OHCA

Office of Health Care Affordability

Department of Health Care Access and Information

Health Care Affordability Board Meeting

August 26, 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 June 24, 2026, Meeting Minutes
Vishaal Pegany

Item #4 **Action Items**

a) Spending Target Enforcement – Vote on Spending Target Penalty Scope and Range and Justification Factors
Vishaal Pegany; CJ Howard, Assistant Deputy Director

b) Spending Target Enforcement – Vote on Procedural Penalty Scope and Range and Justification Factors
Vishaal Pegany; CJ Howard

c) Vote to Appoint Advisory Committee Members to Purchaser Category
Megan Brubaker, Engagement, Governance and Policy Group Manager

Item #5 **Informational Items**

a) Spending Target Enforcement – Continued Spending Target Penalty Discussion, Including Advisory Committee Feedback
Vishaal Pegany; CJ Howard **(taken out of order)**

b) Spending Target Enforcement – Public Transparency of Enforcement and Draft Performance Improvement Plan Guidance
Vishaal Pegany; CJ Howard

c) Non-Supervisory Organized Labor Adjustment and Assessment Update and Data Collection Regulations Update, Including Advisory Committee Feedback and Public Comments
CJ Howard; Brian Kearns, Assistant Chief Counsel

Item #6 **General Public Comment**

Item #7 **Adjournment**

The agenda order is tentative and subject to change without prior notice.

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Executive Updates

Elizabeth Landsberg, Director

Vishaal Pegany, Deputy Director

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Introducing Board Member David Chase

David has served as Chief Policy and Outreach Officer at Small Business Majority since 2026, where he has held several leadership positions since joining the organization in 2010.

His previous roles include Vice President of Policy and Advocacy, Vice President of Outreach, California Director, and California Outreach Manager, reflecting extensive experience in policy and stakeholder engagement.

Prior to joining Small Business Majority, David Chase served as Special Assistant in the Office of Governor Arnold Schwarzenegger from 2006 to 2010.

David earned a Bachelor of Arts in Mass Media Communications from California State University, Sacramento.

Introducing Board Member Dr. Mikah Owen

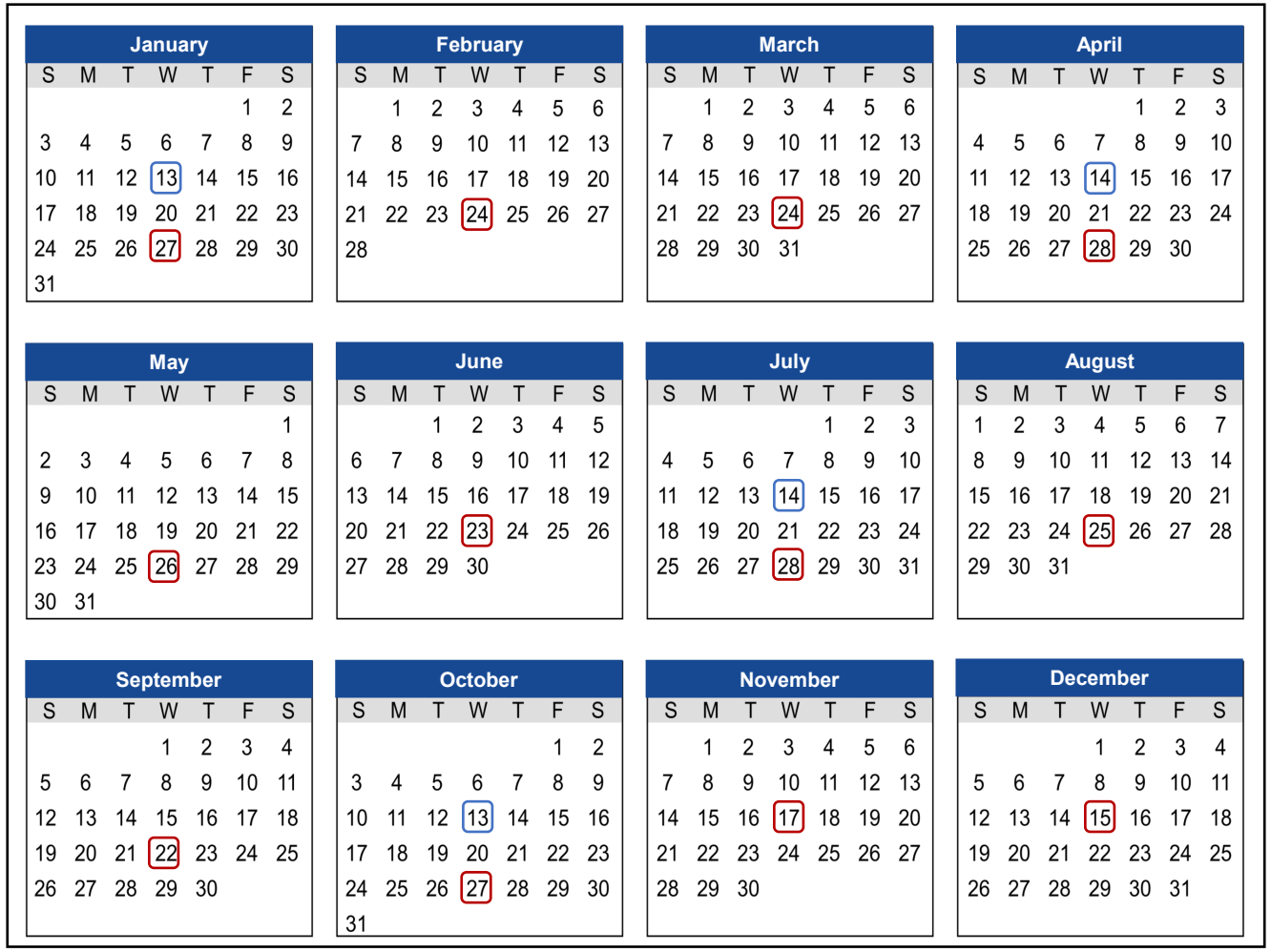
Dr. Owen has served as Director of Training and Evidence at ACE Resource Network since 2025 and as a Pediatrician at Sacramento County Youth Detention Facility since 2020.

He currently serves as Co-Principal Investigator of the UCLA-UCSF ACEs Aware Family Resilience Network, where he previously served as Senior Director of Clinical and Academic Programs.

Dr. Owen is an Executive Committee Member and Chair of the American Academy of Pediatrics, Council on Community Pediatrics, and has held faculty appointments at UC Davis and the University of Florida College of Medicine Jacksonville.

He holds an MD from UC San Francisco, MPH from UC Berkeley, MBA from Yale University, and BS in Biology from Xavier University of Louisiana.

2027 Public Meeting Calendar



Health Care Affordability Board Meetings

Wednesday, January 27
Wednesday, February 24
Wednesday, March 24
Wednesday, April 28
Wednesday, May 26
Wednesday, June 23
Wednesday, July 28
Wednesday, August 25
Wednesday, September 22
Wednesday, October 27
Wednesday, November 17
Wednesday, December 15

Health Care Affordability Advisory Committee Meetings

Wednesday, January 13
Wednesday, April 14
Wednesday, July 14
Wednesday, October 13

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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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Public Comment

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Action Consent Item: Vote to Approve June 24, 2026 Meeting Minutes

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Public Comment

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Informational Items

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Spending Target Enforcement – Continued Spending Target Penalty Discussion, Including Advisory Committee Feedback

Vishaal Pegany, Deputy Director

CJ Howard, Assistant Deputy Director

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Advisory Committee Feedback

OHCA shared information about the proposed enforcement framework, including proposed scope, range, and justification factors for spending target penalties and procedural penalties with the Health Care Affordability Advisory Committee across four meetings:

- **September 2025:** OHCA presented on potential enforcement considerations
- **January 2026:** OHCA presented on waiver of enforcement, technical assistance (TA), public testimony (PT), and performance improvement plans (PIPs).
- **April 2026:** OHCA continued its presentation on PIPs.
- **July 2026:** OHCA presented proposed penalty structures.

Advisory Committee Feedback

Theme	Feedback Summary
Potential Enforcement Considerations	• Members appreciated the inclusion of population factors like age and gender, and suggested others like race and ethnicity. • Members advocated for and against considering changes in state and federal law, like H.R.1, tariffs, and the In-Vitro Fertilization (IVF) mandate. One stated that many changes in state and federal law can be anticipated and planned for. Another stated that not factoring them in could lead to providers refusing care to certain patients or closed facilities. • A member suggested focusing OHCA's approach to high-cost drugs on a few controllable factors like formulary management or group purchasing organizations. • Members expressed concern for specific situations like rural hospitals with low patient volume and high Medi-Cal payer mix, fee-for-service payments having an advantage in the enforcement process over capitated payments. • A member recommended that OHCA limit the number of enforcement considerations and focus enforcement on entities with the biggest impact on access and affordability. • Members offered feedback on the consideration of labor contracts from non-unionized entities.
Waivers of Enforcement	• A member expressed concern about OHCA's decision to not have a waiver process at this time.
TA	• Members asked about what type of TA OHCA would provide. OHCA responded that TA would depend upon the granularity of data available and clarified that OHCA is not providing consulting services.

