

Office of Health Care Affordability News

September 2025

First Cost and Market Impact Review Launched

Earlier this year, Covenant Care California, LLC submitted a Material Change Transaction Notice (MCN) to the Office of Health Care Affordability (OHCA) regarding the transfer of assets and operations for 22 skilled nursing facilities. OHCA commenced its review on April 24.

On June 6, 2025, OHCA informed the MCN submitters that it will conduct a Cost and Market Impact Review for three Covenant Care facilities that will be operated by entities affiliated with The Ensign Group, Inc. after the transaction closes:

- Buena Vista Care Center in Santa Barbara County
- Shoreline Care Center in Ventura County
- Huntington Park Nursing Center in Los Angeles County

Through Cost and Market Impact Reviews, OHCA analyzes transactions that are likely to significantly impact market competition, the state's ability to meet targets, or affordability for consumers and purchasers. If necessary, OHCA may refer its findings to the Attorney General for further review of any unfair methods of competition, anticompetitive behavior, or anticompetitive effects.

OHCA will publish a preliminary report of findings on its website and allow 10 business days for parties and the public to submit written comments in response to the findings. OHCA will then publish its final report after the public comment period.

New Advisory Committee Members Tapped

At the July meeting, the Health Care Affordability Board approved the latest slate of Advisory Committee members to two-year terms.

Members represent payers, hospitals, medical groups, physicians, purchasers, health care workers, consumer representatives, organized labor and academics/researchers, all of whom have a stake in OHCA's work to promote consumer affordability. They advise OHCA and the Board on a range of topics, including:

- A statewide health care spending target and specific targets by health care sector and geographic region
- The methodology for setting spending targets and adjustment factors to modify targets when appropriate
- Definitions of health care sectors
- Benchmarks for primary care and behavioral health spending

- Statewide goals for the adoption of alternative payment models and standards
- Quality and equity metrics
- Standards to advance the stability of the health care workforce
- Other areas requested by the board or the office.

The updated list of Advisory Committee members and dates of upcoming meetings are available [here](#).

Proposed Behavioral Health Spending Definition Introduced

Evidence indicates that effective treatment for behavioral health conditions, especially in integrated settings, contributes to better behavioral and overall health outcomes and correlates with reduced health care costs.

Recognizing this and in accordance with statute, OHCA has released a Proposed Behavioral Health Spending Definition and Measurement Methodology.

By statute, OHCA is required to:

- Measure and promote a sustained systemwide investment in primary care and behavioral health.
- Measure the percentage of total health care expenditures allocated to primary care and behavioral health and set spending benchmarks that consider current and historic underfunding of primary care services.
- Develop benchmarks with the intent to build and sustain infrastructure and capacity and shift greater health care resources and investments away from specialty care and toward supporting and facilitating innovation and care improvement in primary care and behavioral health.
- Promote improved outcomes for primary care and behavioral health.

OHCA solicited public comment on the [Proposed Behavioral Health Spending Definition and Measurement Methodology](#), including the [associated code set](#), from August 4 through September 3, 2025. At the September 22, 2025 Advisory Committee meeting, OHCA presented a summary of public comments. The public comments will inform final definition and measurement methodology to be included in the 2026 Data Submission Guide.

House Resolution 1 Update

At the July meeting, the Board members received an update on House Resolution 1 ([H.R. 1](#)), the recently passed federal tax and spending bill. For California, it is projected to have the following impacts (all numbers are estimates and subject to change):

- **Medi-Cal:** Up to 3.4 million of Medi-Cal's roughly 15 million beneficiaries are at risk of losing health coverage due to H.R. 1. About \$30 billion in federal funding is at risk.
- **Covered California:** About 660,000 Californians are projected to lose access to affordable marketplace coverage due to the impacts of H.R. 1, as well as the failure to extend enhanced premium subsidies and other changes. All of the exchange's approximately two million consumers will see significantly higher costs in 2026.

- **Medicare:** Medicare eligibility eliminated for many of California’s current and future lawfully present immigrant seniors.

OHCA will report and enforce spending targets by market. Reporting by market allows for OHCA to evaluate the impact of the following on spending performance: population characteristics of each market; cost drivers unique to each market; different policy levers and tools in each market for lowering cost growth; and state and federal policy decisions impacting spending trends.

The Board may periodically update spending targets so that new information can inform potential changes. H.R. 1 will impact health care entities differently depending on a range of factors including payer mix. Increasing target values across the board could result in higher costs for all commercial market consumers, undermining the goal that health care spending should not grow faster than household income.

Now and through 2026, OHCA staff will present for discussion proposals on spending target enforcement, including enforcement considerations for exceeding the target. Through this process, OHCA may consider changes in state and federal policy affecting spending.

More information is available in the July 2025 Board presentation, which is available [here](#).

Beginning Discussion on Data Submission Enforcement

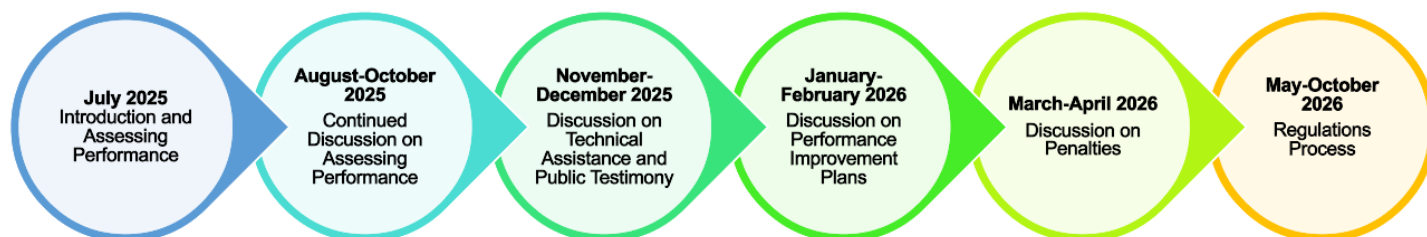
At the July and August Board meetings, OHCA raised and continued discussion on the topic of data submission enforcement. OHCA discussed penalty justification factors and proposed a process, structure, and penalty amount for late submission and failure to submit required data. OHCA will continue to advance this discussion per the timeline below with the goal of regulations being effective April 2026.



Beginning Discussion on Spending Target Enforcement

This fall, OHCA is publicly discussing enforcement considerations, which are factors or circumstances that OHCA could consider when determining which entities would proceed beyond technical assistance to public testimony, performance improvement plans, and/or financial penalties for a given year. Potential enforcement considerations may include changes in state and federal law, catastrophic events, and high-cost drugs that may be outside the entity’s control.

Spending target enforcement represents a new phase for OHCA's work. Health care entities and stakeholders will have an opportunity to engage with OHCA and provide input on various proposals that will be effectuated through regulation in 2026 as described in the tentative timeline below.



Upcoming Health Care Affordability Board meetings

The following Health Care Affordability Board meetings will take place in the coming months at 2020 West El Camino Ave., Sacramento, CA 95833:

- October 28, 2025, 10 a.m.
- November 18, 2025, 10 a.m.