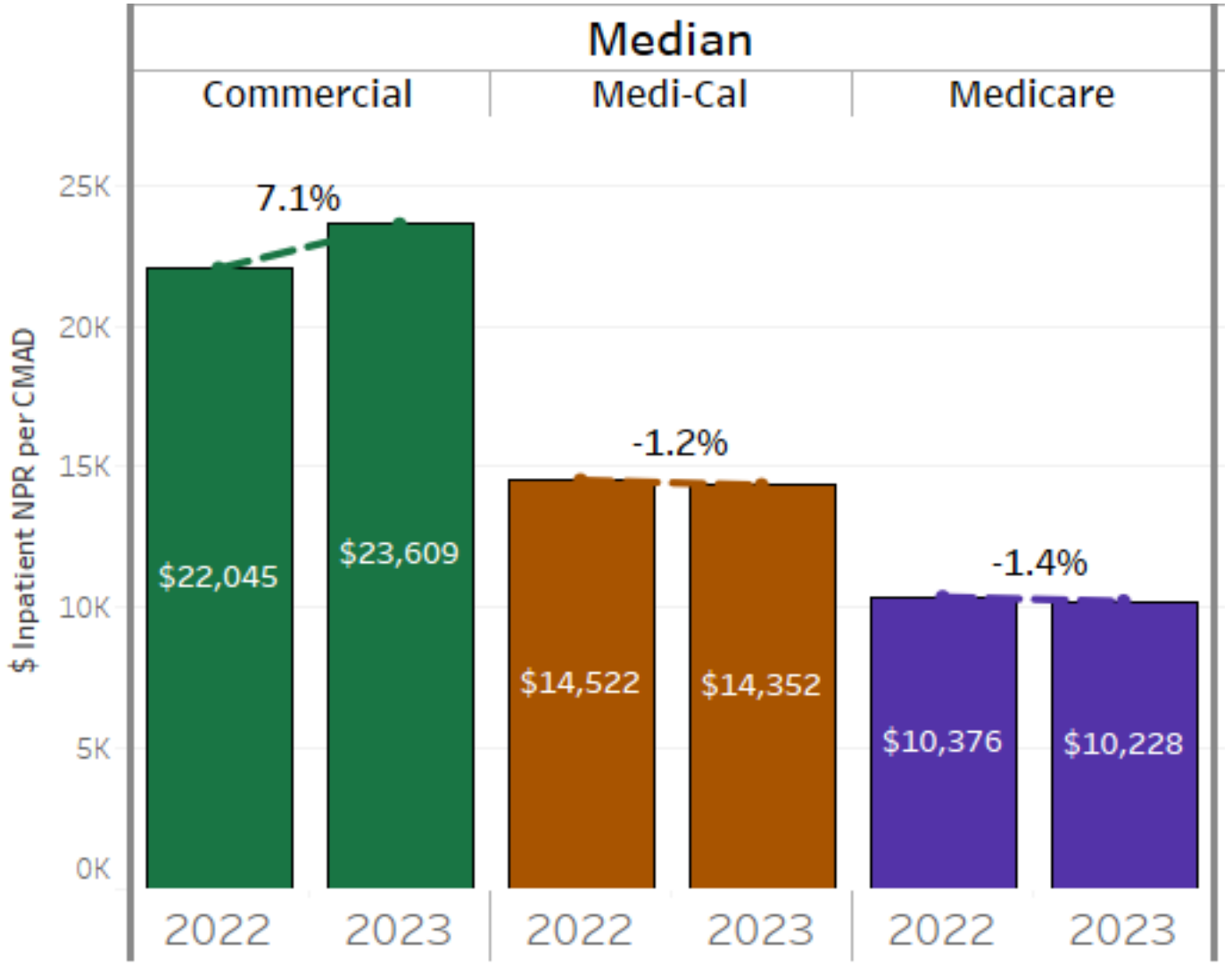
Note: Commercial, Medicare and Medi-Cal visits are calculated as the sum of managed care and traditional subcategories. Not shown in the breakdown are County Indigents, Other Indigent and Other Payers

Hospital Inpatient Spending Measure, 2022-2023, Intensity Adjusted

The median commercial inpatient spending measure (Inpatient Net Patient Revenue (NPR) per Case Mix Adjusted Discharge) was $22,045 in 2022 and $23,609 in 2023, which is approximately 230% higher than the median Medicare inpatient spending measure.

