

Publications

September 18, 2025 • Updates

California Bills Expanding OHCA Requirements, Impacting Private Equity Investment in Health Care and MSOs Heads to Governor Newsom's Desk

Key Takeaways

- **More Transactions Under Review:** AB 1415 would require notice to OHCA for a wider range of health care deals involving private equity, hedge funds, and MSOs.
- **Limits on Investor Control:** SB 351 reinforces restrictions preventing non-physician investors from influencing medical and dental decision-making.
- **Plan Ahead for 2026 Deals:** Parties should assess now whether upcoming transactions may trigger new notice obligations and affect closing timelines.
- **Compliance Check:** California health care operators and investors should review agreements and structures for alignment with CPOM requirements.

Last week the California legislature passed AB 1415 and SB 351, sending both bills to Governor Newsom for review. If signed into law, both bills would increase regulatory scrutiny on private equity groups and hedge funds investing in the California health care space.¹

AB 1415 (OHCA Expansion)

AB 1415 would expand oversight authority of the Office of Health Care Affordability (OHCA) into health care transactions involving hedge funds, private equity groups, certain management services organizations and other entities. If signed into law, AB 1415 would require hedge funds, private equity groups, newly formed entities created to enter into agreements with health care entities, management services organizations, and entities that own, operate, or control a provider to notify OHCA of transactions with health care entities and management services organizations. These requirements have the potential to capture a much broader range of transactions that are currently excluded from OHCA's review and would require more entities to file notices with OHCA in connection with material change transactions than is currently the case.

It is important to remember that AB 1415 is largely a response to Governor Newsom's veto of a similar bill. Last year, the California Legislature passed AB 3129, which would

Related People

- Paul A. Gomez
- Ashley N. Osak
- Ron S. Grace
- Matthew T. Lin

Related Capabilities

- Health Care

have required notice to and consent of the California Attorney General for transactions between hedge funds or private equity groups and California health care entities. Governor Newsom vetoed the bill due to OHCA's existing regulatory oversight. AB 1415 would allow OHCA to review much of the same transactions previously contemplated by AB 3129, which may influence the likelihood of Governor Newsom's signing of the bill.

SB 351 (CA Corporate Practice of Medicine "CPOM")

SB 351 codifies restrictions that bar hedge funds and private equity groups from influencing the professional decision making of physicians and dentists. These new legal restrictions would, if signed by the Governor, be in addition to similar existing restrictions that already apply generally to many different entities, including, but not limited to private equity groups and hedge funds. Among others, the restrictions in SB 351 would include a prohibition on interfering with the professional judgments of physicians and dentists with respect to determining what diagnostic tests are appropriate for particular conditions, determining the need for referrals to other health care professionals, and responsibility for the overall care of patients. Importantly, SB 351 also expressly states that it does not prohibit an unlicensed person or entity from assisting, or consulting with, a physician or dental practice doing business in California with respect to a range of decisions and activities that involve clinical judgment, so long as the physician or dentist retains the ultimate responsibility for, or approval of, those decisions and activities.

The Governor has until October 12, 2025, to either sign or veto both bills. Members of and investors in the California health care industry should continue to monitor developments in AB 1415 and SB 351 and assess how they could impact future operations if passed into law. Those stakeholders with health care deals which may be impacted by the new OHCA requirements and are expected to close in 2026 should begin to assess whether pre-closing notice may be required as part of the transaction and determine potential impacts on their closing timelines. Additionally, all health care stakeholders operating in California, and specifically those involving or affiliated with private equity groups and hedge funds, should consider whether their agreements, structures and operations are in compliance with CA CPOM restrictions and make improvements as may be necessary.

[1] Our prior discussion of AB 1415 and SB 351 can be found here:

<https://www.polsinelli.com/publications/ab-1415-california-assembly-passed>

<https://www.polsinelli.com/publications/california-bill-seeks-to-expand-scope-of-ohca-review>

<https://www.polsinelli.com//publications/california-reintroduces-legislation-restrict-private-equity-health-care-management>

<https://www.polsinelli.com/publications/california-legislature-bills-impact-private-equity-management-services>