

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:

Covenant Care California, LLC
Covenant Care Mission, Inc.
Covenant Care Long Beach, Inc.
Covenant Care Morgan Hill, LLC
Covenant Care Capitola, LLC
Covenant Care Encinitas, LLC
Covenant Care La Jolla, LLC
Covenant Care Courtyard, LLC
Covenant Care Lodi, LLC

OHCA Transaction Identifier: 1313

Date Material Change Notification to
OHCA Complete: April 24, 2025

Date of Initial Determination that
CMIR required: June 6, 2025

Date of Final Determination that CMIR
Required: June 23, 2025

Anticipated date (unless tolled or
extended per regulation) by which
OHCA will release Preliminary Report:
September 22, 2025

22 CCR 97422 et seq.

The Office of Health Care Affordability (OHCA) has determined that a Material Change Notice filed by the submitters listed above requires a Cost and Market Impact Review (CMIR).

On March 11, 2025, the OHCA received a Material Change Notification of a transaction involving the transfer of assets and operations of twenty-two skilled nursing facilities (SNFs) to subsidiaries of International Equity Partners, Spyglass Healthcare, Links Healthcare Group, and The Ensign Group, Inc. (Ensign).

OHCA deemed the notification complete on April 24, 2025.

OHCA reviewed the transaction and determined a CMIR is required based on factors required by Health and Safety Code section 127507 and Title 22, California Code of Regulations, section 97441.

On June 6, 2025, OHCA informed Submitters it will conduct a CMIR for all components of the transaction involving:

- Buena Vista Care Center,
- Shoreline Care Center, and
- Huntington Park Nursing Center.

OHCA waived the remaining components of the transaction, including the following facilities:

- Pacific Gardens Nursing and Rehabilitation Center,
- Royal Care Skilled Nursing Facility,
- Catered Manor Nursing Center,
- St. Edna Sub-Acute and Rehabilitation Center,
- Valle Vista Post Acute,
- Encinitas Nursing and Rehabilitation Center,
- La Jolla Nursing and Rehabilitation Center,
- Wagner Heights Nursing and Rehabilitation Center,
- Arbor Rehabilitation and Nursing Center,
- Gilroy Healthcare and Rehabilitation Center,
- Palo Alto Sub-Acute and Rehabilitation Center,
- Grant Cuesta Sub-Acute and Rehabilitation Center,
- Los Altos Sub-Acute and Rehabilitation Center,
- Mission Skilled Nursing and Subacute Center,
- Pacific Hills Manor,
- Pacific Coast Manor,
- Turlock Nursing and Rehabilitation Center,
- Vintage Faire Nursing and Rehabilitation Center,
- Courtyard Healthcare Center, and
- Facilities that are not health care entities under Health and Safety Code section 127500.2 and Title 22, California Code of Regulations, section 97431 (e.g. assisted living facilities).

On June 16, 2025, Submitters 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. The Director informed Submitters of this determination on June 23, 2025.

Therefore, pursuant to OHCA’s regulations, OHCA will conduct a CMIR, which shall examine factors relating to the 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.

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 Covenant Care” to the subject line.)

OHCA will publish the Preliminary Report on its website and allow ten 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 Safety Code, section 127507.2, subdivision (3)(A).)