Between 2022 and 2023, median inpatient spending measures changed as follows:

- **Commercial**: 7.1%
- **Medi-Cal:** -1.2%
- **Medicare:** -1.4%

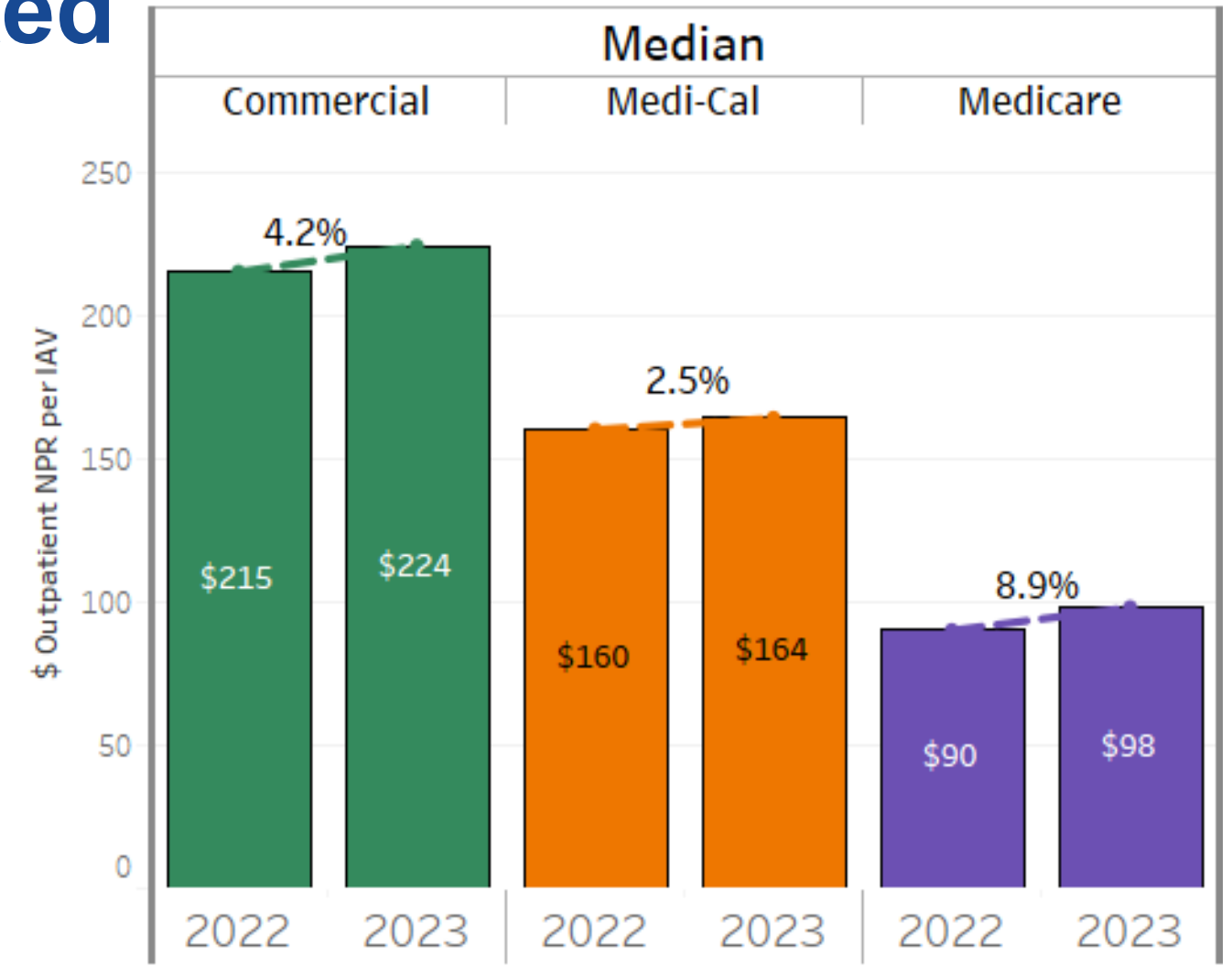


Hospital Outpatient Spending Measure, 2022-2023, Intensity Adjusted

The median commercial outpatient spending measure (Outpatient Net Patient Revenue (NPR) per Intensity-Adjusted Visit) was $215 in 2022 and $224 in 2023, which is approximately 229% higher than the median Medicare outpatient spending measure.

