

**DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION
OFFICE OF HEALTH CARE AFFORDABILITY
FINDING OF EMERGENCY AND NOTICE OF PROPOSED EMERGENCY
REGULATIONS**

HEALTH CARE COST TARGETS

SUBJECT MATTER OF PROPOSED REGULATIONS

Implementation of process for providers, fully integrated delivery systems (FIDSs), and associated parties to request adjustments to spending targets¹ based on nonsupervisory employee organized labor costs (hereinafter, NOLA).

SPECIFIC FACTS DEMONSTRATING THE NEED FOR IMMEDIATE ACTION

The California Health Care Quality and Affordability Act (Act), effective June 30, 2022, authorizes the Office of Health Care Affordability (OHCA or Office)² to set statewide health care cost growth targets designed to slow the rate at which per capita health care spending increases. Health and Safety Code (HSC) section 127502 authorizes the Health Care Affordability Board (Board) to establish specific targets by health care sector, including FIDSs, geographic regions, and individual health care entities, as appropriate. (§ 127502, subd. (b)(1).³) In 2024, Board established statewide per capita spending targets:

- For performance years 2025 and 2026, the target is 3.5%.
- For performance years 2027 and 2028, the target is 3.2%.
- For performance year 2029, the target is 3.0%. (Cal. Code Regs., tit. 22, § 97447, subds. (a)-(c).)

In January 2025, the Board voted to establish a hospital health care sector to include hospitals defined in HSC section 1250. (Cal. Code Regs., tit. 22, § 97446.) All hospitals are subject to the statewide target unless and until the Board adjusts the target for all or a specified subset of hospitals within the sector. At its April 2025 meeting, the Board voted to define high-cost hospitals and set hospital sector spending target values. The Board set the hospital sector spending target equal to the statewide spending target. Additionally, the Board identified seven hospitals as high-cost hospitals and adjusted the spending target for these facilities to 1.8% in 2026, 1.7% in 2027 and 2028, and 1.6% in 2029.⁴

¹ As used herein, the Department of Health Care Access and Information (HCAI) uses “spending targets” and “cost targets” interchangeably.

² OHCA is an office within HCAI.

³ All citations are to the Health and Safety Code.

⁴ These seven hospitals are:

- Community Hospital of the Monterey Peninsula (Monterey)

Health care spending targets must meet requirements set forth in the Act. (§ 127502, subd. (c)(1)-(7).) One requirement is the Board must adjust targets for a provider or FIDS's cost target, as appropriate, on a showing that nonsupervisory employee organized labor costs are projected to grow faster than the rate of any applicable cost targets. (§ 127502, subd. (d)(7).) The Act states the provider or FIDS must submit a request to OHCA with supporting documentation. The documentation includes final single labor agreements that reflect the actual or projected increased nonsupervisory employee organized labor costs. (*Ibid.*; see also, § 127501.4(j)(2) ["In order for an adjustment to cost targets to be made under paragraph (7) of subdivision (d) of Section 127502, 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."].)

The NOLA is a statutory safeguard allowing providers and FIDSs to request an increase to their annual spending targets if they can demonstrate higher-than-expected costs from unionized, non-supervisory staff. Because wage contracts and collective bargaining agreements can drive up operational costs independently of general inflation, this adjustment prevents hospitals and health systems from being penalized for honoring organized labor commitments. OHCA proposes the instant regulation to establish the process by which providers, FIDSs, and/or their associated parties (defined in the proposed regulation as labor organizations representing nonsupervisory employees of a provider or FIDS) may request a NOLA.

OHCA specifically finds these emergency regulations necessary for the immediate preservation of public health and safety, and general welfare of the citizens of California. (§ 127501.2, subd. (a).) As required by statute, the Board discussed these emergency regulations at its August 26, 2026, meeting. (§ 127501.2, subd. (c).)

OHCA posted a draft of these regulations for the public's review on June 22, 2026, with a 21-day period to provide comments. OHCA received a total of nine letters with substantive comments from unions, hospital associations, health plans, and hospital systems. OHCA provided a summary of the public comments to the Board and the Health Care Affordability Advisory Committee at their respective July 8, 2026, and August 26, 2026, meetings.