Advisory Committee Feedback

Theme	Feedback Summary
PIPs	• A member recommended that entities not be required to explain industry-wide cost driving factors. • A member noted that 45 days may not be enough time to develop a PIP proposal. • A member asked the office to confirm that not all entities that exceed the spending target will necessarily be required to implement a PIP. • Members advocated for public participation in the PIP evaluation process.
Penalties	• Members expressed concern that the proposed penalty structures will not motivate health care entities to change spending change behavior and make meaningful improvements. • Members expressed concern that the proposed procedural penalties are too low. • Members expressed concern that the proposed penalty structure could harm hospitals. • One member suggested that some hospitals may stop investment projects if they know large financial penalties are on the horizon. • One member noted that the “financial condition of the entity” penalty justification factor includes consideration of affiliates, subsidiaries, and more. • Members expressed concern about the calculation of the initially commensurate penalty not factoring in things like mandated spending, the recent IVF mandate, etc. • Members expressed concern about the spending target penalty double penalizing the same spending that’s counted in both a plan’s and a provider’s spending and recommended that OCHA explicitly state that it would prevent this double counting from occurring.

Advisory Committee Feedback

Theme	Feedback Summary
Penalties, continued…	• Members expressed concern that entities could avoid a spending target penalty by just paying the cheaper procedural penalties. OHCA clarified that procedural and spending target penalties could be assessed simultaneously.
General Enforcement	• Members advocated for transparency with decisions on enforcement and any data collected. • Members expressed concern about the potential that a large number of entities will exceed the target and capacity issues for OHCA.

Summary of Public Comment

Topic	Comment
Assessing Performance	• Commenters urged OHCA to consider reasonable drivers of spending growth as enforcement considerations, such as: federal and state policy changes, inflation, coverage and demographic changes, high-cost drugs, macroeconomic trends, both organized and nonorganized labor costs, impacts associated with H.R.1, rare disease care, hospital closures in a given market, new service lines, MCO Tax, public financing, and more. • Commenters urged OHCA to assess performance based on a multi-year analysis and only enforce against entities that exceed the target for both commercial and all-payer lines of business. • A commenter suggested that entities be required to provide documentation to support enforcement considerations. • A commenter stated that every enforcement consideration allowed by OHCA further worsens consumer affordability and weakens the spending growth target. • Commenters asked for consistent application of enforcement considerations framework across entities. • One commenter asked that OHCA account for Medi-Cal's distinct characteristics.

Summarized from verbal public comments given at Board meetings from July 2025-June 2026 and written public comment submitted July 2025-June 2026.

Summary of Public Comment

Topic	Comment
Waiver of Enforcement	• Commenters urged OHCA to establish a waiver process and one disagreed with OHCA's determination that implementation of a waiver of enforcement was optional. • A commenter said that OHCA's decision to not implement a waiver and instead use the enforcement considerations process to prioritize enforcement does not provide clear guidance on how prioritization would happen or how entities can prepare for this process. • A commenter recommended that waivers of enforcement be used in rare, extraordinary circumstances, such as imminent financial collapse of an entity. • A commenter said that incidents like earthquakes and fires should not be considered for blanket waivers because these events impact entities differently and are more appropriate for the enforcement consideration process.
TA	• Commenters asked that TA be actionable and tailored to entities' type and size. • A commenter asked that entities' efforts to implement TA be considered when OHCA makes decisions on enforcement. • A commenter stated that it is unclear how TA and PIPs are related and distinguished from each other, and how these tools will function in practice.

Summarized from verbal public comments given at Board meetings from July 2025-June 2026 and written public comment submitted July 2025-June 2026.

Summary of Public Comment

Topic	Comment
Public Testimony	• A commenter disagreed that PT was optional and said that each step of the progressive enforcement process is necessary. • A commenter proposed that each entity that exceeds the target be required to provide a public written statement.
PIPs	• Commenters urged OHCA to protect confidential information submitted as part of a PIP. • A commenter stated that PIPs should only be required when entities have missed the target in 3 out of 5 years. • Commenters stated that OHCA must provide a meaningful and realistic opportunity to improve via PIPs before imposing penalties. • A commenter agreed that PIPs should be forward-looking. • Commenters asked that entities be given more time to submit a PIP. • Commenters noted PIPs could move quickly and may not need a 3-year implementation. • A commenter suggested that PIPs could include improvements at the system-level. • Commenters disagreed on whether OHCA may impose penalties based on PIP milestones. • A commenter supported entities implementing multiple PIPs simultaneously.

Summarized from verbal public comments given at Board meetings from July 2025-June 2026 and written public comment submitted July 2025-June 2026.

Summary of Public Comment

Topic	Comment
PIPs	• Commenters suggested PIPs have specific required sections or a required template. • A commenter urged OHCA to make public which entities have entered into conversations with OHCA about submitting a PIP proposal. • Commenters stated that the PIP completed in Massachusetts led to workforce reductions and involved strategies focused on low-value care.
Spending Target Penalties	• A commenter argued that “commensurate” means “equal to” or “dollar-for-dollar” and “escalating” means a penalty that is more than the initially commensurate amount. • Commenters suggested that OHCA consider factors when adjusting the penalty size, such as whether the entity is part of a larger system or independent; the entity’s reserve amount; investments to reduce long-run spending; initiatives to improve access; good faith efforts to implement a PIP; and more. • Commenters argued that the proposed penalty structure would lead to large penalties that risk significant instability and the closure of services and facilities. • Commenters suggested alternative penalty approaches, such as Oregon’s penalty structure, a tiered approach with a more reasonable maximum penalty amount, or a cap on penalties at a hospital’s patient care-level of earnings.

Summarized from verbal public comments given at Board meetings from July 2025-June 2026 and written public comment submitted July 2025-June 2026.

Summary of Public Comment

Topic	Comment
Spending Target Penalties	• Commenters urged OHCA to consider a multi-year approach to enforcement. • Commenters supported the proposed penalty framework and urged OHCA to take action. • One commenter suggested that OHCA meet with hospitals quarterly or semi-annually to review cost trajectory and implement course corrections before penalties are assessed. • A commenter noted that their calculations show many hospitals will meet the target and many penalties are estimated to be less than $1,000. • A commenter asked whether OHCA would consider Medicare and Medicaid rate changes by the federal government as punishable by fines. • A commenter shared concerns about spending target enforcement pressures on construction and construction workers. • A commenter noted that there is a lengthy process prior to financial penalties.
Procedural Penalties	• A commenter stated that procedural penalties are in addition to and different from spending target penalties. • A commenter stated that the requirements of “progressive enforcement” do not apply to these types of penalties. • Commenters supported the proposed framework for procedural penalties.

Summarized from verbal public comments given at Board meetings from July 2025-June 2026 and written public comment submitted July 2025-June 2026.

Summary of Public Comment

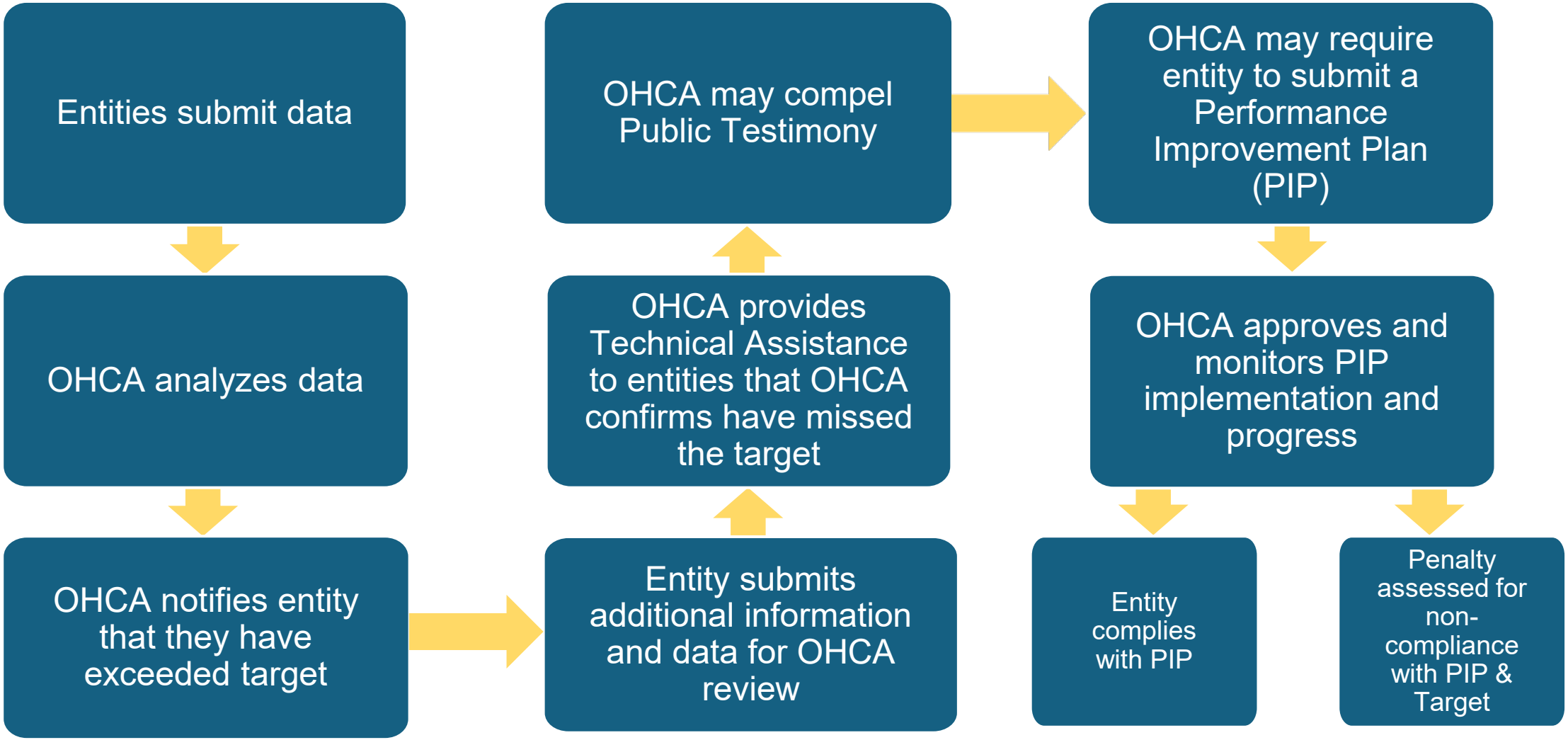
Topic	Comment
Procedural Penalties	• A commenter shared they were unsure whether the $500,000 penalty would have a sufficient deterrent effect. • A commenter argued that the proposed procedural penalties are not minor and could be well over 10% of a small hospital's revenues.
General Enforcement	• Commenters urged OHCA to ensure entities have meaningful opportunities to come into compliance with the target. • One commenter encouraged greater transparency regarding data sources, calculations, and assumptions underlying public reports. • One commenter shared concerns about OHCA's data calculations for Medicare revenues for hospital measurement. • Commenters urged that OHCA be transparent with enforcement process. • Commenters stated that hospital spending measurement and enforcement is unclear and one urged OHCA to enforce targets from the date the hospital methodology is finalized. • Commenters urged OHCA to combine the inpatient and outpatient hospital spending measurement into a single measure. • A commenter stated that when plans' prior year administrative costs and profits exceed the target, statute allows a cap on administrative costs and profits at the prior year's level.