Between 2022 to 2023, median intensity-adjusted outpatient spending measures changed as follows:

- **Commercial**: 4.2%
- **Medi-Cal**: 2.5%
- **Medicare**: 8.9%



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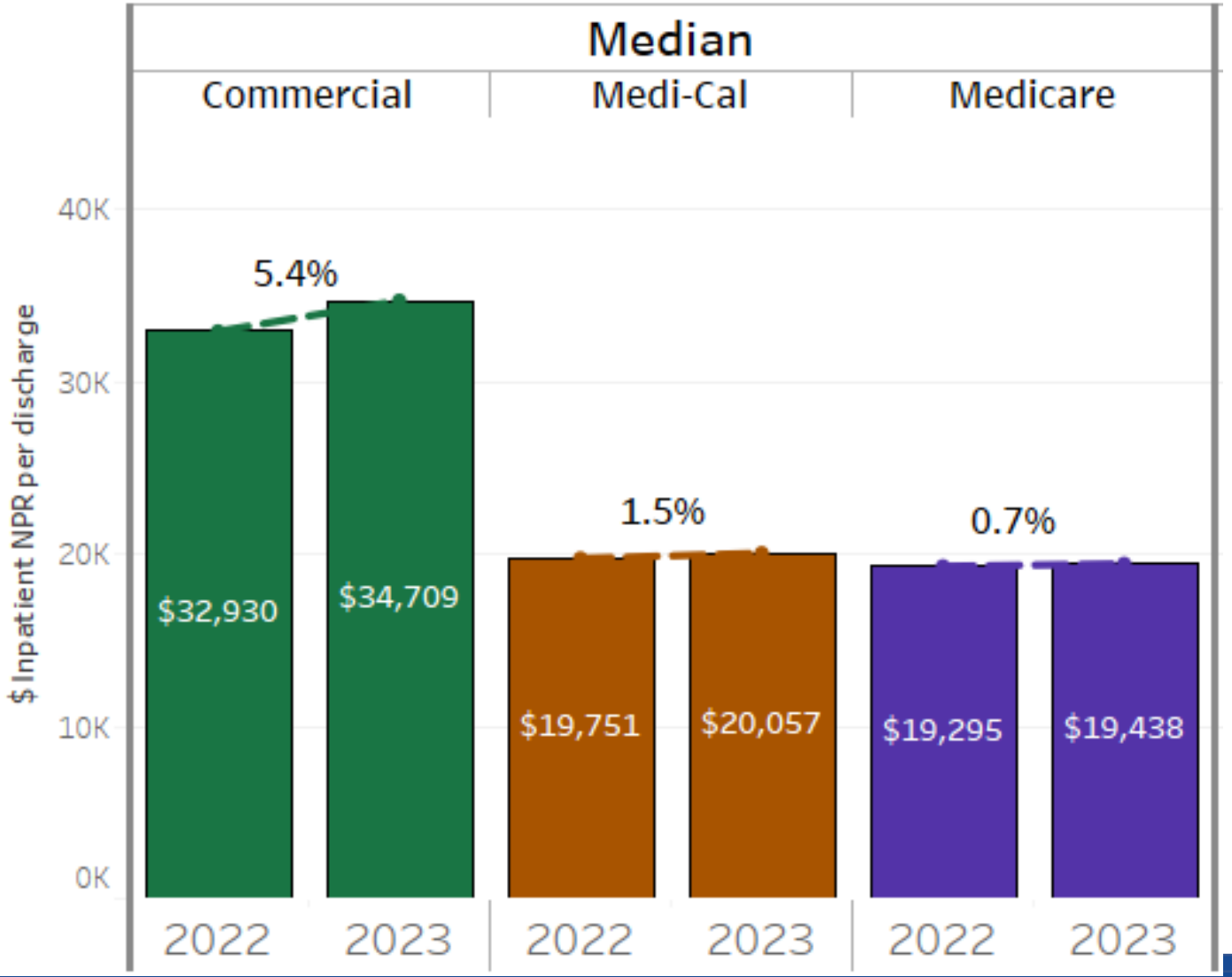
Hospital Inpatient Spending Measure, 2022-2023, Volume-Only Adjusted

The median commercial inpatient spending measures (Inpatient Net Patient Revenue (NPR) per Discharge) was $32,930 in 2022 and $34,709 in 2023, which is approximately 170% of Medicare.

