
SENATE COMMITTEE ON HEALTH

Senator Akilah Weber Pierson, Chair

BILL NO: AB 2194
AUTHOR: Valencia
VERSION: June 15, 2026
HEARING DATE: June 24, 2026
CONSULTANT: Natalie Gehred

SUBJECT: Medi-Cal: special commissions

SUMMARY: Makes changes to the makeup of the Orange County Health Authority board, establishes a selection committee to nominate and appoint the board members, and staggers the terms of board members.

Existing law:

- 1) Establishes the Medi-Cal program, administered by the Department of Health Care Services (DHCS), under which low-income individuals are eligible for medical coverage. [WIC §14000, et seq.]
- 2) Authorizes a county board of supervisors, by ordinance, to establish a commission to negotiate an exclusive contract with DHCS to provide, or arrange for the provision of, health care services under the Medi-Cal program. This system of services provided by or through a county is known as a county organized health system (COHS). Requires the enabling ordinance to, among other things, specify the membership of the county commission, the qualifications for individual members, the manner of appointment, and how long they will serve. [WIC §14087.54]
- 3) Establishes a 10-member governing board (“the board”) for the County of Orange’s COHS, The Orange County Health Authority (CalOptima), nine of whom are voting members nominated by the Orange County Health Care Agency and appointed by a majority vote of the Orange County Board of Supervisors. The tenth non-voting member is the Director of the Orange County Health Care Agency. Specifies the requirements for board composition:
 - a) Two members of the Orange County Board of Supervisors, with one additional member of the Orange County Board of Supervisors serving as an alternate;
 - b) One current or former hospital administrator;
 - c) One representative of a community clinic;
 - d) One member of the public, who is a legal resident of Orange County;
 - e) One practicing licensed medical provider who is not an owner, officer, or member of the board of directors of a contracted independent physician’s association or provider network;
 - f) One current CalOptima member or a family member of a current CalOptima member;
 - g) One accounting or public finance professional, or an attorney who is an active member of the State Bar; and,
 - h) One practicing licensed physician who is a representative of the board of directors of a contracted independent physician’s association or provider network. [WIC §14087.59]
- 4) Requires the Orange County Board of Supervisors to consult with stakeholders to identify qualified individuals, residing or employed in Orange County, to be considered as members of the CalOptima board. Requires the CalOptima board to generally be representative of the diverse backgrounds, interests, and demography of persons residing in the County, and to

have a commitment to a health care system that seeks to deliver and improve access to high-quality care and is financially viable. [WIC §14087.59]

- 5) Requires CalOptima board members to serve four-year terms, except for those who are members of the Orange County Board of Supervisors, who serve a one-year term. Prohibits a CalOptima board member who is a member of the Orange County Board of Supervisors from being appointed to serve a four-year term immediately following the expiration of their one-year term. Prohibits members serving four-year terms from being appointed to serve more than two consecutive terms. [WIC §14087.59]

This bill:

- 1) Deletes the three members who are Supervisors on the Orange County Board of Supervisors from the CalOptima board. Adds the Director of Social Services of Orange County as a voting member of the CalOptima board. Makes the Director of the Orange County Health Care Agency a voting member of the board.
- 2) Establishes an eight-member selection committee to nominate and select, by majority vote, the members of the CalOptima board. Requires the selection committee to be administered by CalOptima and composed of:
 - a) The Senator who represents the most Medi-Cal beneficiaries who are members of CalOptima, or their surrogate;
 - b) The Assemblymember who represents the most Medi-Cal beneficiaries who are members of CalOptima, or their surrogate;
 - c) The United States Representative who represents the most Medi-Cal beneficiaries who are members of CalOptima, or their surrogate;
 - d) One current CalOptima member or a family member of a current CalOptima member;
 - e) One at-large representative;
 - f) One financial or legal representative;
 - g) One hospital representative; and,
 - h) One provider representative.
- 3) Requires applications to become a voting member of the CalOptima board to be submitted to the Orange County Health Care Agency.
- 4) Requires the four-year terms of CalOptima board members to be staggered. Requires terms of members beginning January 1, 2027 to be determined by lot at the first meeting

FISCAL EFFECT: This bill has not been analyzed by a fiscal committee.

PRIOR VOTES: Not relevant.