Summarized from verbal public comments given at Board meetings from July 2025-June 2026 and written public comment submitted July 2025-June 2026.

Clarifications on Penalties

- The soonest OHCA would assess a penalty for non-compliance with the spending target is 2030 or more likely 2031 after a multi-year process to facilitate the entity to come into compliance with the spending target.
- Prior to assessing penalties, OHCA would engage with entities through technical assistance, public testimony, and performance improvement plans, which may be up to three years.
- OHCA would enforce spending targets for each year of performance discretely or individually. Each year of noncompliance could result in the requirement to implement a PIP, and the entity would have the opportunity to implement a PIP or come into compliance with the spending target to avoid spending target penalties.
- To determine the spending target penalty amount, OHCA would calculate the initially commensurate penalty amount and then adjust that amount based upon penalty justification factors.
- Penalty justification factors would allow OHCA to consider factors like changes in state and federal policy, financial distress or large reserves, affiliated entities, and more, when determining the final penalty amount.
- Entities that fail to submit a PIP proposal or fail to implement a PIP and fail to come into compliance with the spending target could be assessed a spending target penalty *and* a procedural penalty.
- The Health Care Affordability Board can make changes to the penalty scope and range and penalty justification factors in the future.

OHCA Progressive Enforcement Process



See Health and Safety Code Section 127502.5 for full statutory text on OHCA's progressive enforcement process.

Spending Target Penalty Timeline

	2026	2027	2028	2029	2030	2031	2032
2025-2026	Exceeds Target	Data Reported in September	**PIP Development January-June** **~2.5 Year PIP Begins in July**	**PIP Implementation**	**PIP Ends ~December** **Entity noncompliant with PIP *AND* does not meet Target**	**Penalty Assessed Against 2026 Spending Year (Fall/Winter)**	
2026-2027	Exceeds Target	Data Reported in September	**PIP Development January-June** **~1.5 Year PIP Begins in July**	**PIP Ends ~December** **Entity noncompliant with PIP *AND* does not meet Target**	**Penalty Assessed Against 2027 Spending Year (Fall/Winter)**	**Depending upon PIP duration, penalty may be assessed in 2032**	

Health & Safety Code § 127502.5

Next Steps: Enforcement Process Implementation Timeline

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Action Item: Vote on Spending Target Penalty Scope and Range and Justification Factors

Vishaal Pegany, Deputy Director

CJ Howard, Assistant Deputy Director

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OHCA's Recommendation: Spending Target Penalties

OHCA recommends that the Scope and Range of spending target penalties under Health and Safety Code section 127502.5 (a)(4) be:

> An amount that is initially commensurate with the failure of the health care entity to meet a spending target. The initially commensurate amount is the difference between a health care entity's actual spending and the spending if the target had been met. The range of penalties assessed shall be between of 0% and 125% of the initially commensurate amount after applying the penalty justification factors.

OHCA recommends the penalty justifications factors be as listed in Health and Safety Code section 127502.5 (d):

> (3) The related provision of nonfederal share associated with Medi-Cal reimbursement.
> (6)(A) The nature, number, and gravity of the offenses.
> (6)(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.
> (6)(C) The market impact of the entity.

Board Discussion History

The following slides are a summary of spending target discussions held over the last 13 months regarding progressive enforcement of health care spending targets, including enforcement considerations, technical assistance, public testimony, PIPs, and penalties.

At the July 2025 Health Care Affordability Board meeting, OHCA introduced the topic of spending target enforcement and focused on potential enforcement considerations.

- OHCA discussed enforcement-related excerpts from statute, shared a flowchart describing the overall spending target enforcement process, and described the difference between enforcement considerations for determining which entities should proceed with progressive enforcement and reasonable factors related to a waiver of enforcement.
- OHCA also shared summary information from discussions with 8 stakeholders (health plans, physician organizations, hospitals, and consumer advocates) on high-cost drugs as a mitigating enforcement consideration for exceeding the spending target.
- The Board urged OHCA to limit or narrow enforcement considerations and cautioned against the use of blanket waivers of enforcement.
- A board member noted that the impact of high-cost drugs would likely be system-wide and may warrant adjustments to spending targets rather than consideration for enforcement.

Board Discussion History

At the August 2025 Health Care Affordability Board meeting, OHCA returned to the topic of enforcement considerations and assessing performance.

- OHCA shared a list of potential enforcement considerations and provided detailed information about each of the following:
  - Population Characteristics
  - High-Cost Patient Outliers
  - Historical Spending Growth
  - Impact on Consumer Access and Affordability
  - Investments in Primary and Preventative Care
  - Entity Baseline Costs
  - High-Cost Drugs
  - Changes in State and Federal Law
  - Acts of God or Catastrophic Events
- The Board provided feedback on potential enforcement considerations, including:
  - Support for encouraging investments in primary care.
  - Support for prioritization of enforcement with larger entities, entities that exceed the target by the largest amount, or entities that start at a higher baseline compared to others.
  - Support for giving entities opportunities to explain costs.

Board Discussion History

At the October 2025 Health Care Affordability Board meeting, OHCA presented on waivers of enforcement, technical assistance (TA), and public testimony (PT).

- OHCA presented on proposed frameworks for TA, PT, and shared a decision to not implement the statutorily optional waiver of enforcement at this time given the same factors would be considered.
- Board members discussed the differences between TA and performance improvement plans (PIPs) and asked about requirements to implement TA. OHCA clarified that TA will include general guidance, but entities are not required to implement TA. Entities could use relevant strategies in TA as part of a PIP.
- A Board member stated they would like to see PT from prioritized entities.
- Board members stated that compelling PT may be unhelpful and without purpose.
- A Board member stated that obtaining information through the enforcement process is better than through a potential waiver process.

Board Discussion History

At the December 2025 Health Care Affordability Board meeting, OHCA introduced the topic of PIPs.

- OHCA presented on PIP programs from Massachusetts and Oregon and shared a proposed PIP process.
- OHCA noted that PIPs are not developed by OHCA staff – entities are responsible for developing a proposed PIP that will be evaluated and approved by OHCA.
- Board members shared concerns about entities using PIPs to avoid accountability.

At the January 2026 Health Care Affordability Board meeting, OHCA returned to the topic of PIPs and provided some clarifications to members' comments made at the December Board meeting.

- OHCA clarified that entities will be given an opportunity to come into compliance with the target via PIPs before being assessed spending target penalties.
- OHCA shared information about savings achieved by a PIP implemented in Massachusetts.
- Board members noted the need to ensure PIPs are robust, designed to meet the spending targets, and that PIPs should not allow entities to delay compliance with targets.

Board Discussion History

At the March 2026 Health Care Affordability Board meeting, OHCA returned to the topic of PIPs and presented on OHCA's proposed PIP contents, process for monitoring PIPs for compliance, and evaluation of a PIP after its conclusion.

- OHCA noted that PIPs would likely include a variety of sections, including SMART goals, assessment plans, and a description of how cost reductions will maintain or improve access, quality, equity, and workforce stability.
- OHCA proposed that entities would be required to submit progress reports and a final report.
- Board members shared concerns about the ability of PIPs to control growth trends and prevent entities from growing from a higher baseline due to excess growth not recovered by a penalty.
    - OHCA informed the Board that PIPs are intended to bring entities into compliance with the spending target. For entities with historically high spending or growth rates, the Board can consider setting sector targets for those entities.

Board Discussion History

At the April 2026 Health Care Affordability Board meeting, OHCA introduced the topic of spending target penalties.

- OHCA clarified that PIPs are focused on bringing entities into compliance with future targets.
- OHCA proposed a two-step process for calculating spending target penalties, beginning with the initially commensurate penalty and making adjustments based on a variety of factors listed in Health and Safety Code section 127502.5 (d)(6).
- Board members recommended milestones for PIPs so OHCA could respond to noncompliance with a PIP earlier in the enforcement process.
- Board members shared concern about entities growing from a higher baseline.

