

**DETERMINATION TO REFER TRANSACTION TO
COST AND MARKET IMPACT REVIEW**

PURSUANT TO THE
CALIFORNIA HEALTH CARE QUALITY AND
AFFORDABILITY ACT, ARTICLE 8,
HEALTH CARE MARKET TRENDS,

HEALTH AND SAFETY CODE SECTION 127507.2

For the Transaction involving:

Alternative Choices, Inc.
J & J Care Centers, Inc.
Normal Life of California, Inc.
Res-Care California, Inc.
Rockcreek, Inc.
RSCR California, Inc.
RSCR Inland, Inc.

OHCA Transaction Identifier:
Transaction 1367 - Res-Care

Date Material Change Notification
to OHCA Complete: April 21, 2025

Date of Initial Determination that
CMIR required: November 4, 2025

Date of Final Determination that
CMIR Required: December 2,
2025

Anticipated date (unless tolled or
extended per regulation) by which
OHCA will release Preliminary
Report: March 2, 2026

22 CCR 97431 *et seq.*

On March 23, 2025, the Office of Health Care Affordability (OHCA) received a Material Change Notification of ResCare's transaction involving ResCare, Inc. (ResCare) and National Mentor Holdings, Inc.

Then, on March 28, 2025, OHCA received additional information and documents from ResCare regarding the proposed transaction. OHCA paused its review of the transaction on May 30, 2025, as authorized by its regulations at Title 22, California Code of Regulations, section 97440, subd. (b)(2). OHCA resumed its review on October 22, 2025. On November 4, 2025, OHCA informed ResCare of its determination to conduct a Cost and Market Impact Review (CMIR) for the transaction.

ResCare requested a review by the Director of the Department of Health Care Access and Information (HCAI) of OHCA's determination. The Director upheld OHCA's decision to conduct a CMIR and informed ResCare of this decision on December 2, 2025.

OHCA determined that a CMIR of the proposed transaction in the Material Change Notice filed by ResCare is necessary due to the following factors:

- The transaction may result in a negative impact on the availability or accessibility of health care services.
- The transaction may result in a negative impact on costs for payers or purchasers.
- The transaction may negatively impact the quality of health care services available to patients from the parties to the transaction.
- The transaction is part of a series of similar transactions by the health care entity or entities that furthers a trend toward consolidation.

Therefore, pursuant to OHCA's regulations, OHCA shall conduct a CMIR, which shall examine factors relating to a health care entity's business and its relative market position, including, but not limited to:

- (1) The effect on the availability or accessibility of health care services to any community affected by the transaction, including the accessibility of culturally competent care.
- (2) The effect on the quality of health care services provided to any of the communities affected by the transaction.
- (3) The effect of lessening competition or potentially creating a monopoly, which could result in raising costs, reducing quality or equity, or restricting access or innovation.
- (4) The effect on any health care entity's ability to meet any health care cost targets established by the Health Care Affordability Board pursuant to Health and Safety Code section 127502(n), and as set forth at 22 CCR 97447.
- (5) The effect on competition for workers and the impact on the labor market.
- (6) Whether the transaction may foreclose competitors of any party to the transaction from a segment of the market or otherwise increase barriers to entry in any health care market.
- (7) Whether the parties to the transaction have been parties to any other transactions in the past ten years that have been below the thresholds set forth in 22 CCR 97435(c).
- (8) Consumer concerns including, but not limited to, complaints or other allegations

against any health care entity that is a party to the transaction related to access, care, quality, equity, affordability, or coverage.

(9) Any other factors OHCA determines to be in the public interest.

The scope of the CMIR will include only those components of the transaction that impact Californians. Specifically, OHCA will review the transaction as it pertains to the following subsidiaries:

- Alternative Choices, Inc.
- J&J Care Centers, Inc.
- Normal Life of California, Inc.
- Res-Care California, Inc.
- Rockcreek, Inc.
- RSCR California, Inc.
- RSCR Inland, Inc.

If any member of the public wishes to make a comment regarding this transaction or its anticipated impacts as described above, please email CMIR@hcai.ca.gov. (Please add "Comment on CMIR for Transaction 1367 - Res-Care" to the subject line.)

OHCA will publish the Preliminary Report on its website and allow 10 business days for the parties and public to submit written comments in response to the findings.

OHCA will then issue a Final Report within 15 days of the close of the comment period, unless OHCA extends this time for good cause, such as the volume of comments received.

This transaction shall not be implemented until 60 days after OHCA issues its Final Report. (Health and Saf. Code, § 127507.2, subd. (a)(3)(A).)