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- Doctor's Medical Center (Modesto)
 - Dominican Hospital (Santa Cruz)
 - Salinas Valley Memorial Hospital (Salinas)
 - Santa Barbara Cottage Hospital (Santa Barbara)
 - Stanford Health Care (Palo Alto)
 - Washington Hospital (Fremont)

AUTHORITY AND REFERENCE

Pursuant to Health and Safety Code section 127501(c)(16) and 127501.2, the Office shall adopt, amend, or repeal, in accordance with the Administrative Procedure Act, rules and regulations as may be necessary to enable it to carry out the laws relating to review of agreements or transactions under the Act (§ 127500, *et seq.*).

These regulations implement, interpret, or make specific HSC sections 127500.2, 127500.5, 127501.4, 127502, 127504, and 127505.

INFORMATIVE DIGEST

Existing Law

Existing law authorizes the Board to establish specific targets by health care sector, including FIDSs, geographic regions, and individual health care entities, as appropriate. (§ 127502, subd. (b)(1).) Existing law authorizes the Board to adjust the cost targets for providers or FIDSs to account for actual or projected nonsupervisory employee organized labor costs, including increased expenditures related to compensation. (§ 127502, subd. (d)(7).)

General Policy Statement

OHCA's spending targets establish a shared expectation for health plans and providers to meet annual rates of growth for per capita health care spending. These targets are intended to slow health care spending growth so spending on health care does not continue to crowd out household budgets for other necessities such as housing, food, and education. These spending targets are based on historical median household income growth, and signal health care spending should not grow faster than the income of California families. The ability to request a NOLA ensures cost targets do not penalize providers for wage growth required to retain health care workers that are part of organized labor unions.

SPECIFIC PURPOSE AND NECESSITY FOR EACH REGULATION

§ 97445. Definitions.

Subsection (b), definition of "Board"

This amendment is necessary to define "Board" as the Health Care Affordability Board since proposed section 97448 uses the term in establishing the process for submitting requests for NOLAs to the Board.

Renumbering of subsections (b) through (x)

The re-numbering of these subsections is necessary based on the amendments adding the definition for “Board.”

§ 97448. Adjustments to Spending Targets Based on Nonsupervisory Employee Organized Labor Costs

Subsection (a)(1), definition of “provider”

Section 127502(d)(7) provides the Board can adjust cost targets for a provider or fully integrated delivery system upon a showing that nonsupervisory employee organized labor costs are projected to grow faster than the rate of any applicable cost targets. (See also, § 127501.4(j)(2).) Because OHCA has only established measurement approaches for certain provider entities so far, it is necessary for OHCA to specifically delineate the types of providers that can request NOLA adjustments. These entities are:

- General acute care hospitals, as used section 1250(a) of the Code;
- Acute psychiatric hospitals, as used in section 1250(a) of the Code;
- Special hospitals, as used in section 1250(f) of the Code;
- Chemical dependency recovery hospitals, as used in section 1250.3(a)(1) of the Code;
- Psychiatric health facilities, as used in section 1250.2(a)(1) of the Code; or
- Physician organizations, as used in section 127500.2(t)(1) of the Code. (Cal. Code Regs., tit. 22, § 97446.)

As OHCA expands measurement to additional providers, OHCA will amend the regulation to add them to the entities that may request NOLAs.

Subsection (a)(2), definition of “associated party”

This subsection defines the term “associated party” for purposes of section 97448. OHCA proposes to define “associated party” under HSC sections 127501.4(j)(2) and 127502(d)(7) as a labor organization representing nonsupervisory employees of a provider or FIDS in collective bargaining that, on behalf of either entity, requests a NOLA under the regulation.

This subsection is necessary to define the parties who may submit requests for NOLAs to OHCA. OHCA defines “associated party” in this manner because these organizations bargain with providers and FIDSs regarding organized labor costs. Their association and collective bargaining with these health care entities and labor’s participation in establishing health care employee compensation makes them an additional appropriate entity to request adjustments on behalf of these entities based on organized labor costs from the Board. 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.