At the May 2026 Health Care Affordability Board meeting, OHCA returned to the topic of spending target penalties.

- OHCA clarified that it would enforce against each performance year individually and that spending target penalties would be assessed against the year that prompted enforcement.
- OHCA proposed limiting consideration of penalty justification factors to only those listed in statute as they reflect a variety of factors applicable to all health care entities, including repeated offenses, state or federal law changes, investments in primary care, etc. OHCA provided illustrative examples of the way the penalty justification factors can be applied to the specific facts or circumstances of each entity.
- Board members again recommended milestones for PIPs and again shared concern about entities growing from a higher baseline.

Board Discussion History

At the June 2026 Health Care Affordability Board meeting, OHCA returned to the topic of spending target penalties and introduced the topic of proposed procedural penalties.

- OHCA reviewed the recommended approach to spending target penalties, clarified that OHCA can assess penalties on missed PIP milestones, and introduced a recommended range of up to 125% of the initially commensurate excess growth.
- Some Board members shared that they were generally supportive of the proposed framework and range; one noted that the Board may need to change the range after seeing initial results.
- A Board member shared concern that a penalty range maximum of 125% may not be high enough.
- Board members asked if the penalty range could be set at a minimum and maximum amount. OHCA clarified that the recommended range is “up to 125%” which means 0-125%.
- A Board member advocated for changing the proposed range to 0-125% instead of “up to 125%.”

Draft Motion for Spending Target Penalties Scope and Range

The Scope and Range of spending target penalties under Health and Safety Code section 127502.5 (a)(4) shall be:

An amount that is initially commensurate with the failure of the health care entity to meet a spending target. The initially commensurate amount is the difference between a health care entity's actual spending and the spending if the target had been met. The range of penalties assessed shall be between of 0% and 125% of the initially commensurate amount after applying the penalty justification factors.

Draft Motion for Spending Target Penalties Justification Factors

The Board approves consideration of one or more of the following factors to determine the appropriate administrative penalty amount assessed pursuant to Health and Safety Code section 127502.5:

1. The nature, number, and gravity of the offenses.
2. 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.
3. The market impact of the entity.
4. The related provision of nonfederal share associated with Med-Cal reimbursement.

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Action Item: Vote on Procedural Penalty Scope and Range and Justification Factors

Vishaal Pegany, Deputy Director
CJ Howard, Assistant Deputy Director

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OHCA's Recommendation: Procedural Penalties

OHCA recommends the following scope and range for administrative penalties pursuant to HSC section 127502.5 (h)(1):

A penalty of up to $10,000 per day for:

- (h)(1)(B) Repeatedly neglecting to file a performance improvement plan with the office.
- (h)(1)(C) Repeatedly failing to file an acceptable performance improvement plan with the office.
- (h)(1)(E) Knowingly failing to provide information required by this section to the office.

A one-time flat penalty of up to $500,000 per violation for:

- (h)(1)(D) Repeatedly failing to implement the performance improvement plan.
- (h)(1)(F) Knowingly falsifying information required by this section.

OHCA's Recommendation: Procedural Penalties

OHCA recommends no additional penalty justifications factors beyond what is listed in Health and Safety Code section 127502.5 (d):

(3) The related provision of nonfederal share associated with Medi-Cal reimbursement.
(6)(A) The nature, number, and gravity of the offenses.
(6)(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.
(6)(C) The market impact of the entity.

Board Discussion History

At the June 2026 Health Care Affordability Board meeting, OHCA returned to the topic of spending target penalties and introduced the topic of proposed procedural penalties.

- OHCA proposed two penalty structures for different violations under HSC § 127502.5(h)(1).
- Board members asked and OHCA confirmed that the purpose of procedural penalties are to ensure entities are unable to avoid compliance with the target and the enforcement process.
- Board members asked and OHCA confirmed that penalties for failing to comply with the PIP are intended for entities who are not adhering to the process rather than those who attempt in good faith but do not achieve the results.
- Board members asked and OHCA confirmed that procedural penalties can be assessed in addition to spending target penalties.
- A Board member wondered whether the maximum of $500,000 was sufficient for a violation related to falsifying information.

Draft Motion for Procedural Penalties Scope and Range

The Scope and Range of procedural penalties under Health and Safety Code section 127502.5 (h)(1) shall be the following:

A penalty of up to $10,000 per day for:

- (h)(1)(B) Repeatedly neglecting to file a performance improvement plan with the office.
- (h)(1)(C) Repeatedly failing to file an acceptable performance improvement plan with the office.
- (h)(1)(E) Knowingly failing to provide information required by this section to the office.

A one-time flat penalty of up to $500,000 per violation for:

- (h)(1)(D) Repeatedly failing to implement the performance improvement plan.
- (h)(1)(F) Knowingly falsifying information required by this section.

Draft Motion for Procedural Penalties Justification Factors

The Board approves consideration of one or more of the following factors to determine the appropriate administrative penalty amount assessed pursuant to Health and Safety Code section 127502.5:

1. The nature, number, and gravity of the offenses.
2. 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.
3. The market impact of the entity.
4. The related provision of nonfederal share associated with Med-Cal reimbursement.

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Public Comment

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Action Item: Vote to Appoint Advisory Committee Members to Purchaser Category

Megan Brubaker, Engagement, Governance, and Policy Group Manager

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Current Advisory Committee Members

Payers

Kassie Maroney - Senior Vice President, Underwriting and Analytics, Chief Actuary, Blue Shield of California

Manan Shah
Vice President & General Manager, Commercial Business, Elevance Health/Anthem Blue Cross of California

Andrew See
Senior Vice President, Chief Actuary, Kaiser Foundation Health Plan

Hospitals

Barry Arbuckle
Executive Chairman of Health Systems, MemorialCare Health System

Tam Ma
Associate Vice President, Health Policy and Regulatory Affairs, University of California Health

Travis Lakey
Chief Financial Officer, Mayers Memorial Hospital District

Iftikhar Hussain (formerly purchaser)
Chief Financial Officer, Salinas Valley Health

Medical Groups

Hector Flores
Medical Director, Family Care Specialists Medical Group

Magdalena Pruitt
Chief Medical Officer, Senior Vice President, AltaMed Health Services

David Joyner
Chief Executive Officer, Hill Physicians Medical Group

Physicians

Katina Murray
Associate CMO, USC Care; Vice Chair Clinical Affairs, Dept Family Medicine, Keck Medicine of USC

Michael Weiss
Vice President, Population Health, Children's Hospital of Orange County

Sumana Reddy
President, Acacia Family Medical Group

Purchasers

(Temporarily held by Ken Stuart) - Open for special recruitment

(Temporarily held by Suzanne Usaj) - Open for special recruitment

Vacant- Open for special recruitment

Health Care Workers

Stephanie Cline
Respiratory Therapist, Kaiser

Sarah Soroken
Mental Health Clinician, Solano County Mental Health

Cristina Rodriguez
Physician Assistant, Altura Centers for Health

Consumer Representatives & Advocates

Carolyn Nava
Senior Systems Change, Disability Action Center

Mike Odeh
Senior Director of Health, Children Now

Kiran Savage-Sangwan
Executive Director, California Pan-Ethnic Health Network (CPEHN)

Amanda McAllister-Wallner
Executive Director, Health Access

Nancy Netherland*
Senior Specialist, Family Voices of America

Organized Labor

Joan Allen
Government Relations Advocate, SEIU United Healthcare Workers West

Mike Rabourn*
Assistant Director of Research, California Nurses Association/National Nurses United

Janice O'Malley
Legislative Advocate, American Federation of State, County and Municipal Employees

Kati Bassler
Campaign Director, California Federation of Teachers, Salinas Valley

Others

Stephen Shortell
Professor, UC Berkeley School of Public Health

Sean Kim
Vice President Practice & Professional Development, California Pharmacist Association

Notice of Member Position Change

- Beginning September 2026, Janice O'Malley will no longer be the Legislative Advocate for American Federation of State, County and Municipal Employees.
- Janice's new position with be Lead Legislative Advocate for California Nurses Association.
- The office intends to convene the subcommittee to discuss this further.

Purchaser Special Recruitment Applicant Pool

OHCA received a total of 9 submissions to fill 3 vacancies. Of the 9 submissions:

- 2 incumbents reapplied and the Board appointed them in June to a limited term to allow for a special recruitment for purchasers.
- 5 submissions received on or before March 2026. All 5 reapplied during the special recruitment window.
- 2 additional submissions received during the special recruitment window between June and July.

Of the 9 submissions received, only 3 applicants had relevant purchaser experience.

Subcommittee Recommendations

1. Reappoint 2 incumbents: Kent Stuart and Suzanne Usaj for the remainder of a two-year term ending June 30, 2028.
2. Appoint 1 new member: Laura Josh for the remainder of a two-year term ending June 30, 2028.