COMMENTS:

- 1) *Author's statement.* According to the author, CalOptima is the largest health insurer in Orange County, serving nearly one million residents, including low-income children, adults, seniors, and people with disabilities. This bill creates two mechanisms to improve CalOptima's continuity and stakeholder representation. Currently, all seven four-year board member terms expire at the same time, which presents a significant risk of sudden mass turnover and loss of institutional knowledge. This bill staggers these terms so that seats expire on a rolling basis, preserving experience and continuity through any transition. Further, this bill implements governance reforms that are intended to remove political

influence and broaden the board's expertise by creating an independent selection committee to select CalOptima board members. Independent nominating bodies are a proven good-governance tool. Today, the same body that appoints the board also holds seats on it, concentrating political power over an agency whose decisions should turn on member needs and medical expertise. This bill will remove the two sitting county supervisors from the CalOptima board and will place selection in independent hands to separate CalOptima's governance from county politics. Through these changes, this bill aims to ensure every dollar CalOptima manages delivers full value for its members.

- 2) *COHS*. According to DHCS, a COHS is one of the five main models of Medi-Cal managed care plans. Under the COHS model, DHCS contracts with a managed care plan run by a county government entity, which is the sole Medi-Cal managed care plan operating in the county. COHS are generally exempt from many federal managed care organization requirements, including plan choice, and are exempt from state Knox-Keene Act licensure requirements. California COHS include CalOptima Health (Orange County), Health Plan of San Mateo (San Mateo County), Gold Coast Health Plan (Ventura County), CenCal Health (San Louis Obispo and Santa Barbara Counties), Central California Alliance for Health (Mariposa, Merced, Monterey, San Benito, and Santa Cruz Counties), and the Partnership Health Plan of California, which operates across 24 Northern California counties.

To establish a COHS, a county's Board of Supervisors establishes, by ordinance, a commission to negotiate a COHS contract with DHCS. The commission serves as an independent oversight entity for the delivery of Medi-Cal managed care services in that county. COHS commissions are often comprised of representatives from county administration, health care facilities, providers, and plan members. Most COHS' governing ordinances do not explicitly require staggered terms or alternates on their commissions.

- 3) *CalOptima*. CalOptima is the COHS offered to residents of Orange County, which was established in 1993 and has been enrolling residents since 1995. According to CalOptima, 841,313 people are enrolled as of March 31, 2026 — nearly one in three Orange County residents. CalOptima offers insurance to low-income individuals and families, seniors, and adults with disabilities through Medi-Cal, OneCare (a Medicare Advantage plan for those dually-eligible for Medicare and Medi-Cal), and the Program of All-Inclusive Care for the Elderly (PACE, a Medi-Cal/Medicare program that offers a range of health and social services that help seniors live independently), with a majority of enrollees on the Medi-Cal plan. As of April 23, 2026, CalOptima has a contracted network of 1,299 primary care providers, 8,265 specialists, 43 acute and rehabilitation hospitals, 73 community health centers, 247 long-term care facilities, and 499 pharmacies. CalOptima is also preparing to launch a plan through Covered California in January of 2027 to help maintain continuity of care for those transitioning out of Medi-Cal. CalOptima's Medi-Cal plan is accredited by the National Committee for Quality Assurance for their use of standardized data collection and measurement to understand health needs and address disparities, and the CalOptima PACE plan received a 94% satisfaction rating among enrollees in 2023—the second-highest score among all PACE programs in the state.
- 4) *CalOptima's governance concerns*. Controversies surrounding the governance and administration of CalOptima over the past fifteen years have resulted in the state codifying the composition and appointment structure of CalOptima's board of directors. In 2011, the Orange County Board of Supervisors amended the county ordinance governing CalOptima to extend the term of the member from the Board of Supervisors, reduce the number of

consumers, and increase the number of providers on the board. The *Voice of OC* reported that within fifteen months of the reorganization, sixteen senior executives left CalOptima. In 2017, Supervisor Andrew Do sought to expand county administrators' representation on the CalOptima board by proposing the board be restructured to include all five supervisors and two county agency heads, according to reporting in the *Voice of OC*. However, the Legislature blocked the effort through SB 4 (Mendoza, Chapter 479, Statutes of 2017), which codified the board's composition as it existed in 2016. Concerns about CalOptima's governance resurfaced in 2021-2022 when local media reported that the CalOptima Chair, Supervisor Do, hired a former aide into a new high-ranking executive role, instituted large pay raises for executive staff without public discussion, and purged CalOptima's in-house legal counsel. A 2023 state audit of CalOptima found that CalOptima retained more in funds from intergovernmental transfers than other managed care plans, accumulated an excessive surplus of funds without a clear plan for spending it, and engaged in irregular hiring practices for executive positions. AB 498 (Quirk-Silva, Chapter 430, Statutes of 2022) was intended to provide key guardrails to protect against further politicization of CalOptima.

