SENATE COMMITTEE ON LOCAL GOVERNMENT
Senator María Elena Durazo, Chair
2025 - 2026 Regular

Bill No:	AB 2194	**Hearing Date:**	7/1/26
Author:	Valencia	**Fiscal:**	Yes
Version:	6/15/26	**Consultant:**	Peterson

MEDI-CAL: SPECIAL COMMISSIONS

Changes Orange County Health Authority's board composition and method of selection.

Background

County organized health systems. The Department of Health Care Services (DHCS) administers the state's Medi-Cal program, which provides health care services to qualified, low-income individuals. A county board of supervisors can establish by ordinance a commission to negotiate an exclusive contract with DHCS to provide health care services under Medi-Cal, which is known as a county organized health system (COHS). The ordinance must specify the membership of the county commission, the qualification of its board members, the manner of their appointment, and the terms they will serve. There are six COHS in California operating across 22 counties, which serve approximately 2.5 million Medi-Cal beneficiaries. Almost all Medi-Cal-eligible beneficiaries in COHS counties are mandatorily enrolled into the COHS plan.

Orange County Health Authority (OCHA). OCHA, also known as CalOptima, is the COHS in Orange County. The Orange County Board of Supervisors created OCHA in 1993, which began operations in 1995. As of March 2026, it has 841,313 members, nearly one of every three Orange County residents, with an operating budget of over $4 billion. OCHA is Orange County's largest health insurer.

Until 2017, the county board of supervisors determined OCHA's board through a county ordinance. SB 4 (Mendoza, 2017) codified the 2016 OCHA board structure into law and made other changes to board operations.

Under SB 4, ten members (nine voting members and one nonvoting member) govern OCHA. The Director of the Orange County Health Care Agency (OCHCA) serves as the nonvoting member. OCHCA nominates members to the OCHA board, and the board of supervisors appoints the nine voting members, which must include the following:

- Two members of the board of supervisors, with one alternate member;
- One current or former hospital administrator;
- One representative of a community clinic, which can include a representative from a federally qualified health center;
- One member of the public who is a legal resident of Orange County;
- One licensed medical provider who is not an owner, officer, or director, of a contracted independent physician's association or provider network;
- One current OCHA member or family member of an OCHA member;
- One accounting or public finance professional, or a licensed attorney; and

- One licensed physician who is a representative of a contracted independent physician's association or provider network.

Each member must reside or work in Orange County and be generally representative of diverse backgrounds of the county's residents. They must also have a commitment to a health care system that seeks to improve access to high-quality health care and is financially viable. Each member must also possess the skills and knowledge necessary to design and operate a quality, publicly-assisted health care delivery system.

OCHA board members who are on the board of supervisors serve one-year terms. The other members serve four-year terms. Except for the members from the board of supervisors, OCHA board members cannot serve more than two consecutive terms. The board of supervisors can remove members with a 2/3 vote. The OCHA board can, with a 2/3 vote, increase the number of public members and members who are current OCHA members or family members of OCHA members, provided that a majority of the board of supervisors affirms the decision and does not result in the elimination of an existing member.

OCHA board members must also follow applicable federal and state laws and regulations to serve the public interest of OCHA's members, and ensure the authority's operational wellbeing and fiscal solvency. They must also strive to improve health care quality, promote prevention and wellness, ensure cost-effective health and mental health care services, and reduce health disparities, while earning the public's trust.

Recent OCHA issues. According to a February 2022 article by the Orange County Register, OCHA has had substantial turnover in key positions over the prior two years, while salary levels for newly created or replacement positions have jumped significantly.

In response, the Legislature enacted AB 498 (Quirk-Silva, 2022), which made various changes to OCHA's governance. Some of the key changes include:

- Prohibits individuals who served a one-year term as a member of the board of supervisors from serving a four-year term on the OCHA board for another purpose within 12 months of the expiration of their one-year term. It also requires, for the purposes of identifying qualified individuals for the OCHA board, the board of supervisors to consult with stakeholders including providers, consumers, and advocates;
- Outlines conflict-of-interest procedures for board members;
- Prohibits OCHA board members (except for the representative of a community clinic and the provider positions) from taking on specified positions involving OCHA for one year after leaving office; and
- Provides that board members must ensure the provision of cost-effective behavioral health, instead of mental health care services, and adds various health-related goals for board members to strive for.