Between 2022 to 2023, median volume-adjusted inpatient spending measures changed as follows:

- **Commercial**: 5.4%
- **Medi-Cal:** 1.5%
- **Medicare:** 0.7%



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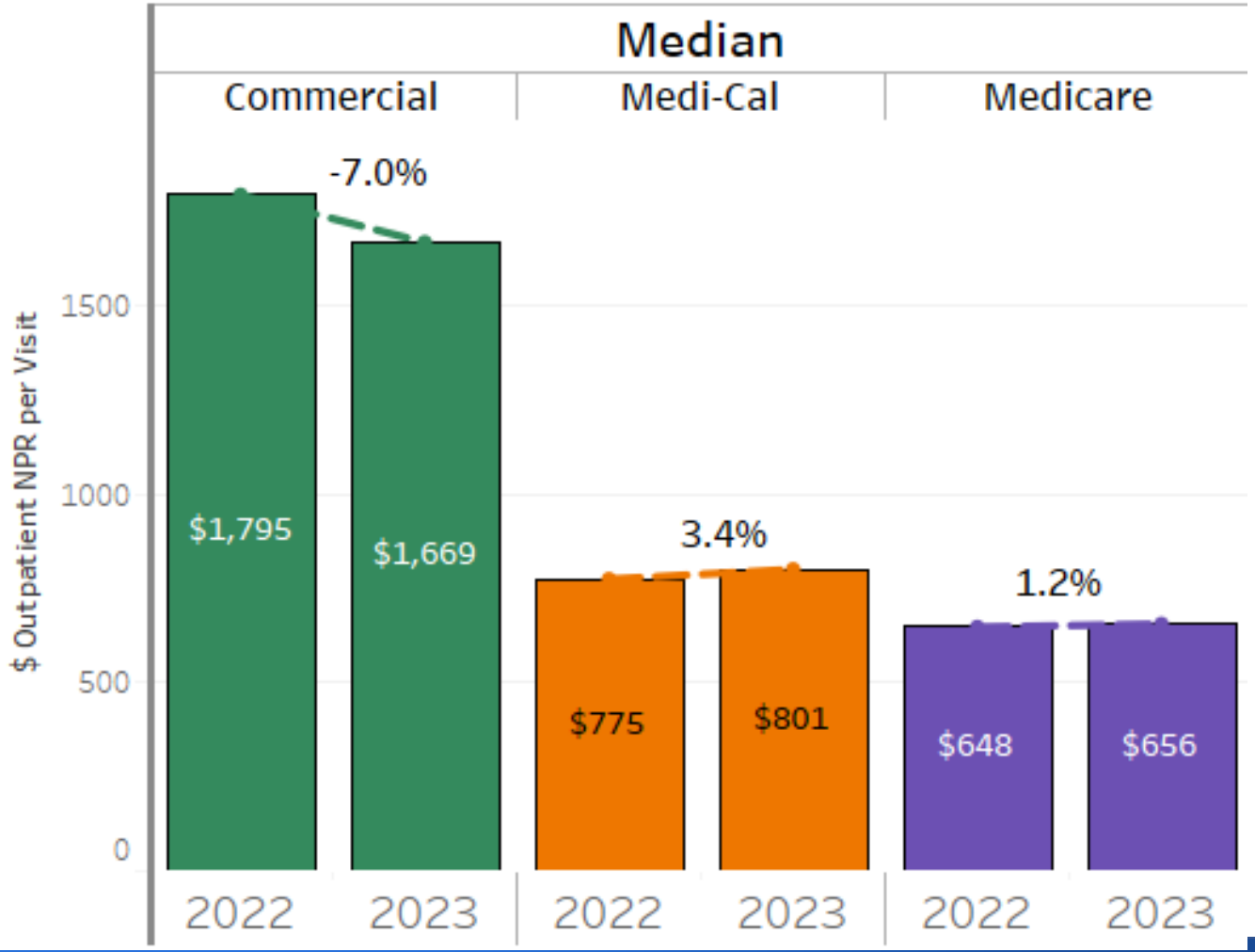
Hospital Outpatient Spending Measure, 2022-2023, Volume-Only Adjusted

The median commercial outpatient spending measure (Outpatient Net Patient Revenue (NPR) per Visit) was $1,795 in 2022 and $1,669 in 2023, which is approximately 250-270% of Medicare.

Between 2022 to 2023, median volume-adjusted outpatient spending measures changed as follows:

