

California Expands Oversight of Health Care Transactions Involving Private Equity Groups, Hedge Funds, Management Services Organizations and Certain Other Noticing Entities

Insights

10.14.25

PROFESSIONAL



SANDI KRUL
Partner
Los Angeles



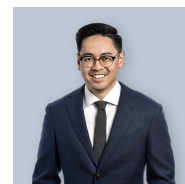
KARL A. SCHMITZ
Partner
Los Angeles



ROBERT F. MILLER
Partner
Los Angeles
San Diego



ANDREA FREY
Partner
San Francisco
San Diego



MICHAEL SHIMADA
Associate
San Francisco



KERRY K. SAKIMOTO
Associate
Los Angeles

On October 11, 2025, Governor Newsom signed [Assembly Bill 1415](#) (“AB 1415”) into law, expanding the authority of the California Office of Health Care Affordability (“OHCA”) to review certain material change transactions impacting the health care industry. Effective January 1, 2026, AB 1415 will require private equity groups, hedge funds, management services organizations (“MSOs”), and other “noticing entities” to provide OHCA with pre-transaction notice of their material change transactions with a health care entity or MSO for OHCA to review and evaluate.



**SUNAYA
PADMANABHAN**
Associate
San Francisco

Background

OHCA is a relatively new state agency, formed in 2022, in part, to review and evaluate certain transactions involving health care service plans, health facilities, physician organizations, and other health care entities. Since April 1, 2024, health care entities that meet certain asset or revenue thresholds, or that provide health care services in a designated primary care health professional shortage area, have been required to provide notice of their material change transactions to OHCA at least 90 days before the anticipated closing date in order for OHCA to review the impact of such transaction on consolidation, market power, and other market failures in the health care industry. OHCA defines a “material change transaction” in its regulations to refer to transactions that meet at least one of the eight “material change” circumstances, such as where the proposed fair market value of the transaction is \$25 million or more and the transaction concerns the provision of health care services.

If OHCA determines that a transaction is likely to have a significant impact on market competition, costs for purchasers and consumers, or on California’s ability to meet cost targets, OHCA will proceed with a more detailed “cost and market impact review” or “CMIR” to further analyze the transaction and publish its findings. If a transaction is subject to CMIR, the parties are prohibited from closing until at least 60 days after OHCA publishes its final report on its findings. While OHCA does not have the authority to approve or prohibit a transaction from moving forward, the notice and review process can significantly delay a transaction, and OHCA can refer the transaction and its findings to the California Attorney General for further review.

To date, OHCA has received [notice](#) of 31 transactions, and only one transaction has been subject to CMIR, which is currently in progress. We anticipate the changes implemented by AB 1415 will significantly increase the number of transactions subject to OHCA notice and review.

Read more about the existing pre-transaction notice and review requirements in our prior client alerts [here](#), [here](#), and [here](#).

AB 1415’s Expansion of OHCA’s Pre-Transaction Review Authority

AB 1415 expands OHCA’s existing pre-transaction notice and review authority to now apply to private equity groups, hedge funds, MSOs, and other “noticing entities”. Specifically, beginning on January 1, 2026, a “noticing entity” must also provide the Office with written notice of its agreements or transactions with a health care entity or MSO, or an entity that owns or

controls the health care entity or MSO, that do either of the following:

1. Sell, transfer, lease, exchange, option, encumber, convey, or otherwise dispose of a material amount of the health care entity's or MSO's assets to one or more entities; or
2. Transfer control, responsibility, or governance of a material amount of the assets or operations of the health care entity or MSO to one or more entities.

In addition to the reporting obligations described above that are placed on all "noticing entities", MSOs must also provide OHCA with written notice of agreements or transactions between the MSO and any other entity that do either of the following:

1. Sell, transfer, lease, exchange, option, encumber, convey, or otherwise dispose of a material amount of the MSO's assets to one or more entities; or
2. Transfer control, responsibility, or governance of a material amount of the assets or operations of the MSO to one or more entities.

In addition to private equity groups, hedge funds, and MSOs, a "noticing entity" further includes newly created business entities that are created for the purpose of entering into agreements or transactions with a health care entity. As it is fairly common for organizations to form newly created entities for the purpose of acquiring existing health care entities, the inclusion of such newly created entities within the list of "noticing entities" could significantly expand the number of transactions subject to OHCA's review. A "noticing entity" will also include entities that own, operate or control a provider (regardless of whether the provider is currently operating, providing health care services, or has a pending or suspended license), which will further expand the number of transactions subject to OHCA's review.

It is unclear whether OHCA will subject "noticing entities" to the same notice and filing thresholds and timelines applicable to health care entities, or if OHCA will promulgate new regulations with separate notice and filing thresholds and timelines that are specific to noticing entities.

Additional Reporting Obligations for MSOs

AB 1415 also added Section 127501.5 to the Health and Safety Code, mandating OHCA to require MSOs to "submit data and other information as necessary to carry out the functions of the office." This data reporting authority is separate from the obligations of MSOs to provide notice of transactions as described above. OHCA is expected to issue regulations specifying the content and procedure for the data submissions. By granting OHCA this authority, the Legislature aims to ensure the state has the tools and information needed to understand and address the drivers of rising health care costs.

Why It Matters

Governor Newsom also recently signed [SB 351](#), which codifies limitations around the involvement of private equity groups and hedge funds in physician and dental practices in California. These two new laws signal legislators' and the Attorney General's heightened scrutiny of private equity and hedge fund investments in health care. More details about SB 351 can be found in [this HLB client alert](#).

The OHCA pre-transaction notice and cost and market impact review processes have added layers of complexity and delayed many health care transactions in California. Now, AB 1415 will bring additional complexity and delays to a broader variety of health care transactions involving MSOs, private equity, hedge funds, and new business entities created to enter into agreements or transactions with a health care entity, as well as entities that own, operate or control providers. These additional costs and regulatory burdens are likely to exacerbate the OHCA pre-transaction notice process and could lead to a chilling effect on California health care transactions.

We anticipate that OHCA will promulgate new regulations in the near future to implement AB 1415, particularly with respect to the additional data reporting obligations for MSOs.

RELATED CAPABILITIES

Business Transactions

Mergers and Acquisitions

Antitrust and Unfair Business Practices

Hospital-Physician Integration

Provider and Supplier Operations

Value-Based Arrangements

Physicians, Medical Groups, Medical Foundations, and Independent Practice Associations (IPAs)