Subsection (a)(3), definition of “nonsupervisory employee”

This subsection defines the term “nonsupervisory employee” for purposes of section 97448. The proposed definition excludes individuals who have authority, in the interest of an employer to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibility to direct them, or to adjust their grievances, or effectively to recommend such action, if, in connection with the foregoing, the exercise of such authority is not of a merely routine or clerical nature, but requires the use of independent judgment. The definition will provide the direction of workflow or coordination of work assignments alone does not render an individual supervisory, and therefore excluded under this subsection.

This definition is necessary to implement the statutory limitation on nonsupervisory employee labor costs that qualify for the adjustment. In comments, commenters suggested OHCA align this definition with other laws. For consistency with other labor laws, OHCA revised its definition to align with the definition of “supervisory employee” in Government Code sections 3513(g) and 3580.3, and the definition of “supervisor” in the National Labor Relations Act at 29 U.S.C. § 152(11).

Subsection (b), requests for an adjustment

This subsection establishes the process for providers, FIDSs, and associated parties to request a NOLA pursuant to section 97448. The subsection requires a requestor to submit a request under penalty of perjury using the portal on the Office's website at <https://hcai.ca.gov/login/> (“portal”). The subsection will require a requestor to create a portal account by submitting the required information, and submitting a system-generated verification code. The subsection also authorizes a requestor to use an existing media account from Microsoft or Google to access the portal.

The creation of an account is necessary so requestors can submit the information required by the Department's Nonsupervisory Organized Labor Adjustment (NOLA) Request File Specifications Document, Version 1.0, dated September 2026 (Document), incorporated by reference in subsection (c) of the regulation. It also enables requestors to submit the bases for confidentiality of information and documents they submit, and enables OHCA to respond to requests and answer requestor inquiries. The system-generated verification code enables OHCA to verify the identity of the requestor for legitimacy of the request. OHCA allows requestors to use an existing media account from Microsoft or Google to access the portal for convenience.

Requiring requestors to certify requests under penalty of perjury is necessary to ensure the submission contains truthful, factual representations made in good faith. (See e.g., *In re Marriage of Reese & Guy* (1999) 73 Cal.App.4th 1214, 1223 [judicial explanation for the use of certifications under penalty of perjury: “The whole point of

permitting a declaration under penalty of perjury, in lieu of a sworn statement, is to help ensure that declarations contain a truthful factual representation and are made in good faith.”].) Accordingly, the certification under penalty of perjury in the request is necessary to ensure the submission of truthful and accurate information.

Subsection (c), submission of requests for an adjustment, and incorporation by reference

This subsection sets forth the means by which requestors must submit information via the portal to obtain a NOLA. The regulation will require requestors to follow the procedure set forth in Document, which the regulation will incorporate by reference. The subsection will require requestors to submit the required information by: (1) uploading text (.txt) files as set forth in the Document; and/or (2) entering the information the Document requires directly into the portal. The Document will be available on HCAI’s website for requestors’ convenience.

This subsection is necessary to incorporate the Document by reference, and ensure requestors follow the procedure set forth in the Document to request an adjustment. The necessity for each element of the Document is explained separately below.

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

1 Introduction, page 3

This section is necessary to provide an overview of and orient requestors to the Document’s purpose. It is intended to assist requestors in requesting a NOLA, and directs requestors to the portal for making the request. This section also directs requestors to background information on OHCA, and a link to OHCA’s website for additional resources.

1.1 Contact Information, page 3

This section is necessary to provide Document users with contact information for OHCA program management available to answer general questions regarding the NOLA request submission process. This section is necessary to direct requestors to the correct inboxes and website to facilitate quick resolution of any technical issues.

1.2 Request Submission Deadlines, page 3

This section is necessary to establish the deadlines for OHCA to receive requests for the NOLA adjustment. OHCA will accept requests beginning in September two years preceding the year for which an adjustment is requested. In 2026, requestors may make requests by no later than November 16. In succeeding years, OHCA must receive requests by the last business day of October.