Given recent issues, the author wants to make even more changes to OCHA's board structure.

Proposed Law

Assembly Bill 2194 changes Orange County Health Authority's board composition and method of selection.

AB 2194 changes the Orange County Health Authority's board composition in the following ways:

- Makes the director of the OCHCA a voting member instead of a nonvoting member;
- Removes the two county supervisors; and
- Adds the county social services director.

AB 2194 removes provisions specific to county supervisors. AB 2194 requires that all members serve four-year, staggered terms. Terms of board members serving prior to January 1, 2027, do not change. Board members whose terms begin after January 1, 2027, determine their term by lot at the first meeting. The authority must not fill vacancies that occur in the last 90 days of a term until the term expires. All board members cannot serve more than two consecutive terms.

AB 2194 creates a selection committee to nominate and select board members by majority vote. OCHA administers the selection committee, but applications to become a voting member are submitted to OCHCA. The selection committee consists of:

- The Senator who represents the most Medi-Cal beneficiaries who are members of OCHA or their surrogate;
- The Assemblymember who represents the most Medi-Cal beneficiaries who are members of OCHA or their surrogate;
- The U.S. Congressperson who represents the most Medi-Cal beneficiaries who are members of OCHA or their surrogate;
- An OCHA member or family representative;
- An at-large representative;
- A financial or legal representative;
- An independent practice physician representative;
- A hospital representative; and
- A provider representative.

The measure makes findings and declarations to further its intent.

Comments

1. Purpose of the bill. According to the author, "CalOptima is my district's county organized health system serving nearly one million residents, including low-income children, adults, seniors, and people with disabilities. Currently, all seven four-year board member terms expire at the same time, leading to sudden mass turnover and loss of institutional knowledge. AB 2194 staggers these terms so that seats expire on a rolling basis, preserving experience and continuity through any transition. Further, AB 2194 requires an external audit of CalOptima's policies, bylaws, and board actions to ensure they are acting in the best interests of Medi-Cal patients and are not led by a single member to benefit special interests. The recommendations that will ultimately come from the audit will only help to improve services for our families, seniors, and children. Through these changes, AB 2194 aims to ensure every dollar CalOptima manages delivers full value for its members."

2. Necessary? AB 2194 makes significant changes to OCHA's board. Most significantly, the measure removes the two county supervisors from the board, leaving no elected officials. While the measure replaces the two supervisors with the county social services director, opponents of

the measure, like Orange County, argue that, "County Supervisors play a critical role in COHS oversight. Their constituents directly elect them to supervise government operations in a variety of areas. Excluding them from Orange County's COHS governing board would leave residents without their elected representatives serving on the CalOptima board and without a voice on the board that is directly accountable to them." Removing supervisors from the board would make OCHA the only COHS without at least one county supervisor on the board.

3. The times they are a changin'. The Senate Committee on Rules has ordered a double referral of AB 2194: first to the Committee on Health, which approved AB 2194 at its June 23rd hearing on a vote of 11-0, and second to the Committee on Local Government. At its hearing, the Committee on Health approved the measure with the following amendments:

- Restore the county supervisor positions on the board;
- Eliminate the county social services director position on the board;
- Limit the term of the county supervisor positions to one year;
- Create staggered terms for other board positions;
- Remove the nomination process; and
- Add a requirement for OCHA to pay for an independent, external audit.

Due to timing, the Committee on Health requested that these amendments be taken as committee amendments in the Committee on Local Government.

4. Special legislation. The California Constitution prohibits special legislation when a general law can apply (Article IV, §16). AB 2194 contains findings and declarations explaining that a special statute is necessary, because of the unique circumstances of the Orange County Health Authority.

5. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 2194 imposes new duties on local officials, Legislative Counsel says that it imposes a new state mandate. AB 2194 disclaims the state's responsibility for providing reimbursement because the only costs that may be incurred by a local agency are the result of a program for which that local agency requested the legislative authority.

Assembly Actions

Assembly Health Committee:	16-0
Assembly Appropriations Committee:	14-0
Assembly Floor:	68-0

Support and Opposition (6/26/26)

Support: One individual

Opposition: Caloptima Health
Chispa, a Project of Tides Advocacy
City of Santa Ana
Local Health Plans of California
Orange County Business Council

Second Harvest Food Bank of Orange County
Woundwalk.org

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