Performance Improvement Plan Guidance
Office of Health Care Affordability

DRAFT FOR DISCUSSION - JUNE 5, 2026

Section A: Introduction

The California Health Care Quality and Affordability Act of 2022 (Act)[1] created and charged the Office of Health Care Affordability (OHCA) with:

1. Collecting data on total health care expenditures.
2. Analyzing the health care market for cost trends and drivers of spending.
3. Promoting strategies for managing the cost of health care and improving affordability for consumers and purchasers while maintaining or improving quality and equity.
4. Enforcing spending targets set by the Health Care Affordability Board.

Performance Improvement Plans (PIPs) are an important part of the health care spending target enforcement process. OHCA has authority to require entities that exceeded a spending target to prepare, submit, and implement a PIP.[2] A PIP sets out in detail the entity's plan to come into compliance with the spending target(s). Entities that do not submit or implement a required PIP or do not come into compliance with the spending target(s) may be subject to further progressive enforcement which may include further PIP requirements and administrative penalties.

The following provides guidance on PIP proposal submissions and implementation. OHCA may request additional information from entities to evaluate PIP proposals, progress reports, final reports, and monitor entities' compliance with their PIP.[3]

Section B: Submission Instructions

PIP proposals are due within 45 calendar days of the date of OHCA's notice that a PIP is required. PIP proposals can be submitted via email to **XXXX@hcai.ca.gov**, or some other mutually agreed upon delivery method. If your file(s), including attachments, are too large for a single email, send them in multiple emails with the email number and total number of emails in the subject line (example: "Email 1 of 3").

Documents must be submitted in a machine-readable electronic format, such as Microsoft Word, Excel, or portable document file (PDF).

To request confidential treatment of information or documents, provide an unredacted version so that OHCA can evaluate the information claimed confidential. If only a portion of the document is confidential, provide a redacted version.

To request confidential treatment of information or documents please provide:

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[1] Health and Safety Code section 127500 et seq. (Chapter 2.6 of Part 2 of Division 107 of the Health and Safety Code; added by Chapter 47 of the Statutes of 2022 (S.B.184), effective June 30, 2022)
[2] Health and Safety Code section 127502.5.(c)(1)
[3] Health and Safety Code section 127501.(c)(4)

1. An unredacted version of the document so that OHCA can evaluate the information claimed confidential.
2. A redacted version of the document, if only a portion of the document is confidential.
3. An explanation which specifies how long the document should be treated as confidential (for example, six months, two years, indefinite).
4. An explanation as to why the document is nonpublic. For purposes of this guidance, "nonpublic" means information that:
    - Is confidentially maintained and not shared by the holder of the information with the general public; and
    - Does not include information that is 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.

Please also describe the efforts made to preserve the confidentiality of the requested information or document at all times.

OHCA will treat the following documents/information as confidential (if not otherwise publicly available) without the above justifications: Salary or compensation documents, negotiated contracts, and affiliation agreements.

Requested-confidential supporting documents must be clearly marked "requested-confidential" using a watermark, stamp, notation, etc., on each page. Materials not marked "requested-confidential" may be made public, including at Health Care Affordability Board meetings, on the OHCA website, in response to a public records act request, or in an annual report. See regulations **[insert link to regs]** for more information.

Section C: Extension Requests

Requests for an extension to submit a PIP proposal must be submitted in writing prior to the initial 45-day deadline and must include an explanation of the need for an extension. OHCA may, at its discretion, approve one extension request of up to 30 calendar days per proposal.

Extension requests and requests for support with developing the proposal can be submitted via email to **XXXX@hcai.ca.gov**.

Section D: PIP Content Requirements

A PIP sets out in detail the entity's plan to come into compliance with the spending target(s). PIPs must include strategies and goals that focus on key drivers of spending to improve health care affordability. PIP proposals must include the following sections with detailed information and any relevant attachments provided for each section.

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.

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.

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

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.

   Entities may use or reference OHCA’s existing measures and standards, including but not limited to Workforce Stability Standards[4] and Quality and Equity Performance Measure.[5]

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.[6] 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. **PIP 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.[7]

11. **PIP Attestation:** Sign and submit the affidavit of truthfulness and good faith implementation with PIP proposal (see Appendix A for PIP Attestation).

