

## MATERIAL CHANGE NOTICE SUBMISSION DETAILS

MCN Number	2025-04-17-1370
OHCA Review Start Date	<b>July 16, 2025</b>
Anticipated date (unless tolled per regulation) by which OHCA could waive cost and market impact review	September 2, 2025
Anticipated date (unless tolled per regulation) by which OHCA could determine cost and market impact review required	September 15, 2025

## SUBMITTER

### HEALTH CARE ENTITY CONTACT FOR PUBLIC INQUIRY

Title	Counsel
First Name	Paul
Last Name	Carr-Rollitt
Email Address	PCarr-Rollitt@manatt.com

### GENERAL

Business Name	Bay Area Accountable Care Network, Inc., dba Canopy Health
Website	<a href="https://www.canopyhealth.com/">https://www.canopyhealth.com/</a>
Ownership Type	Corporation
Tax Status	For-profit
Federal Tax ID	47-3490581
Description of Submitting Organization	California restricted Knox-Keene health care services plan serving commercial health plan enrollees under plan-to-plan contracts. Organized as a California general business corporation currently owned by UCSF Health, John Muir Health, John Muir Medical Group, and Hill Physicians Medical Group.
Health Care Provider	No
For Payers: Enrollees per county	Alameda: 3,425; Contra Costa: 7,493; Marin: 1,397; Napa: 89; San Francisco: 9,644; San Mateo: 3,087, Santa Clara: 1,103; Santa Cruz: 2,911; Solano: 605; Sonoma: 277.

## LOCATIONS

Counties	Alameda; Contra Costa; Marin; Napa; San Francisco; San Mateo; Santa Clara; Santa Cruz; Solano; Sonoma
California licenses and numbers	Knox-Keene Act file number with DMHC: 933-0519; Order number: 20151976.
Other States Served	None
Other state(s) licenses and numbers	N/A
Primary Languages used when providing services	English; Arabic; Armenian; Cambodian; Chinese; Farsi; Hindi; Hmong; Japanese; Korean; Laotian; Mien; Punjabi; Russian; Spanish; Tagalog; Thai; Ukrainian; Vietnamese; Other

## MATERIAL CHANGE

### ADDITIONAL ENTITIES

Business Name	Description of the Organization	Ownership Type	Additional MCN Submission
UCSF Health	UCSF Health delivers hospital in-patient and outpatient ancillary services and coordinates professional medical services.	California Public Benefit Corporation	No
John Muir Health	John Muir Health ("JMH") is a non-profit integrated system of doctors, hospitals, and other services, and is not an insurance company or health plan.	California Public Benefit Corporation	No
John Muir Medical Group	John Muir Medical Group ("JMMG") provides primary and specialty care services at clinics and urgent care centers in Contra Costa and Alameda counties, as well as hospitalist services at JMH hospitals	California Professional "C" Corporation	No

### CRITERIA

A health care entity with annual revenue, as defined in <a href="#">section 97435(d)</a> , of at least \$25 million or that owns or controls California assets of at least \$25 million, or;	Yes
A health care entity with annual revenue, as defined in <a href="#">section 97435(d)</a> , of at least \$10 million or that owns or controls California assets of at least \$10 million and is a party to a transaction with any health care entity satisfying subsection (b)(1), or	No
A health care entity located in a designated primary care health professional shortage area in California, as defined in Part 5 of Subchapter A of Chapter 1 of Title 42 of the Code of Federal Regulations (commencing with section 5.1), available at <a href="http://data.hrsa.gov">data.hrsa.gov</a> . To determine if you are located in a primary health care professional shortage area, please visit <a href="#">here</a>	No