Recommended Advisory Committee Members – 30

Payers

Kassie Maroney - Senior Vice President, Underwriting and Analytics, Chief Actuary, Blue Shield of California

Manan Shah
Vice President & General Manager, Commercial Business, Elevance Health/Anthem Blue Cross of California

Andrew See
Senior Vice President, Chief Actuary, Kaiser Foundation Health Plan

Hospitals

Barry Arbuckle
Executive Chairman of Health Systems, MemorialCare Health System

Tam Ma
Associate Vice President, Health Policy and Regulatory Affairs, University of California Health

Travis Lakey
Chief Financial Officer, Mayers Memorial Hospital District

Iftikhar Hussain (formerly purchaser)
Chief Financial Officer, Salinas Valley Health

Medical Groups

Hector Flores
Medical Director, Family Care Specialists Medical Group

Magdalena Pruitt
Chief Medical Officer, Senior Vice President, AltaMed Health Services

David Joyner
Chief Executive Officer, Hill Physicians Medical Group

Physicians

Katina Murray
Associate CMO, USC Care; Vice Chair Clinical Affairs, Dept Family Medicine, Keck Medicine of USC

Michael Weiss
Vice President, Population Health, Children's Hospital of Orange County

Sumana Reddy
President, Acacia Family Medical Group

Purchasers

Laura Josh
General Manager, California Schools Voluntary Employees Beneficiary Association (CalVEBA)

Ken Stuart
Chairman, California Health Care Coalition

Suzanne Usaj
Senior Principal, Health and Benefits, Mercer

Health Care Workers

Stephanie Cline
Respiratory Therapist, Kaiser

Sarah Soroken
Mental Health Clinician, Solano County Mental Health

Cristina Rodriguez
Physician Assistant, Altura Centers for Health

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Kati Bassler
Campaign Director, California Federation of Teachers, Salinas Valley

Others

Stephen Shortell
Professor, UC Berkeley School of Public Health

Sean Kim
Vice President Practice & Professional Development, California Pharmacist Association

= Reappointed Incumbents
= New Appointments

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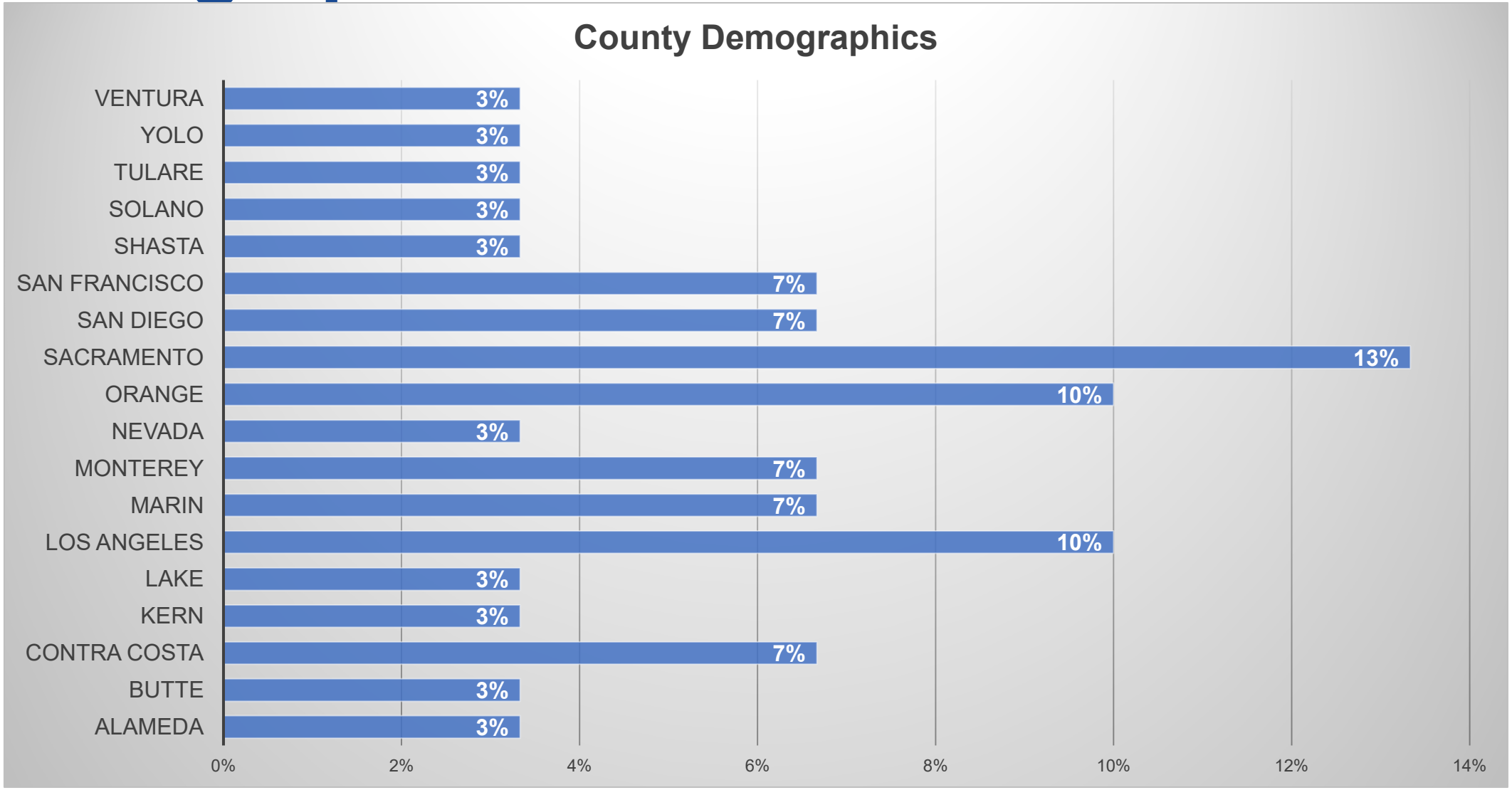
Department of Health Care Access and Information

Demographics of Recommended Slate



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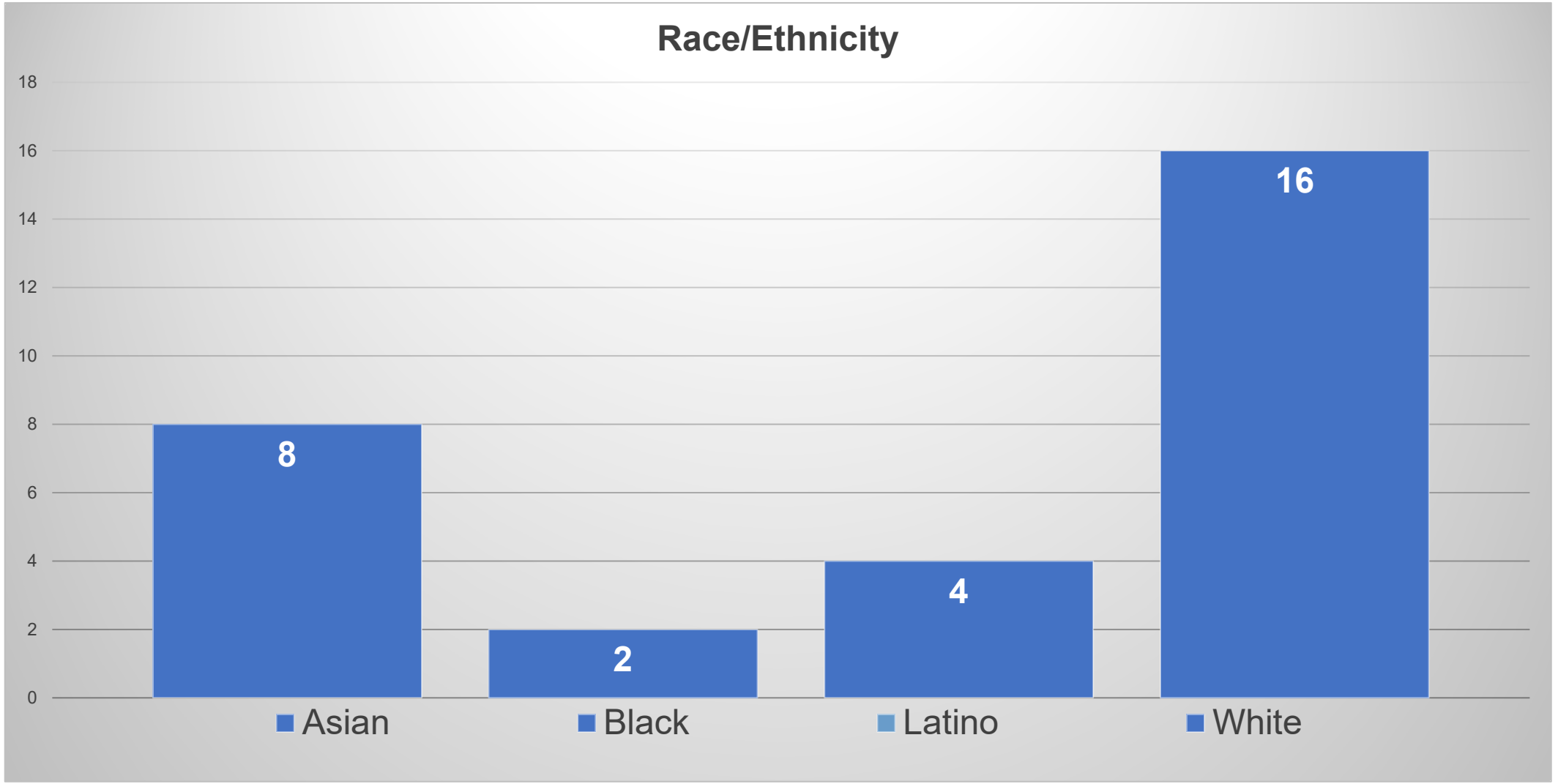
Demographics of Recommended Slate*