Section E: Evaluation of PIP Proposal

Health care entities will receive an acknowledgement confirming receipt of their PIP proposal from OHCA within 5 business days. PIP proposals will be evaluated based upon multiple considerations, including but not limited to the following:

- 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?
- Do 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.

[4] Workforce Stability Standards
[5] Quality and Equity Performance Measure Set
[6] Health and Safety Code section: 127502.5.(a)
[7] Health and Safety Code section 127502.5.(c)(1)

Section F: Progress Reports

During PIP implementation, progress reports must be submitted to OHCA, at a minimum cadence of every six months, and must be included in the PIP proposal's timeline. Progress reports can be submitted via email to **XXXX@hcai.ca.gov** by the deadline listed in the PIP proposal's timeline. Extension requests will be evaluated on a case-by-case basis. Entities will receive an acknowledgment confirming receipt of their progress report from OHCA within 5 business days. Progress reports must include the following:

1. **Summary of Performance:** A brief summary update on the PIP which may be included in a public meeting of the Health Care Affordability Board, posted on the OHCA website, or included in an annual report on California's health care spending growth.

2. **Progress on Outcomes:** Updates on progress toward SMART goals, activities, and milestones.

3. **Timeline Updates:** An updated timeline with completed goals, strategies, activities, meetings, reports, etc.

4. **Barriers or Delays:** Updates on barriers or delays that may impact PIP goals.

Include relevant data or documents to support the progress report. See "Section B" for submission requirements and confidentiality information.

Based on review of progress reports, OHCA may determine that a modification to the PIP is necessary. If this occurs, OHCA will notify the entity and set a reasonable deadline to modify and submit a modified PIP proposal. Extension requests will be evaluated on a case-by-case basis. OHCA's decision not to require modifications to a PIP or not to object to information contained in a progress report shall not constitute approval of the entity's performance, a determination of compliance with the terms and conditions of the PIP, or a limitation on OHCA's enforcement authority.

Section G: Final Progress Report

Final progress reports must be submitted within 45 calendar days of the end of a PIP's implementation and the deadline for the final progress report must be included in the PIP proposal's timeline. Final progress reports can be submitted via email to **XXXX@hcai.ca.gov** by the deadline listed in the PIP proposal's timeline. Extension requests will be evaluated on a case-by-case basis. Entities will receive confirmation of receipt of final progress report from OHCA within 5 business days.

Final progress reports will give detailed information on PIP performance and must include the following:

1. **Summary of Performance:** Include a brief summary of PIP performance, including: goals and/or activities achieved or not achieved, outcomes of balancing measures, and whether spending targets were met or exceeded. This summary may be included in a public meeting of the Health Care Affordability Board, posted on the OHCA website, or included in an annual report on California's health care spending growth.

2. **Outcomes:** Provide detailed information about the final progress report on outcomes for goals, including specific information about each activity. Clearly state whether goal and/or activities 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.

Include all relevant supporting data and information in the final report. See “Section B” for submission requirements and confidentiality information.

Section H: Evaluation of Final Progress Report

Entities will receive confirmation of receipt of the final progress report from OHCA within 5 business days. OHCA will evaluate the final progress report and supporting documents. When evaluating whether an entity is fully compliant with the terms and conditions of a PIP, OHCA shall evaluate the entity’s performance based on one or more factors, including but not limited to the following, 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.

Section I: OHCA Contact Information

Entities with questions about any step in the PIP process or questions about this guidance should contact OHCA via email at **XXXX@hcai.ca.gov**.

APPENDIX A

Performance Improvement Plan (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.

(Early drafts submitted for review and discussion with OHCA staff need not be accompanied by signed affidavits.)

SIGNATURE

The undersigned, being fully authorized to execute on behalf of the identified organization, certify the following:

1. I have read OHCA's regulations at 22 CCR 97445 and following 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.

Under penalty of perjury under the laws of the State of California,

Typed name, title, organization, signature	Date