## CIRCUMSTANCES FOR FILING

<p>The transaction involves a transfer or change in control, responsibility or governance of the Submitter. A transaction will directly or indirectly transfer control, responsibility, or governance in whole or in part of a material amount of the assets or operations of a health care entity to one or more entities if:</p> <p>(1) The transaction would result in the transfer of 25% or more of the voting power of the members of the governing body of a health care entity, such as by adding one or more members, substituting one or more members, or through any other type of arrangement, written or oral; or</p> <p>(2) The transaction would vest voting rights significant enough to constitute a change in control such as supermajority rights, veto rights, and similar provisions even if ownership shares or representation on a governing body are less than 25%;</p>	Yes
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## TRANSACTION DETAILS

Anticipated Date of Transaction Closure	6/29/2025
Description of the Transaction	<p>John Muir Health (“JMH”) and John Muir Medical Group (“JMMG”), collectively the “JMH Parties,” have been shareholders of Canopy Health (“the Plan”) since inception. For reasons internal to their organization, the JMH Parties have asked to exit the Plan. The Plan’s Board of Directors (“Board”) and other shareholders—The Regents of the University of California, on behalf of the University of California San Francisco (“UCSF Health”) and Hill Physicians Medical Group, Inc. (“Hill Physicians”)—determined that the most efficient process would be to establish the fair market value of the Plan’s shares through an independent valuation, accounting for the JMH Parties’ exit, and transfer of their shares directly to UCSF Health.</p> <p>The Plan is owned by UCSF Health, Hill Physicians, JMH, and JMMG. As a result of this transaction, the only changes to the Plan’s equity structure will be that JMH Parties’ shares will be transferred directly to UCSF Health, and they will exit as shareholders. Upon closing, the Plan will be owned by UCSF Health and Hill Physicians. The transaction is necessary due to JMH Parties’ challenges requiring them to exit the</p>

	<p>Plan and is desirable because UCSF Health's acquisition of their shares will allow the Plan to continue to provide high-quality, integrated health care services to enrollees. The Plan is the only open-access network covering the 10-county Bay Area outside of Kaiser. If the transaction is not approved, it would cause disruption for enrollees, the majority of which are University of California employees. The transaction will positively impact the Plan and its enrollees, and there are no potential adverse impacts of the transaction. For more information, see response to question 4 under "Services Provided Currently and Post Transaction."</p> <p>This transaction will have no market impact. For more information, see response to question 4 under "Services Provided Currently and Post Transaction."</p>
Submitted to US Department of Justice or Federal Trade Commission?	No
Submitted to Other Agency?	Yes
Date of Submission	11/14/2024
To Whom Submitted	Department of Managed Health Care
Description of Submission (Include Agency name(s) and State(s))	A Notice of Material Modification under the Knox-Keene Act to the Department of Managed Health Care. This filing is being submitted as a Material Change Notice (MCN) following referral by DMHC to OHCA and OHCA's request that we file a MCN.
Subject to court proceeding	No
Description of current services provided and expected post-transaction impacts on health care services	The Plan notes that this Material Change Notice ("MCN") is being filed at the request of OHCA, based on a referral from the DMHC, notwithstanding the exemption from the requirement to submit an MCN where the transaction is being reviewed by the DMHC. In the Plan's DMHC filing, it noted that it does not believe this transaction constitutes a material modification filing or a material transaction of any kind but rather should have been reviewed as an amendment filing given UCSF Health already was viewed by the DMHC as a controlling shareholder of the Plan. UCSF Health's percentage ownership in the Plan will increase as a result of this transaction solely as a result of mathematics

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following the JMH Parties' departure as shareholders. The Plan's market position, operations, and service to California consumers will not change in any way as a result of the JMH Parties' departure, and this transaction is de minimis in terms of value. The Plan understands the DMHC may have referred the transaction to OHCA out of an abundance of caution and would appreciate a prompt review given the complete lack of any market impact resulting therefrom.

(A) The Plan has assigned enrollees in the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma. The exit of the JMH Parties as shareholders of the Plan will not result in any changes to the counties where services are provided.

(B) The Plan arranges for the provision of healthcare services through its large network of providers. The Plan does not directly perform or deliver any health care services. However, under the Plan's Restricted Knox-Keene License and its contracts with upstream health care service plans, it is required to arrange for the full scope of basic health care services described in the Knox-Keene Act, subject only to agreed carve-outs retained by the upstream plans.