Figure 1 in this section illustrates the process after requestors make a request for the adjustment. Under section 127502(m)(4), the Board must adopt all required cost targets for the following calendar year on June 1, in the preceding calendar year. In practice, this has meant OHCA begins developing the cost targets for the Board's review in November of the requesting year (as that phrase is used in the first square of the diagram). Therefore, in order for OHCA to factor in any NOLA adjustment requests to the cost targets, OHCA requires requestors to make the NOLA request by the end of October. OHCA is permitting requestors to make requests in 2026 by no later than November 15, to allow additional time for requests given the timing of the review of this package. Between November and January, OHCA staff reviews the information submitted by requestors for completeness, and prepares proposed adjustments for Board review.

In the baseline year (as that phrase is used in the second square of the diagram), between February and March, the Board will consider NOLA adjustment requests and make determinations on the recommended adjustments to the cost targets for the performance year (as that phrase is used in the third square of the diagram). Once the Board makes the determination, the adjusted cost target becomes effective in January of the performance year.

The fourth square in the diagram illustrates OHCA will collect baseline and performance year spending data to determine compliance with the adjusted spending target.

The fifth square in the diagram illustrates OHCA will review entities' spending to confirm the adjusted cost target was appropriate.

1.3 Changes to this Guide, page 4

This section is necessary to inform the regulated public how to receive notice of potential regulatory actions or public meetings, and to encourage robust stakeholder engagement when drafting future versions of the Guide.

2 Account Creation, page 5

Requestors must have an account to access HCAI systems. To create an account, requestors must enter a valid e-mail address and a system-generated verification code. Requestors must then provide a first and last name, display name, and create a password. Alternatively, requestors may use an existing media account from Microsoft or Google to access the portal.

After creating an account, requestors must provide additional information on their profile including title, organization name, street address, and telephone number. This information helps verify the legitimacy of the requestor's request and enables OHCA to communicate with requestors.

3 File Layout and Field Specifications, page 6

The general specifications in Section 3 of the Document are necessary so requestors can prepare a pipe delimited text file that can be processed by the portal. Standardized, structured pipe delimited text files (when compared to spreadsheets with keyed data) reduce manual data processing and human error. The file specifications listed in Section 3 will ensure data submitted to OHCA is standardized for portal intake. This facilitates timely data acceptance and allows OHCA to perform apples-to-apples data analysis across files from multiple requestors.

3.1 NOLA Request File, page 6

Column Headers

The table in section 3 includes the following column headers: Column Number, Field ID, Field Name, Type, Max, and Description. The column headers are necessary to specify the information requestors must provide for each data element listed in the table. These headers ensure requestors input the proper values for each data element.

The “Column Number” and “Field ID” columns ensure the data elements are in the correct order and also act as identifiers to facilitate communication between the requestor and OHCA about each table. The “Field Name” column identifies the data element. The “Type” column is used for data validation and indicates the type of value that should be inputted into the field (e.g., no alpha characters/text should be entered in an integer field). The “Max” column is also used for data validation and indicates the maximum number of characters that can be entered into the field (e.g., the “Requestor Type” entered cannot be more than one number, which corresponds to the one-digit codes for each requestor type).

The “Description” column contains descriptions and notes that are applicable to each data element. It describes the information requestors must input for the corresponding field.

Data Elements

The “Requesting Organization” and “DBA Name” fields identify the provider or FIDS requesting an adjustment to their spending target. The “Submitting Organization” enables OHCA to determine whether an associated party is providing data on behalf of a provider or FIDS and requestors should use it only when the requestor is not a representative of the provider or FIDS.

The “Requestor Type” field identifies the requesting organization as one of three regulated entities: a hospital, a physician organization, or a FIDS.

OHCA uses the “Organization Identifier” and “Secondary Identifier” fields to confirm the identity of the requesting organization using standard identifiers that OHCA can match

to other sources, such as the HCAI Hospital Financial Disclosure Report or the OHCA Attribution Addendum.

OHCA uses the “Requested Spending Growth Target Adjustment Year” field to confirm the year for which a requestor is requesting an adjustment.

The “Expense Year” field indicates the year for which subsequent data fields provide expenses. Requests must include two rows of data: expenses for the current calendar year, and projected expenses for the next calendar year. The “Expense Year” field clearly indicates the year to which each row of data applies, and determines how OHCA will use the data to calculate a preliminary adjustment to the spending target.

