

**DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION
OFFICE OF HEALTH CARE AFFORDABILITY**

HEALTH CARE COST TARGETS

ADDENDUM TO FINDING OF EMERGENCY

NEED FOR ADDENDUM

This Addendum incorporates and supplements the Finding of Emergency (FOE) for the rulemaking package submitted to the Office of Administrative Law (OAL) on October 1, 2026.

I. OHCA’s Interpretation of Health Care Affordability Board Regulation Discussion Requirement

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

OHCA presented the proposed regulations at the August 26, 2026, Board meeting. OHCA discussed the proposal with the Board, including Advisory Committee feedback and public comments received during the informal public comment on the posted text. Along with the relevant presentation slides provided in the Underlying Data for this package, OHCA adds to the Underlying Data the August 26, 2026, Board meeting minutes, which reflect discussion of the instant rulemaking at page 8.

II. Amendments to Text and Incorporated Document

Section 97448

Subsections (c), (d)(2), (d)(4), (e)(2), and (f)

OHCA amends these subsections to refer to “Office” instead of “Department” for consistency with references to the Office in Health and Safety Code sections 127501.4(j)(2) and 127502(d)(7).

Subsection (a)(1)(B)

OHCA corrects the section reference to section 1250(b).

Subsection (a)(3)

OHCA deletes the comma after “authority” since it is not grammatically necessary and for clarity.

Subsection (c), Nonsupervisory Organized Labor Adjustment (NOLA) Request File Specifications Document, Version 1.0, dated September 2026 (Document)

To properly incorporate the OHCA Attribution Addendum in the Document, OHCA adds the full title of the addendum to the Document with a reference to where it may be found in regulation at renumbered section 97445(u).

Subsection (d)

OHCA deletes the first sentence of subsection (d) which provides “[l]abor agreements submitted by a requestor to support a request for adjustment are deemed confidential unless they have otherwise been made public.” The California Public Records Act at Government Code section 7920.000 *et seq.* governs confidentiality of such documents, unless the party from whom documents are sought demonstrates an exemption applies. Entities seeking confidentiality of these agreements must articulate a basis for confidentiality under amended subsection (d)(3). OHCA strikes “other” based on the deletion of the first sentence of the subsection.

Subsection (d)(2)

OHCA adds “In addition to the statement required under subsection (d)(3), the requestor shall” so it is clear the filing of two versions of documents must be accompanied by the confidentiality statement required under subsection (d)(3).

Subsection (d)(3)

OHCA adds “A requestor shall articulate, by reference to the bases set forth in subparagraphs (d)(3)(A) through (D) of this section, or otherwise, whether the Office must withhold such documents and/or information in response to requests made pursuant to Government Code section 7920.000 *et seq.* (PRA).” As the PRA governs confidentiality of documents submitted under the regulation, this section clarifies a requestor must articulate a basis for confidentiality (i.e., an exemption) under the PRA. Requestors may articulate a basis for confidentiality by reference to subparagraphs (d)(3)(A) through (D), or “otherwise,” which invites the requestor to provide any other basis for confidentiality that may apply under the PRA.

OHCA adds “of the grounds on which confidentiality is claimed” and “also” to make this section consistent with the addition of the first sentence that requests confidentiality grounds under the PRA by reference to subparagraphs (d)(3)(A) through (D).

OHCA deletes “include a justification that provides” and “enumerated in (A) through (D), below” in the second sentence of the regulation given the addition of the new first sentence in subsection (d)(3).

Subsection (d)(4)

OHCA adds “and the Office will notify the requestor of the grounds under the PRA on which the request for confidentiality was granted. The Office will mark any such documents and/or information with the applicable confidentiality grounds.”

This amendment is necessary so it is clear to requestors what basis of confidentiality applies to the documents and/or information submitted by the requestor. The amendment provides OHCA will mark the materials with the applicable confidentiality ground(s) so it is clear to staff what confidentiality bases apply if others request the documents and/or information from OHCA pursuant to the PRA.

Subsection (e)

OHCA adds “and presentation to the Board” to the heading of the subsection for consistency with the supplemented heading in subsection (e)(2).