(C) The Plan contracts with two upstream full-service health care service plans to offer services to their commercial enrollees. The Plan serves enrollees across the 10-county Bay Area on a broad spectrum of demographic categories on a non-discriminatory basis. As discussed, there will be no changes to the Plan's network as a result of the transaction. With the departure of the JMH Parties, the majority of the enrollees served by the Plan (Health Net Blue & Gold) will be employees of the University of CA who live and work in the Bay Area.

(D) Because the Plan does not offer health plan products or directly deliver health care services, a community needs assessment is

	<p>not relevant to its business. The Plan primarily serves to enhance access to high-quality care and to aid plans and providers in care management and population health initiatives.</p> <p>(E) The Plan currently only arranges for care provided to commercial health plan enrollees of Health Net and UnitedHealthcare. No changes will occur as a result of this transaction.</p>
<p>Prior mergers or acquisitions that: (A) involved the same or related health care services;</p> <p>(B) involved at least one of the entities, or their parents, subsidiaries, predecessors, or successors, in the proposed transaction; and</p> <p>(C) were closed in the last ten years.</p>	N/A.
<p>Description of Potential Post Transaction Changes</p>	<p>(A) Currently, Canopy Health is owned by The Regents of the University of California, on behalf of the University of California San Francisco ("UCSF"); Hill Physicians Medical Group, Inc., John Muir Health, and John Muir Medical Group, Inc., with 44.45%, 5.42%, 44.45%, and 5.00% ownership, respectively. Upon closing of the proposed transaction, Canopy Health would be owned by UCSF and Hill Physicians Medical Group, Inc., with 94.50% and 5.50% ownership, respectively. The number of directors will decrease from eight (8) to five (5) given the departure of the JMH Parties and per section 18 of the Third Amended and Restated Bylaws, the number of directors will be not less than three (3) or more than seven (7) (down from a range of six (6) to eleven (11) directors).</p> <p>The Third Amended and Restated Bylaws removed the JMH Parties from the Plan's Board and were adopted on September 13, 2024. The JMH Share Transfer and Sale Agreement was executed on September 24, 2024, and the JMMG Share Transfer and Sale Agreement was executed on September 27, 2024 (submitted confidentially).</p> <p>(B) N/A (C) N/A (D) N/A</p>

<p>Description of the nature, scope, and dates of any pending or planned material changes occurring between the Submitter and any other entity, within the 12 months following the date of the notice</p>	<p>The only change anticipated within the 12 months following the date of this notice is that Canopy Health anticipates sunseting its plan-to-plan contract with UnitedHealthcare and focusing solely on service to University of California employees who are enrolled in Health Net's "Blue and Gold" HMO product. This change underscores the complete absence of any market impact of this transaction.</p> <p>This transaction will have no market impact. It is internal to the Plan, does not involve other plans or third parties and will not change its market position or market share, or that of any competing plans or providers. The Plan is a restricted-only licensee under the Knox-Keene Act that does not market any products to prospective enrollees nor control the marketing or competitive activities of its full-service health plan partners. The Plan's network providers are free to compete with one another and to contract with any health plans.</p> <p>In addition, the transaction will positively impact the Plan and its enrollees. The JMH Parties have always funded their portion of any of the Plan's capital calls required to maintain appropriate levels of tangible net equity, but the desire to avoid future capital calls led the JMH Parties to request exiting. The Plan will benefit from UCSF's financial stability (and therefore The Regents of the University of California) supporting the Plan's financial solvency. UCSF has funded all of its capital contributions for nine years and is fully committed to continuing to do so. UCSF's experience in healthcare positions it well to continue guiding the Plan forward. With the JMH Parties' exit and the shift to focusing on Health Net Blue &amp; Gold members, the Plan is projecting profitable operations in the near term. The JMH Parties will remain as participating provider organizations in the Plan's network, preserving enrollee access to the high-quality Plan network.</p>
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