- **Commercial:** -7.0%
- **Medi-Cal:** 3.4%
- **Medicare:** 1.2%



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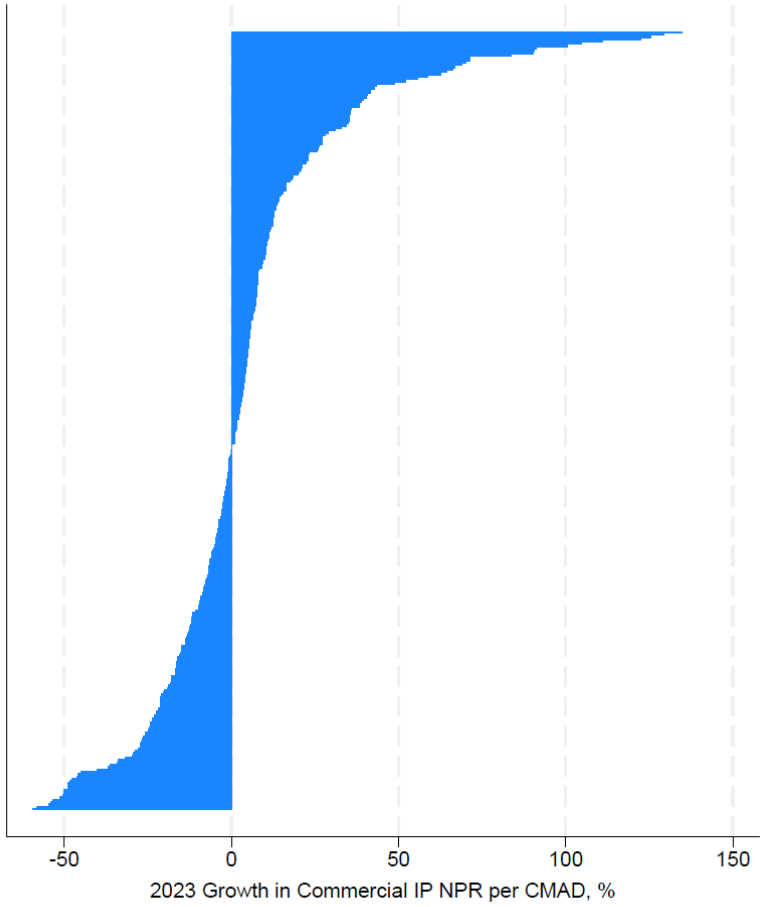
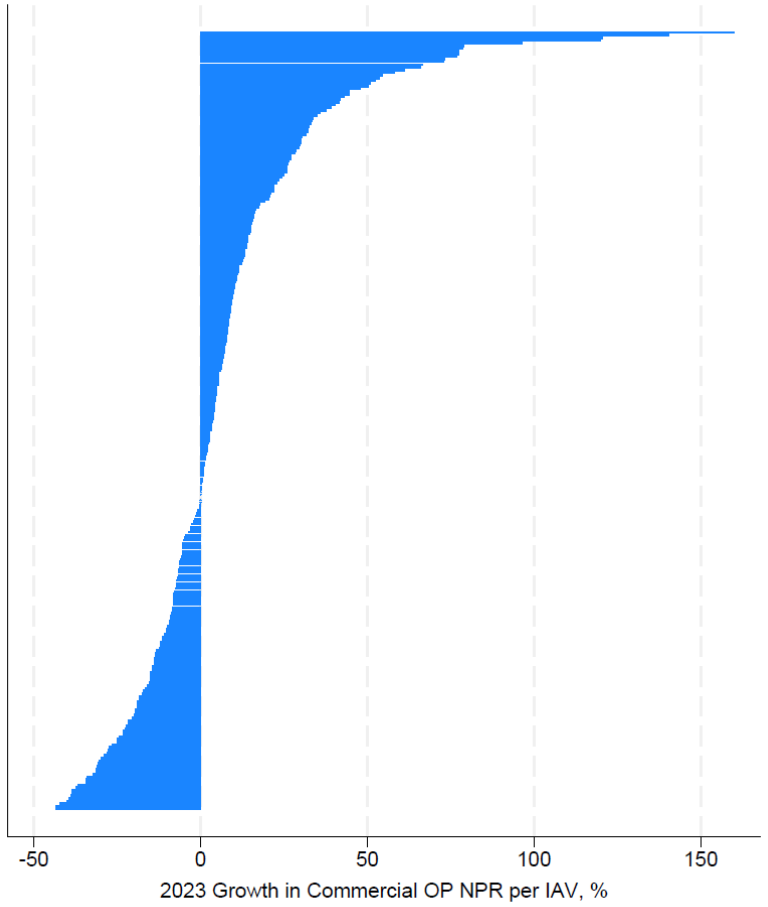
2022-2023 Growth Rates in Commercial Inpatient and Outpatient Spending Measures Vary Considerably

- For visualization purposes, we dropped observations with growth rates below 1st percentile and above 99th percentile.
- The figure on the left shows growth in intensity-adjusted commercial inpatient spending measures across comparable hospitals.
- The figure on the right shows growth in intensity-adjusted commercial outpatient spending measures across comparable hospitals.