Subsection (e)(2)

OHCA adds “Presentation and” to this subsection to clarify the subsection relates to both presentation of requests to the Board and time for review of requests.

OHCA adds to the end of this subsection “The Board will consider the requests for adjustment in establishing targets in accordance with section 127501.11 and the requirements set forth in section 127502(c).”

Health and Safety Code section 127501.11(a)(1) provides the Board establishes statewide health care cost targets. (See also, § 127502, subd. (a).) The Board approves the methodology for setting cost targets and adjustment factors to modify cost targets when appropriate. (§ 127501.11, subd. (b)(1).) Section 127502(c)(7) provides it is the Board’s role to adjust cost targets for a provider or fully integrated delivery system on a showing nonsupervisory employee organized labor costs are projected to grow faster than the rate of any applicable cost targets. The adoption of cost targets under section 127502 is exempt from the requirements of the Administrative Procedure Act. (§ 127502, subd. (n).)

OHCA adds the above language to subsection (e)(2) to clarify the Board’s authority to consider and approve adjustments to cost targets based on nonsupervisory employee organized labor costs after consideration at a Board meeting.

Subsection (f)

OHCA adds an example of a reason that may constitute good cause for an extension to provide information and/or documents to OHCA, and indicates by “which shall include, without limitation” that other reasons may support good cause.

Note

OHCA adds a reference to Health and Safety Code section 127501.11 since this section implements, interprets, and makes this section of the Health and Safety Code specific.

OHCA adds a reference to Government Code section 7922.630 to both the Authority and Reference sections based on its citation to Government Code section 7920.000 *et seq.*, in subsection (d)(3) of the regulation.

III. Inconsistency between FOE and Regulation

At pages 3-4 of the FOE, it states, “Labor organizations may request adjustments, and providers and/or FIDSs must approve these requests before associated parties submit these requests to OHCA in the portal.”

This sentence was included in error to explain section 97448(a)(2). As provided in the Document, associated parties providing information on behalf of a requesting organization shall provide contact information for the provider or FIDS by entering a first and last name and email address. The provider or FIDS shall then have access to view the information provided by the associated party and attest to the validity as described in Attestation and Submission. Providers and FIDSs need only attest to validity of information provided by associated parties.

IV. Response to Comment Letter from California Hospital Association (CHA) dated October 1, 2026

CHA asserts in a comment on the rulemaking that the proposed regulations are not in harmony with OHCA’s statutory mandate to promote workforce stability.

OHCA’s proposed regulation is in harmony with Health and Safety Code section 127501.4(j)(2). (Gov. Code, § 11349, subd. (d) [a regulation must be “in harmony with, and not in conflict with or contradictory to, existing statutes].) Section 127501.4(j)(2) provides that “[i]n order for an adjustment to cost targets to be made ..., a provider, a fully integrated delivery system, or other associated party shall produce actual or projected nonsupervisory employee organized labor costs, including increased expenditures related to compensation, and any other supporting information to validate the adjustment, as may be requested by the office pertaining to the actual or projected organized labor costs.” (Emphasis added, see also, § 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...”].) Consistent with the express language of these sections, the

proposed regulations implement the process for requesting adjustments based on nonsupervisory employee organized labor costs in a manner that is consistent with express legislative intent.

Section 127502(c)(6) states cost targets must promote the stability of the health care workforce. Section 127502(d)(4) provides the methodology for cost targets shall review potential factors to adjust future cost targets, including labor costs. These regulations establish a process for adjusting cost targets for organized labor costs and do not detract from or undermine OHCA's mission to promote the stability of the health care workforce more generally. They do not abridge the Board's ability to consider labor costs in adjusting cost targets. The regulations are consistent with the Legislature's mandate that OHCA establish an adjustment for nonsupervisory labor costs. In passing section 127501.4 and 127502, the Legislature determined the subject adjustment is not in conflict with sections 127502(c)(6) and 127502(d)(4).

V. Additions to Underlying Data

OHCA adds the following documents to underlying data:

- Meeting minutes from the August 26, 2026, Board meeting.
- California Association of Public Hospitals and Health Systems Comment Letter dated July 10, 2026. This document was inadvertently omitted from the rulemaking record on transmission to OAL.