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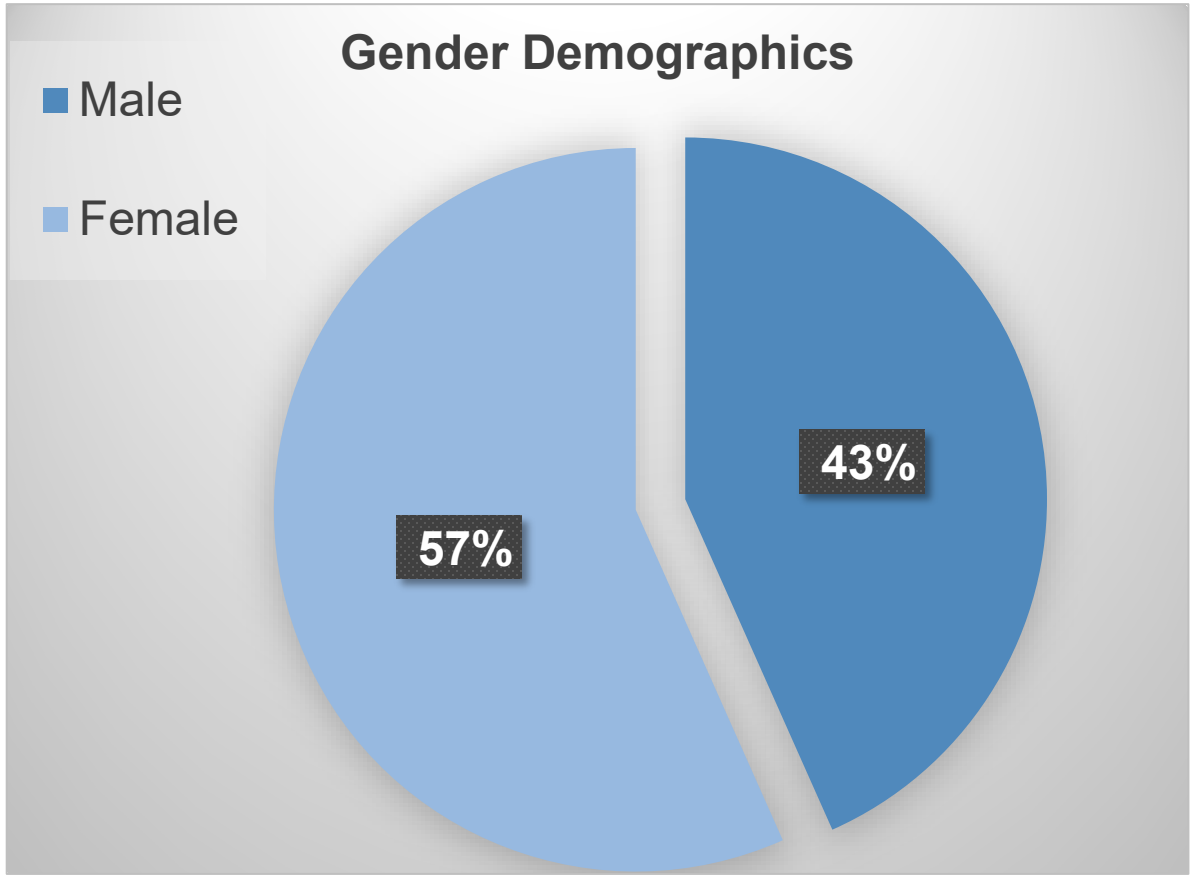
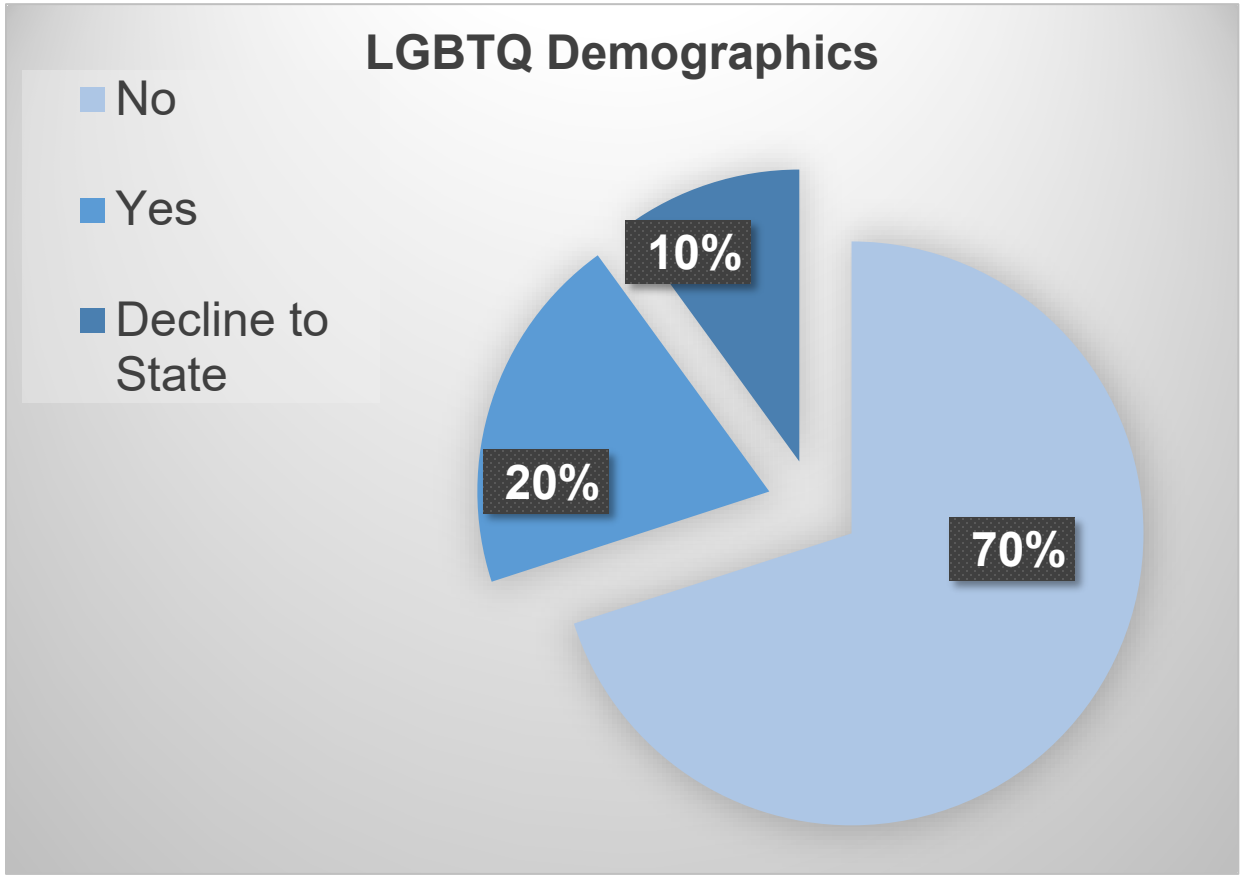
Demographics of Recommended Slate





Next Steps

OHCA will reach out to the approved Advisory Committee members to inform them of their appointment. The new members will attend their first Advisory Committee meeting on October 14, 2026.

Draft Motion from the Subcommittee

Appoint Ken Stuart, Suzanne Usaj, and Laura Josh to the Advisory Committee to represent Purchasers for two-year terms ending June 30, 2028.

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Public Comment

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Informational Items

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Spending Target Enforcement – Public Transparency of Enforcement and Draft Performance Improvement Plan Guidance

Vishaal Pegany, Deputy Director

CJ Howard, Assistant Deputy Director

HCAI

Department of Health Care Access and Information

Statute – Enforcement Transparency

127502.5(c)(1-2)

(1) The office shall make public **the extent to which the health care entity exceeded the target.**

(2) The office shall publicly post **the identity of a health care entity** implementing a performance improvement plan **and, at a minimum, a detailed summary of the entity's compliance** with the requirements of the performance improvement plan while the plan remains in effect...

127501.6(b)(2)

(2) The **annual report** shall include all of the following: …

(F) **Performance improvement plans required, administrative penalties imposed and assessed**, and the amount returned to consumers and purchasers, if any.

(G) **A summary of best practices** for improving affordability while maintaining access, quality, and equity of care, as well as any concerns regarding impacts on the health care workforce stability and training needs of health care workers, as feasible.

Statute – Enforcement Transparency

127501.11(c)(4-5)

(c) The **director shall present to the board** for discussion all of the following: ….

(4) **Review and input on performance improvement plans** prior to approval, including delivery of **periodic updates about compliance with performance improvement plans** to inform any adjustment to the standards for imposing those plans.

(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.

127502.5(h)(2)

(2) The director may call **a public meeting to notify the public about the health care entity's violation** and declare the entity as imperiling the state's ability to monitor and control health care cost growth.

Considerations for Enforcement Transparency

- The process needs to meet statutory requirements.
- Public presentations on enforcement to the Board and Advisory Committee are opportunities for public transparency and engagement.
- Stakeholders are interested in opportunities to provide comment during the enforcement process.
- OHCA needs to finalize performance determinations following the 45 day-notice period prior to making enforcement decisions public. This gives entities the opportunity to provide additional information to explain or correct spending data, per Health and Safety Code (HSC) section 127502.5.(b)(2) and (3).
- Unless otherwise permitted under its statute, OHCA will confidentially treat all nonpublic information or documents collected during progressive enforcement in the interest of protecting entities' trade secrets, privacy, or other legally protected information, per HSC section 127502.5(c)(4).

Recommendations for Enforcement Transparency

What information will be made public?