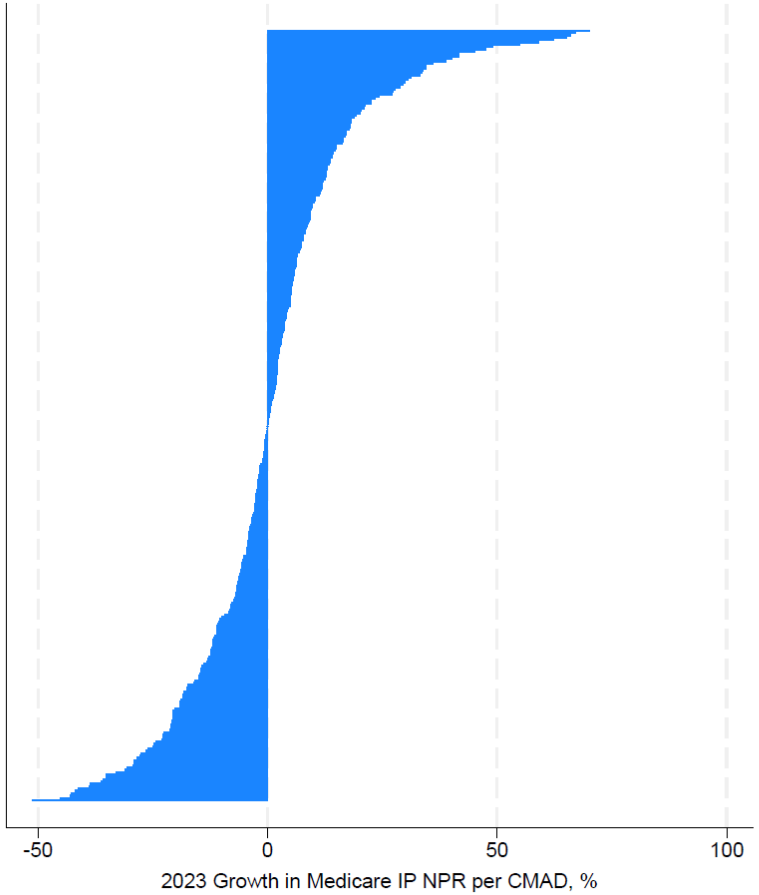


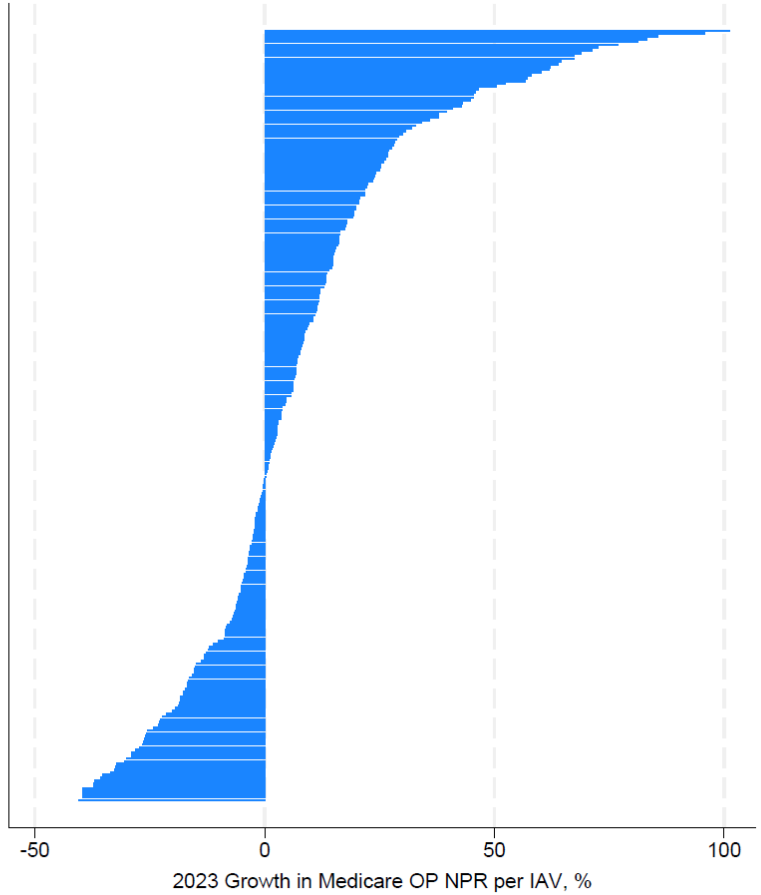


Left figure shows growth in Inpatient Net Patient revenue per case-mix adjusted discharge. Right figure shows growth in Outpatient Net Patient Revenue per intensity-adjusted visit. Growth rates are calculated as (100*2023 measure/ 2022 measure –100) and expressed in percentages for each hospital.