Requestors will use the “Organized Nonsupervisory Labor Expenses,” “Total Organized Labor Expenses,” “Nonorganized Nonsupervisory Labor Expenses”, and “Total Nonorganized Labor Expenses” fields to provide current and projected labor expenses, for OHCA to use to calculate a preliminary adjustment to the spending target. OHCA collects nonsupervisory, and total, and organized and nonorganized labor expenses, to inform future modifications to OHCA’s NOLA data collection. Collecting these variables will better enable comparisons to existing HCAI data assets.

OHCA uses the “Total Operating Expenses” field to calculate a weighted average for the nonsupervisory organized labor expenses as it relates to the total, and calculate the anticipated year-over-year growth which necessitates an adjustment to the spending target.

4 Additional Required Information and Supporting Documents, page 8

This section requires a requestor to also provide a comprehensive description of the methodology it uses to calculate current and projected expenses. The methodology description must contain sufficient detail to allow OHCA to understand and validate the basis for the projections, including any assumptions, inputs, or analytical approaches used. The methodology must also include a list of all documents the requestor used to support the current and projected labor costs reported in fields NOLA009 – NOLA012 in the NOLA Request File.

This is necessary so OHCA can validate the accuracy of information requestors submit to support their request for a NOLA. OHCA may also use the requestor’s documented methodology when reconciling these projections with actual costs during spending performance evaluation or progressive enforcement.

This section also requires requestors to upload documents to support the request for a NOLA. As directed by statute, supporting documents shall include an executed labor agreement supporting the request for a nonsupervisory organized labor cost adjustment, if available. If a final agreement is not available, requestors may submit a draft labor agreement to support a request for the NOLA. If OHCA accepts a draft

agreement initially, but needs an executed version when evaluating spending performance, the requestor must produce it.

This section is necessary because HSC section 127502 requires a requestor to submit supporting documentation, including executed labor agreements, to support requests for NOLAs. (§ 127502, subd. (d)(7).) As final agreements may not be available at the time requestors make a request, OHCA allows requestors to submit a draft agreement. OHCA requests final labor agreements because they contain compensation information necessary to confirm a NOLA is appropriate. Agreements in draft form may change, so OHCA requests final executed agreements to ensure its receipt of accurate and final labor compensation information.

Supporting documents must be submitted in machine-readable portable document format (.pdf). Using .pdf documents preserves document integrity, prevents unauthorized edits, and ensures cross-platform compatibility.

This section also allows requestors to provide additional parties with access to the information provided by entering a first and last name and email address. To access the NOLA Portal, additional parties must also create an account as described in Account Creation. Invited additional parties will have access to view all data and supporting documents.

This section is necessary so requestors can ask other parties to assist with validating the accuracy of data, if necessary. This assists requestors in providing accurate data to OHCA for its consideration in granting adjustments.

5 Attestation and Submission, page 8

Before submitting a request to OHCA, the provider or FIDS must certify under penalty of perjury under the laws of the State of California the information and supporting documents provided in the request are true and correct to the best of their knowledge. Requiring requestors to certify requests under penalty of perjury is necessary to ensure the submission contains truthful, factual representations made in good faith. (See e.g., *In re Marriage of Reese & Guy* (1999) 73 Cal.App.4th 1214, 1223 [judicial explanation for the use of certifications under penalty of perjury: “The whole point of permitting a declaration under penalty of perjury, in lieu of a sworn statement, is to help ensure that declarations contain a truthful factual representation and are made in good faith.”].) Accordingly, the certification under penalty of perjury in the request is necessary to ensure the submission of truthful and accurate information.

5.1 Associated Party Requestors, page 8

This section is necessary so OHCA can communicate with a provider or FIDS when an associated party provides information on behalf of a requesting organization. To ensure the associated party has submitted accurate information, OHCA requires providers and FIDSs to attest to the information’s accuracy as set forth above.

Subsection (d), confidentiality

This subsection provides labor agreements are deemed confidential, and explains how a requestor may obtain confidential treatment for other documents or information requestors submit to obtain a NOLA.