- 5) *Double referral.* This bill is double referred. Should it pass out of this committee, it will be referred to the Senate Committee on Local Government.
- 6) *Prior legislation.* AB 498 (Quirk-Silva, Chapter 430, Statutes of 2022) made permanent the requirement for nine voting members and one nonvoting member of the CalOptima governing board, the required membership categories, the duties of board members, their terms, and procedures related to conflicts of interest. AB 498 also imposed additional requirements on the Orange County Board of Supervisors related to stakeholder consultation and a one year "cooling off" period for subsequent service as a non-board of supervisor member of the CalOptima governing board.

SB 4 (Mendoza, Chapter 479, Statutes of 2017) requires governance of CalOptima to be vested in a governing body consisting of nine voting members and one nonvoting member, and specifies the membership categories, duties, and terms of board members. SB 4 included a January 1, 2023 sunset date.

- 7) *Support.* The Orange County Employees Association supports this bill because they claim it promotes continuity, accountability, and a greater focus on health care delivery by strengthening professional representation on the governing board and reducing the potential for political considerations to influence operational decisions. They state that these changes will help ensure CalOptima remains focused on its mission of providing high-quality, cost-effective care to Orange County's most vulnerable residents.
- 8) *Opposition.* The Orange County Board of Supervisors state that the passage of H.R. 1 has created tremendous disruption across the state and within their county. By removing the Board of Supervisors from the CalOptima board, this bill risks disrupting established lines of communication and collaboration at a time when seamless coordination is essential to preventing avoidable coverage losses and service disruptions. They also state that County Supervisors play a critical role in COHS oversight and removing elected officials from the board leaves residents without elected representatives on the CalOptima board. The CalOptima board of directors also opposes the bill, stating that recent amendments would make Orange County the only COHS in California without direct representation from elected County Supervisors on its governing board, eliminating local accountability and oversight. They argue that there has been no governance failure, operational breakdown, or

demonstrated deficiency warranting such significant restructuring, and that this bill would replace a proven governance model with an unprecedented structure found nowhere else in California, effectively removing local control and accountability. Second Harvest Food Bank and a City of Santa Ana Councilmember also express concern about the timing of the proposal, which creates uncertainty during a leadership transition—pointing out that both CalOptima and Orange County will be also going through CEO transitions in the next year—as the county is preparing for significant federal Medicaid changes through the implementation of H.R. 1. The California Hospital Association and Hospital Association of Southern California echo these concerns and emphasize that challenges to hospitals and Medi-Cal require a stable, balanced, and locally accountable COHS commission. The Local Health Plans of California also raise concerns regarding state intervention in local governance structures that have historically been developed to reflect local needs and circumstances, emphasizing that local health plans work by being deeply rooted in their communities and governed through structures that reflect local accountability. The Orange County Business Council states that maintaining continuity, preserving local flexibility and avoiding unnecessary disruption to the healthcare system that serves the workforce is a top priority and worry that this bill risks disrupting established relationships and complicating coordination required to respond to emerging healthcare needs. The California State Association of Counties, Urban Counties of California, and Rural County Representatives of California also highlight that this bill would diminish the direct role of local elected officials and replace it with a selection process that includes state and federal elected officials who do not have the same responsibility of overseeing county health and human services systems.

- 9) *Policy comment.* COHS are health plans established by ordinance of a county’s Board of Supervisors, and the commission itself serves as the independent oversight entity for the delivery of Medi-Cal managed care services in that county. Given the local nature of a COHS, this bill may be overly complicating the governance of a local health plan. This bill creates a selection committee to appoint CalOptima board members, but how some members of the selection committee are appointed is unclear. Furthermore, the inclusion of state legislators and a member of Congress on the selection committee instills an unusual level of state influence over a COHS commission, one that is not found in any other COHS. Lastly, by removing the members of the Orange County Board of Supervisors, this bill distances CalOptima from the county’s oversight. Removing the members from the Board of Supervisors is another departure from typical COHS governance; all other COHS have at least one voting member from a county Board of Supervisors.

SUPPORT AND OPPOSITION:

Support: Orange County Employees Association

Oppose: California Hospital Association
 California State Association of Counties
 City of Santa Ana, Councilmember Jessie Lopez
 County of Orange
 Hospital Association of Southern California
 Local Health Plans of California
 Orange County Business Council
 Rural County Representatives of California
 Second Harvest Food Bank of Orange County
 Urban Counties of California

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