Step in Enforcement Process	What will be shared
End of 45-day period for submission of additional information	1. A list of entities that exceeded the target and the extent to which they exceeded the target 2. TA letter templates (without entity-specific information) Note: OHCA will make this information public prior to final decisions on which entities are moved forward in the progressive enforcement process
Notices sent to entities required to submit PIP Proposals	A list of entities required to implement a PIP
PIP Proposals received	PIP Proposals (without confidential information or attachments)
PIP Proposals approved	Approved PIPs (without confidential information or attachments)
PIP progress reports and final progress report evaluated	Summaries of PIP compliance
Assessment of penalties	A list of entities with penalties and any funds returned to consumers

Recommendations for Enforcement Transparency

How will information be made public?

- Enforcement webpage with:
  - List of entities that exceeded target and to what extent
  - TA letter templates
  - Entities required to implement PIP, PIP proposals, approved PIPs, and summaries of PIP compliance
  - Entities with penalties
  - Annual reports

- Via the annual report
  - Entities required to implement PIP
  - Entities with penalties

- Via Board and Advisory Committee meetings- Various updates on enforcement process

Discussion: Enforcement Transparency

Does the Board have any input on OHCA's proposed process for spending target enforcement transparency?

PIP Guidance

- OHCA will provide entities required to submit a PIP proposal with a guidance describing a PIP's required content, submission instructions, and how PIPs will be monitored for compliance.

- The PIP Guidance is divided into nine sections (A-I) and includes one appendix (Appendix A):
  - Section A: Introduction
  - Section B: Submission Instructions
  - Section C: Extension Requests
  - Section D: PIP Content Requirements
  - Section E: Evaluation of PIP Proposal
  - Section F: Progress Reports
  - Section G: Final Progress Report
  - Section H: Evaluation of Final Progress Report
  - Section I: OHCA Contact Information
  - APPENDIX A: PIP Attestation

PIP Guidance

Sections A: Introduction, B: Submission Instructions, and C: Extension Requests

- PIP Proposals are due within 45 calendar days of the date of OHCA's notice that a PIP is required.
- PIP Proposals are submitted via email. The PIP Guidance provides submission instructions for formatting, emails, and requests to treat documents or information as confidential.
- Entities may request via email one extension of up to 30 calendar days. Requests must include an explanation for the need of an extension.

PIP Guidance

Section D: PIP Content Requirements

Requirement	Description
1. Contacts	Provide information for at least two staff responsible for PIP implementation, including name, title, brief description of role, email address, phone number, and business mailing address.
2. Brief Summary	Provide a brief summary of your PIP, including goals and strategies, and implementation period start and end dates. This summary may be presented in a public meeting of the Health Care Affordability Board, including prior to approval, posted on the OHCA website, or included in an annual report on California's health care spending growth.
3. Reasons for Spending Growth	Identify and explain key causes of spending growth. Provide data and evidence to support your response.

PIP Guidance

Section D: PIP Content Requirements

Requirement	Description
4. Goals, Activities, and Milestones	Identify goals that are likely to reduce spending to bring the entity into compliance with the spending target. Each goal must have a rationale and follow the SMART Goal framework (goals must be specific, measurable, achievable, relevant, and time-bound). Each goal must describe the specific activities necessary to meet the goals and include milestones to be reported on in each progress report. See table below for more information about SMART measures.

S	**Specific**	The goal shall have a specific identified accomplishment. The desired accomplishment cannot be general or vague.
M	**Measurable**	The goal shall have identified measures or ways of tracking progress and accomplishment.
A	**Achievable**	The goal shall be attainable and realistic.
R	**Relevant**	The goal shall be related to your causes for spending growth and shall contribute to coming into compliance with the spending growth target.
T	**Timebound**	The goal shall have a specific timeframe and have an identified expected date of accomplishment.

PIP Guidance

Section D: PIP Content Requirements

Requirement	Description
4. Goals, Activities, and Milestones	Example: SMART Goal – description of goal following the SMART Goal framework 1. Rationale for choosing this goal 2. Strategy 1 – strategy to meet the goal a. Activity A – specific activity to implement strategy 1 by X deadline with milestones at X deadlines b. Activity B - specific activity to implement strategy 1 by X deadline with milestones at X deadlines 3. Strategy 2 – strategy to meet the goal a. Activity A – specific activity to implement strategy 2 by X deadline with milestones at X deadlines b. Activity B - specific activity to implement strategy 2 by X deadline with milestones at X deadlines

PIP Guidance

Section D: PIP Content Requirements

Requirement	Description
5. Affordability for Consumers and Purchasers	Describe in detail how each goal should positively impact affordability for consumers and purchasers. Lower spending from PIP goals, whether through changes in utilization and/or pricing, should not solely reduce internal operating expenses for the health care entity but positively impact affordability for consumers and purchasers. As relevant and applicable, disaggregate savings from PIP goals by payer market, line of business, and product type, and include specifics about the impact of PIP goals on unit costs.
6. Assessment Plan	Describe in detail how progress will be measured for goals, activities, and milestone. The assessment plan must: a) Include specific metrics and specific data sources to be used in progress reports and the final progress report. b) Define key terms c) Propose SMART (specific, measurable, achievable, relevant, and timebound) measures. See table above (under Section D4 “Goals, Activities, and Milestones”) for more information about SMART goals.

PIP Guidance

Section D: PIP Content Requirements

Requirement	Description
7. Balancing Measures	Describe in detail how the PIP proposal will comply with the statutory requirement to not erode access, quality, equity, or workforce stability. Include mitigation strategies and specific balancing metrics that will be tracked internally. Performance on balancing metrics must be provided to OHCA in progress reports and the final report.
8. Sustainability	Describe in a detailed narrative response how achieved goals will be sustained in future years to comply with the spending target.
9. Other State Agencies	If your PIP goals are related to, or otherwise impacted by, obligations or requirements monitored or enforced by other state regulators, clearly identify the relevant regulator(s) and describe the relationship or impact.
10. Implementation Timeline	Develop a detailed timeline on PIP implementation that includes deadlines for goals, activities, and milestones. The PIP timeline must include progress reports, meetings with OHCA at a minimum cadence of every 6 months, and the final report. The proposed PIP implementation timeline must not exceed three years.

PIP Guidance

Section D: PIP Content Requirements

Requirement	Description
11. PIP Attestation	Sign and submit the affidavit of truthfulness and good faith implementation with PIP proposal (see Appendix A for PIP Attestation). *"Your organization is required to submit a signed affidavit of truthfulness and good faith implementation upon submission of a final PIP proposal, signed by an individual with authority to bind the health care entity to a good faith implementation of the PIP. …* *1. I have read OHCA's regulations … and the PIP guidance document incorporated by reference into those regulations.* *2. I have read the attached PIP proposal with any and all attachments and certify that the information contained therein is accurate and true.* *3. Should the PIP proposal be approved by OHCA, the identified organization will implement and execute all components of the PIP and reporting requirements in good faith."*

PIP Guidance

- **Section E: Evaluation of PIP Proposal**
  - OHCA will acknowledge receipt of proposal within 5 business days
  - Proposals will be evaluated based upon multiple considerations, including but not limited to:
    - Is the proposal complete with all required components?
    - Is the proposal more likely than not to ensure the entity meets future spending targets?
    - Is the proposal likely to positively impact affordability for consumers and purchasers?
    - Does the proposal adequately mitigate negative consequences on access, quality, equity, or workforce stability?
    - Is the proposal more likely than not to be completed within the proposed timeline, which is not to exceed three years?
    - Does the assessment plan, progress reports, and final report enable OHCA to evaluate and verify progress and achievement of goals, activities, and milestones?
  - OHCA will review the PIP proposal and obtain any necessary input from the Health Care Affordability Board and other state regulators. If OHCA requires additional information during its review or determines that revisions to the proposal are necessary, it will submit a request to the staff identified in Section D along with a deadline for production.

PIP Guidance

Section F: Progress Reports

- Entities must submit a progress report via email at a minimum of every 6 months. Extension requests will be evaluated on a case-by-case basis.
- OHCA will acknowledge receipt of progress reports within 5 business days.
- Progress reports will include the following:
    1. **Summary of Performance:** A brief summary update on the PIP which may be publicly reported.
    2. **Progress on Outcomes:** Updates on progress toward SMART goals, activities, and milestones.
    3. **Timeline Updates:** An updated timeline with completed goals, activities, meetings, reports, etc.
    4. **Barriers or Delays:** Updates on barriers or delays that may impact PIP goals.
- OHCA will review progress reports and determine if a modification is necessary. OHCA's determination to not require modifications or object to any information contained in a PIP shall not constitute approval of performance or determination of compliance.

PIP Guidance

Section G-H: Final Progress Report and Evaluation of Final Progress Report

- Entities must submit a final progress report via email within 45 calendar days of the end of a PIP's implementation. Extension requests will be evaluated on a case-by-case basis.
- OHCA will acknowledge receipt of progress reports within 5 business days.
- Final Progress reports will include the following:
  1. **Summary of Performance:** Include a brief summary of PIP performance, including but not limited to: goals and/or activities achieved or not achieved, outcomes of balancing measures, and whether spending targets were met or exceeded. This summary may be publicly reported.
  2. **Outcomes:** Provide detailed information in the final progress report on outcomes for goals, including specific information about each activity. Clearly state whether each goal and/or activity was achieved or not achieved and include supporting data and information.
  3. **Lower Costs for Consumers:** Provide supporting data and information about how the PIP positively impacted affordability for consumers and purchasers.
  4. **Balancing Measures:** Provide detailed information on outcomes related to strategies that mitigated negative consequences to access, quality, equity, and workforce stability.
  5. **Sustainability:** Provide detailed information on steps taken to ensure compliance with future year spending targets.