HCAI understands certain documents and/or information it requires to review adjustment requests may be sensitive and necessitate confidential treatment for various reasons. In its experience, labor agreements often contain proprietary information—wage scales, pension structures, staffing levels, benefits design, and operational terms. Employers may consider this strategic data sensitive and may not want competitors to have access to it. Confidentiality clauses may also be included in collective bargaining agreements. For these reasons, HCAI proposes to deem these documents automatically confidential without requiring requestors to make a request. This will streamline the process and eliminate the need for confidentiality evaluations for commonly confidential documents in reviewing adjustment requests.

Subsection (d)(1) defines “nonpublic” for purposes of subsection (d). The term means documents and/or information that are confidentially maintained and not shared by the holder of the document and/or information with the general public; and does not include documents and/or information that are lawfully made available to the general public from any federal, state, or local government record or disclosure, media source, or any other publicly available source.

This subsection is necessary so requestors understand HCAI cannot afford confidentiality to documents and/or information that are publicly available. HCAI does not afford confidentiality to public information because there is no practical way to restrict access to such information. As public information does not provide a competitive leverage, there is nothing for HCAI to protect.

Subsection (d)(2) provides how a requestor may request confidentiality for documents or information submitted with an adjustment request. It requires a requestor to file two versions of any document for which confidentiality is requested. The nonpublic version must be unredacted and HCAI will maintain it as confidential pending a determination of confidentiality. The public version, which HCAI may make available to the public must have the confidential portions removed or redacted. HCAI will deny requests for confidentiality of publicly available information or documents.

HCAI will maintain confidentiality for requested information or documents pending its determination of confidentiality. This provision is necessary so HCAI protects the document and/or information from disclosure while it decides whether the request should be granted. A redacted version is necessary in the event HCAI receives a request for the information, e.g., a Public Records Act request. As explained above, HCAI will not protect documents or information that are publicly available as this indicates the requestor did not treat the document as confidential in other contexts.

Subsection (d)(3) requires a requestor claiming confidentiality to include a justification that provides a detailed statement of the grounds on which confidentiality is claimed, a statement of the specific time for which confidential treatment of the document and/or information is necessary, and a statement that the document and/or information has been confidentially maintained by the requestor. The requestor must indicate whether any of the following grounds for confidentiality apply:

- Whether the document and/or information is proprietary or of a confidential business nature, including trade secrets (as defined in California Civil Code section 3426.1(d)), and whether the release would be damaging or prejudicial to the business concern.

This category is premised on the type of confidentiality afforded to trade secrets under California law at Civil Code section 3426.1. This statute recognizes such status when information derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. This subsection requires the release of the covered information be damaging or prejudicial to the business concern to be entitled to confidentiality under the regulation.

- Whether another state or federal agency deems the filed document and/or information confidential and, if so, for what period of time.

This category bases confidentiality on whether another state or federal agency deems the document and/or information confidential and, if so, for what period of time. If other agencies have treated the information as confidential, HCAI wants to consistently afford confidentiality when another entity has deemed documents and/or information confidential and for the same period of time. This will avoid breaching confidentiality when another entity has granted it.

- Whether the document and/or information is confidential based on statute or other law.

This category bases confidentiality on whether the document and/or information is confidential based on statute or other law. Here, requestors can raise any other legal basis for confidentiality beyond the protection afforded by reliance on section 3426.1. This category is necessary so parties can establish any other legally appropriate basis for confidentiality.

- Whether the document and/or information is such that the public interest is served in withholding the document and/or information.

This category is a catch-all provision in which requestors can make any other argument that deeming documents and/or information confidential serves the public interest. This category is necessary so requestors can make confidentiality arguments when there is no statute or other law requiring confidentiality but keeping the information confidential would serve the public interest.

Subsection (d)(4) provides HCAI will notify a requestor in the portal when it makes a confidentiality determination. HCAI will mark confidential documents “Confidential” and keep them separately from the public file. If HCAI denies a request for confidentiality, a requestor may withdraw any information or documents for which it requested confidentiality by submitting a request through the portal.

This subsection is necessary so requestors can withdraw information or documents HCAI declines to keep confidential. The confidentiality designation will assist HCAI staff in maintaining confidentiality of documents and/or information HCAI determines warrant such treatment.