2022-2023 Growth Rates in Medicare Spending Measures Show Similar Variability

- For visualization purposes, we dropped observations with growth rates below 1st percentile and above 99th percentile.
- The figure on the left shows growth in intensity-adjusted Medicare inpatient spending measures across comparable hospitals.
- The figure on the right shows growth in intensity-adjusted Medicare outpatient spending measures across comparable hospitals.

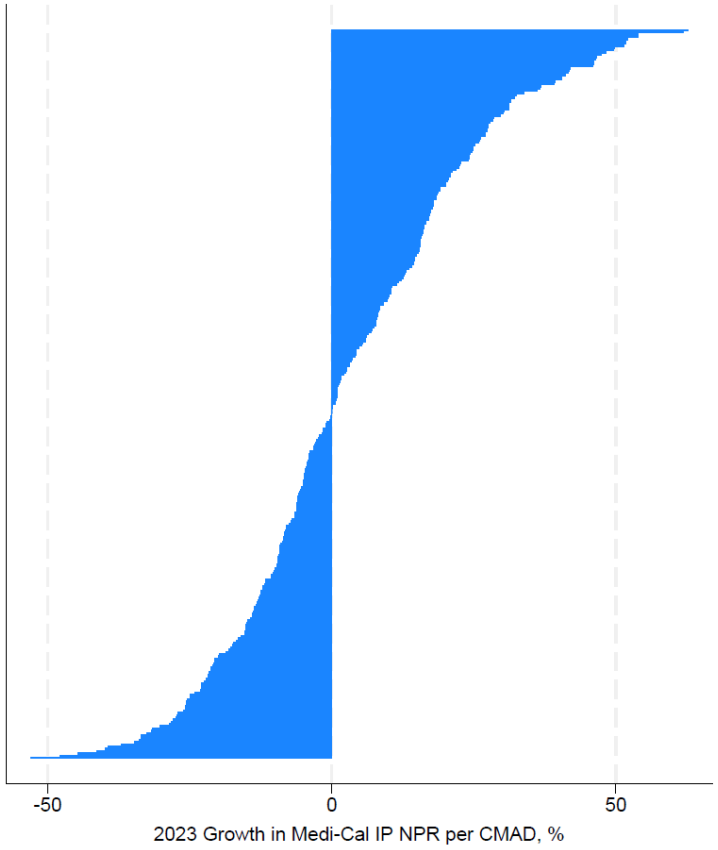


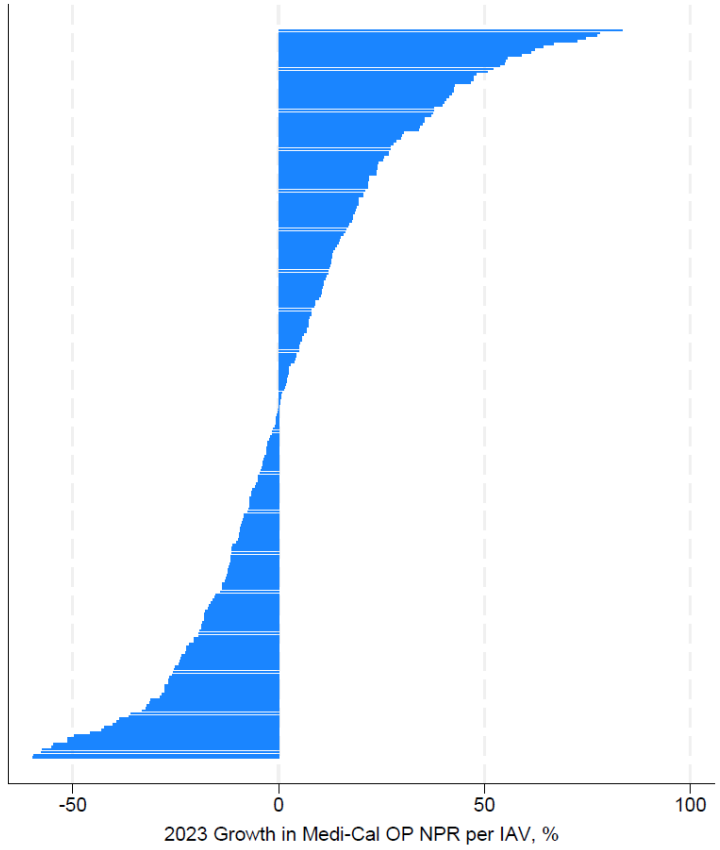


Left figure shows growth in Inpatient Net Patient revenue per case-mix adjusted discharge. Right figure shows growth in Outpatient Net Patient Revenue per intensity-adjusted visit. Growth rates are calculated as (100*2023 measure/ 2022 measure –100) and expressed in percentages for each hospital.