PIP Guidance

Section G-H: Final Progress Report and Evaluation of Final Progress Report

- OHCA will evaluate entities' performance based on one or more factors, including but not limited to, as applicable:
  - Is the final progress report complete with all required components?
  - Did the entity achieve the PIP's goals?
  - Did the entity implement the planned strategies?
  - Did the entity mitigate negative consequences on access, quality, equity, or workforce stability?
  - Did the entity take steps to ensure achieved goals or efficiencies will be sustained in future years to maintain compliance with the spending target(s)?
  - Did the entity comply with the PIP proposal's timeline?
  - How do reported outcomes compare with relevant data recently submitted as part of OHCA's data collection to support the annual report and compliance with the spending target(s)?
- OHCA will review the final progress report to determine compliance with the PIP. If OHCA requires additional information during its review, it will submit a request to the staff identified in Section D along with a deadline for production. OHCA will notify entities of its final findings regarding compliance with the PIP, which will also be provided to the Board and the public during Board meetings. PIP evaluations may also be posted on OHCA's website and included in annual reporting.

Spending Target Enforcement and PIP Guidance Workshops

- OHCA held 4 large-group workshops in June and July 2026
  - Health Plans and Plan Associations
  - Physician Organizations and PO Associations
  - Patient and Consumer Advocates, Labor Groups, and Purchasers
  - Hospitals and Hospital Associations

- OHCA sought feedback and on the proposed spending target enforcement process and the draft PIP Guidance

Summary of Workshop Feedback

Topic	Feedback
Assessing Performance	• Provide more guidance on what each enforcement consideration means and how it will be applied. • Financial risk-sharing arrangements between POs and health plans should be explicitly listed as an enforcement consideration. • Consider multiple years of spending when determining whether to move forward with enforcement or assess penalties. • Consider only enforcing when a hospital exceeds the target on both commercial and all-payer lines of business.
Technical Assistance (TA)	• Allow time to implement technical assistance.
Performance Improvement Plans (PIPs)	• Provide more guidance on how PIPs focused on Medicare Advantage or Medi-Cal lines of business would respond to the consumer affordability question. • Allow more time to develop PIP proposal and final progress report. • Provide more guidance about how coordination between entities, OHCA, and other regulators like DHMC or CDI will work.

Summary of Workshop Feedback

Topic	Feedback
Performance Improvement Plans (PIPs)	• Provide more information about what information submitted as part of the PIP will be made public. • Consider changes to the PIP Guidance that cover PO-specific situations, like how IPA-style delegated models would demonstrate cost savings or how savings are passed on to consumers. • Consider changes to language in Section D.7 "Balancing Measures“ of the Guidance - change the framing to include positive impacts to access, equity, etc. • Think more about how to help entities with workforce stability; the current standards have a heavy focus on nurses and less on other roles. • Think more about how APM benchmarks can be incorporated into PIPs for payers and possibly other entities. • Provide entities with example PIP strategies that it would approve.
Penalties	• Reconsider and/or clarify how it measures hospital spending and how it would calculate hospitals’ penalties.

Discussion: Draft PIP Guidance

Does the Board have any input on OHCA's draft PIP Guidance?

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Public Comment

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Non-Supervisory Organized Labor Adjustment and Assessment Update and Data Collection Regulations Update

CJ Howard, Assistant Deputy Director
Brian Kearns, Assistant Chief Counsel

HCAI
Department of Health Care Access and Information

Statute

127502 (c)(7)

The health care cost targets shall… Be adjusted for a provider or fully integrated delivery system's cost target, as appropriate upon a showing that **nonsupervisory employee organized labor costs are projected to grow faster than the rate of any applicable cost targets**.

127502 (d)(7)

The methodology shall **require the board to adjust cost targets** for a provider or a fully integrated delivery system as appropriate **to account for actual or projected nonsupervisory employee organized labor costs**, including increased expenditures related to compensation. For an adjustment to be effectuated, the provider, the fully integrated delivery system, or other associated party **shall submit a request with supporting documentation in a format prescribed by the office**. To validate the basis for the requested adjustment, the office may request or accept further information, such as any single labor agreement that is final and reflects the actual or projected increased nonsupervisory employee organized labor costs. *The office may audit the submitted data and supporting information as necessary.*

127502 (m)(1)-(4)

(1) The board shall hold a public meeting to discuss the development and adoption of recommendations for statewide cost targets, or specific targets by health care sector, including fully integrated delivery systems, geographic regions, and individual health care entities. The board shall deliberate and consider input, including recommendations from the office, the advisory committee, and public comment. Cost targets and other decisions of the board consistent with this section shall not be adopted, enforced, revised, or updated until presented at a subsequent public meeting. The meetings 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) consistent with paragraph (2) of subdivision (e) of Section 127501.10.

(2) The office shall publish on its internet website its recommendations for proposed cost targets for the board's review and consideration. **The board shall discuss recommendations** at a public meeting for proposed targets **on or before March 1 of the year prior to the applicable target year**.

(3) The board shall receive and consider public comments for 45 days after the board meeting.

(4) The **board shall adopt final targets on or before June 1**, at a board meeting.

Draft NOLA Regulations

- OHCA posted draft Nonsupervisory Organized Labor Adjustment (NOLA) data collection regulations for public comment on June 23.
- Regulations define who may request a spending target adjustment and the information to be included with the request. The regulations also incorporate a File Specifications Document by reference.
- The File Specifications Document details the format and contents of a data file to support the request for adjustment.
- Public comments were due to OHCA on July 13.

Proposed NOLA Data Collection

Proposed Data Collection Elements

- Current and projected nonsupervisory organized labor expenses
- Current and projected nonsupervisory non-organized labor expenses*
- Current and projected total operating costs
- Comprehensive description of the methodology used to calculate current and projected expenses.

Possible Calculations

- Nonsupervisory organized labor cost as a percentage of total operating costs
- Cost share of all other operating expenses (*i.e.*, those not related to nonsupervisory employee labor costs)
- Projected growth attributable to labor costs

*Informational only in first year of implementation.

Public Comment Summary

- OHCA published draft Non-Supervisory Organized Labor Adjustment Data Collection regulations on June 23, 2026.
- Proposed regulations were discussed at the Health Care Affordability Advisory Committee meeting in July 2026.
- Public comments were accepted from June 23 to July 13, 2026.
- OHCA received 9 comment letters from trade associations, labor groups, and health care providers.

Public Comment Themes

Theme	Response
Timing Concerns • Need to define “current” and “projected” for expenses • Difficult to project expenses two years in advance • File specifications are administratively burdensome • Collective Bargaining Agreements (CBA) are typically for 3 years with rolling start and end dates • Process should allow for mid-cycle updates and true-ups	OHCA has defined current as the year in which the request is made (*i.e.*, 2026) and projected as the subsequent year (*i.e.*, 2027). Expenses from these years will be used to calculate a preliminary adjustment to the performance year target (*i.e.*, 2028). OHCA has simplified the data collection to include total nonsupervisory organized labor expenses, inclusive of all labor unions, bargaining units, and classifications. Because of the timeline for the Board’s review and approval of spending targets, including adjustments, mid-cycle updates are not feasible. However, OHCA is committed to performing an assessment of actual costs as part of assessing performance against the target and progressive enforcement activities.

Public Comment Themes

Theme	Response
Suggest a retrospective approach based on actual costs, not projections	As spending targets and any adjustments must be effectuated in advance of the performance year, the request will need to rely on projections. However, OHCA is committed to performing an assessment of actual costs as part of assessing performance against the target and progressive enforcement activities.
CBAs can cross multiple requestors and multiple classifications	OHCA has simplified the data collection to include total nonsupervisory organized labor expenses, inclusive of all labor unions, bargaining units, and classifications. OHCA will no longer collect data at the CBA level.
Need to define “nonsupervisory”	OHCA has defined nonsupervisory employee in the proposed regulations.

Public Comment Themes

Theme	Response
Need to account for non-organized nonsupervisory labor costs	In this first year, OHCA is implementing the adjustment required by HSC 127502(c)(7).
Concern that labor unions could submit a request on behalf of a provider of FIDS without their consent, and that a labor union would not have access to tall the information needed to submit a complete NOLA request.	OHCA's regulations and file specifications document include provisions for associated parties (*i.e.*, labor unions) to submit a NOLA request on behalf of a provider or FIDS to the extent they are able, and with the attestation of the provider or FIDS.
File fields need more definition	OHCA has simplified its data collection and eliminated several fields from the original draft. OHCA believes the remaining fields are sufficiently described and is available to provide clarifications to requestors as needed. After the first data collection cycle concludes, OHCA may revise and further clarify instructions in future iterations.

Summary of Advisory Committee Feedback

- AC members questioned why non-unionized labor was not also included.
- AC members expressed concerns with using projections instead of actual costs to calculate a preliminary adjustment to the target.
- AC members supported evaluating the effects of both unionized and non-unionized labor costs during the spending target performance assessment and enforcement process.
- Some AC members expressed concerns with unions potentially submitting requests on behalf of a provider or FIDS without their consent.
- Some AC members concerned with accuracy recommended revising the categorization of the proposed data collection.

Projected Timeline for NOLA Regulations

Note: Dates are subject to change.
*If regulations are approved by the Office of Administrative Law.

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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.

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Next Board Meeting:
September 23, 2026
10am

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

OHCA

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Adjournment

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