Subsection (e), timing of adjustment requests

Subsection (e)(1) provides requestors must submit requests for NOLAs by the last business day of October two years preceding the year for which an adjustment is requested. The subsection requires requestors to separately request adjustments for each calendar year in which they desire such an adjustment. For requests made in 2026 only, requestors may submit requests by no later than November 16.

This subsection is necessary to establish the deadline by which requestor must submit NOLA requests. The rationale for this timeline is set forth in *1.2 Request Submission Deadlines*, in this Finding of Emergency (FOE). Requestors must separately request adjustments for each calendar year because the information supporting the request may change on a yearly basis. As supporting information changes, so may the appropriate amount of the NOLA adjustment.

Subsection (e)(2) provides HCAI will inform requestors as soon as practicable the submitted request is complete, and will present completed requests to the Board for consideration at a Board meeting held on or before March 1 of the year preceding the year for which an adjustment is requested.

As explained in *1.2 Request Submission Deadlines* in this FOE, the Board must adopt cost targets in the preceding calendar year by June 1. Therefore, the regulation provides OHCA will present completed adjustment requests at a Board meeting before that deadline to ensure the Board incorporates any NOLAs into the cost targets by the June 1 deadline.

Subsection (f), review of adjustments.

This subsection provides HCAI may request information and/or documents at any time from a requestor to examine whether the adjustment continues to be warranted. If HCAI makes such a request, requestors must respond and provide information and/or documents within 10 days, unless the requestor shows good cause for an extension.

This subsection is necessary to ensure requestors' labor costs continue to warrant an adjustment to spending targets. Changed circumstances, including changed labor costs, may warrant review of a NOLA adjustment, which will be considered during the enforcement process. Section 127502(d)(7) authorizes HCAI to audit the submitted data and supporting information as necessary. This subsection implements HCAI's right to audit requestors. HCAI provides 10 days for a requestor to submit the information, and allows a requestor to ask for additional time to comply based on good cause. This provides requestors with an ample opportunity to respond to requests and authorizes extensions if requestors cannot timely respond.

§ 97449. Total Health Care Expenditures Data Submission.

Subsection (b), revised citation

This amendment changes a citation in subsection (b) from (s) to subsection (t) based on the renumbering of section 97445(s).

ANTICIPATED BENEFITS OF THE PROPOSAL

These proposed emergency regulations will implement legislative intent to ensure cost containment does not constrain the health care workforce that California needs, including the competitive wages and benefits of frontline health care workers. The proposal will ensure OHCA receives complete and accurate information in a standardized format and will streamline review of NOLA requests.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENT(S) RELIED UPON:

Public meetings:

Advisory Committee meeting, July 8, 2026

- [Meeting Slides](#)

Health Care Affordability Board meeting, August 26, 2026

- [Meeting Slides](#)

Written comments received and considered concerning draft proposal

- July 17, 2026, AFSCME California letter
- July 13, 2026, California Association of Health Plans letter
- July 10, 2026, California Association of Public Hospitals and Health Systems letter
- July 13, 2026, California Hospital Association letter
- July 13, 2026, UC Berkeley Labor Center letter
- July 13, 2026, Kaiser Foundation Health Plan, Inc. & Hospitals letter
- July 13, 2026, SEIU California State Council letter
- July 13, 2026, Sharp HealthCare letter
- July 13, 2026, University of California Health letter

CONSISTENCY AND COMPATIBILITY WITH EXISTING STATE REGULATIONS

During the regulation's development, HCAI conducted a search of any similar regulations on this topic and concluded the regulation is neither inconsistent nor incompatible with existing state regulations.

LOCAL MANDATE

No local mandate is imposed on a local agency or school district that requires reimbursement pursuant to Government Code section 17500 *et seq.*

DISCLOSURES REGARDING THE PROPOSED ACTION:

FISCAL IMPACT ESTIMATES

Cost or savings to any local agency or school district requiring reimbursement pursuant to Government Code section 17500 *et seq.*: None.

Cost or savings to any state agency: The authorizing legislation contained an appropriation for OHCA's spending targets program, including staffing, contracting resource allocation for IT software, services, and infrastructure. Program staff will perform data analysis and staff the electronic data portal for data submission. These activities and costs are intended to support the work described in regulation, and are attributable directly to the legislation.

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.

Other nondiscretionary cost or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.