2022-2023 Growth Rates in Medi-Cal Inpatient and Outpatient Spending Measure

- For visualization purposes, we dropped observations with growth rates below 1st percentile and above 99th percentile.
- The figure on the left shows growth in intensity-adjusted Medi-Cal inpatient spending measures across comparable hospitals.
- The figure on the right shows growth in intensity-adjusted Medi-Cal outpatient spending measures across comparable hospitals.





Left figure shows growth in Inpatient Net Patient revenue per case-mix adjusted discharge. Right figure shows growth in Outpatient Net Patient Revenue per intensity-adjusted visit. Growth rates are calculated as (100*2023 measure/ 2022 measure –100) and expressed in percentages for each hospital.

More Than Half of Facilities Show Commercial Growth At or Below 3.5% Prior to Spending Target

- Out of 352 facilities,185 facilities (52%) had commercial inpatient spending measure growth at or below 3.5% spending between 2022 and 2023
- Out of 309 facilities, 154 facilities (50%) had commercial outpatient spending measure growth at or below 3.5% between 2022 and 2023

Commercial inpatient price (IP NPR per CMAD) growth rate 2022-23	Number of facilities
<=3.5%	185
3.5-10%	58
10-20%	36
20-50%	40
50%+	33
Facilities with calculated measure	**352**

Commercial outpatient price (OP NPR per IAV) growth rate 2022-23	Number of facilities
<=3.5%	154
3.5-10%	49
10-20%	34
20-50%	42
50%+	30
Facilities with calculated measure	**309**

IP NPR per CMAD= Inpatient Net Patient Revenue per Case Mix Adjusted Discharge
OP NPR per IAV= Outpatient Net Patient Revenue per Intensity Adjusted Visit

Limitations

- Both the inpatient and outpatient spending measure calculations depend on hospital-reported net patient revenue values and allocation across payers.
- California's Health Care Payments Database (HPD) has limited data from self-insured plans.
- We use CMS Outpatient Prospective Payment system (OPPS) ambulatory payment classification (APC) weights to define the intensity, but some types of claims do not have an APC code assigned.
- To calculate outpatient visit intensity, we sought to replicate hospital financial reports' visit definition in Chapter 4000 of the Accounting Manual as closely as possible within the HPD data, though there could be variation in interpretating instructions across hospitals.
- We only examine two fiscal years, which doesn't allow for analysis of long-term trends.

Takeaways

- As part of its continued commitment to transparency, OHCA has posted on its website a revised crosswalk, documentation and a facility-level dataset that includes measures for payer-specific inpatient and outpatient spending measures for FY 2022 and 2023.
- Median Commercial Inpatient NPR per CMAD was $22,045 in 2022 and $23,609 in 2023 -- an increase of 7.1% -- which is approximately 230% of median Medicare Inpatient NPR per CMAD.
- Median Commercial Outpatient NPR per Intensity-Adjusted Visit was $215 in 2022 and $224 in 2023 -- an increase of 4.2% -- which is approximately 230% of median Medicare Outpatient NPR per Intensity-Adjusted Visit.
- OHCA will report on hospital inpatient and outpatient spending measures annually as new fiscal year Hospital Annual Financial Disclosure (HAFDR) data become available.

Inpatient NPR per CMAD= Inpatient Net Patient Revenue per Case Mix Adjusted Discharge
Outpatient NPR per IAV= Outpatient Net Patient Revenue per Intensity Adjusted Visit

Applying the Methodology and Reporting Timelines

Below is OHCA's planned annual reporting schedule. Note that data for the first enforceable target, the 2026 performance year, is submitted in Fall 2028 and reported in Spring 2029.

Measurement Period	Hospital Data Submitted	Hospital Data Reported
2022 to 2023	Fall 2025	Spring 2026
2023 to 2024	Fall 2026	Spring 2027
2024 to 2025	Fall 2027	Spring 2028
2025 to 2026	Fall 2028	Spring 2029
2026 to 2027	Fall 2029	Spring 2030

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Public Comment

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General Public Comment

Written public comment can be emailed to: ohca@hcai.ca.gov
To ensure that written public comment is included in the posted board materials, e-mail your comments at least 4 business days prior to the meeting.

HCAI
Department of Health Care Access and Information

Next Board Meeting:
May 27, 2026
10am

Location:
2020 West El Camino Ave, Conference Room 900, Sacramento, CA 95833

OHCA

Office of Health Care Affordability

Department of Health Care Access and Information

Adjournment

HCAI

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