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Attorney General

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Attorney General Bonta Conditionally Approves Sale of Adventist Health Vallejo

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OAKLAND – California Attorney General Rob Bonta today conditionally approved the sale of Adventist Health Vallejo (Adventist Vallejo), an acute psychiatric inpatient hospital, to Acadia Healthcare Company Inc. (Acadia). The Attorney General’s conditions, upon which the sale is contingent, address the risk of price increases in the limited market for acute psychiatric services in Northern California and ensure the availability of high-quality services for patients in the region, including those under the age of 18.

“When evaluating hospital transactions such as this one, we use in-depth analysis to determine the impact the transaction will have on the communities served – maintaining quality, affordable care must always be the first priority,” **said Attorney General**

Bonta. “The conditions we’ve outlined are designed to address competitive and health impact concerns. Our top priority is to make sure that Adventist Vallejo can continue to provide a safe place for members of the community to receive much-needed care.”

Under California law, any transaction involving the sale or transfer of control of a nonprofit hospital must secure the approval of the Attorney General. The statutory charge of the California Attorney General is to determine whether the transaction is in the public interest and whether the transaction may impact the accessibility and availability of healthcare services (Corporations Code section 5914 et seq., and California Code of Regulations, title 11, section 999.5).

Today’s conditional approval will allow St. Helena Hospital to sell Adventist Vallejo to Acadia, a national for-profit behavioral health system, which also operates other facilities in California, including San Jose Behavioral Health Hospital (San Jose Behavioral).

Among the concerns found while investigating the proposed sale were impacts on competition in the acute psychiatric services market in the region. As owners of both San Jose Behavioral and Adventist Vallejo, Acadia could leverage both hospitals to increase prices, potentially reducing the quality, availability, and accessibility of these vital services. Adventist Vallejo also plays a vital role in treating the mental health of children in the region. The Attorney General’s conditions will help preserve the continuity and availability of this essential care.

The conditions address the competitive, quality, and access impacts the proposed sale would have on the surrounding community. Among the conditions are:

Competition impact conditions

- **A price freeze.** Price increases on contract renewals at Adventist Vallejo will not exceed a maximum of 6% for commercial payors and 2.8% for Medi-Cal or low-

income payors, for a five-year period with the option of a three-year extension. The Attorney General rejected an exemption that would carve out a large payor in the region, ensuring prices could not increase unfairly for particular payors.

- **Barring Acadia from burdening Adventist Vallejo with debt** to an extent that would impair the financial viability of Adventist Vallejo or indirectly undermine the Attorney General's other conditions.
- **The use of a monitor.** An independent monitor will be appointed to ensure Acadia's compliance with the competition impact conditions.

Quality impact condition

- **Appointment of an evaluation team to conduct a comprehensive survey of the quality of care at San Jose Behavioral to ensure past concerns have been resolved.** If governance issues that impacted quality of care persist, the Attorney General will refer the matter to the California Department of Public Health.

Access impact condition

- **Adventist Vallejo must continue to serve patients under 18 years old for 10 years.** A small number of acute psychiatric facilities in Northern California treat children. Discontinuing these services at Adventist Vallejo would severely reduce the access and availability of care in the community.

The California Department of Justice's Healthcare Rights and Access Section (HRA) works proactively to increase and protect the affordability, accessibility, and quality of healthcare in California. HRA's attorneys monitor and contribute to various areas of the Attorney General's healthcare work, including nonprofit healthcare transactions; consumer rights; anticompetitive consolidation in the healthcare market; anticompetitive drug pricing; privacy issues; civil rights, such as reproductive rights and LGBTQ healthcare-related rights; and public health work on tobacco, e-cigarettes, and other products.

A copy of the conditional approval letter is available here.

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