



April 12, 2024

The Honorable Ash Kalra
Chair, Assembly Judiciary Committee
1021 O St., Room 104
Sacramento, CA 95814

SUBJECT: AB 3129 (Wood) — OPPOSE

Dear Assembly Member Kalra:

Californians deserve sustained and improved access to vital health care services. This cannot be achieved without ongoing investment to not just preserve, but also bolster the availability of care. Assembly Bill (AB) 3129 (Wood, D-Healdsburg) would undermine and disincentivize these critical investments, reducing access to much-needed health care services and reducing the number of investors in the California health care marketplace. **The California Hospital Association, on behalf of 400 hospitals and health systems, opposes AB 3129.**

Specifically, AB 3129 would require a private equity group to notify the California Department of Justice (DOJ) before investing in a health care provider if the investment would: result in a change of control of the provider, or acquire a material amount of the provider's assets or operations. The DOJ would then be authorized to approve, deny, or place conditions on the investment.

Across California, patients are experiencing delays in emergency care and behavioral health services, as well as other medical procedures. The current hospital access crisis can only be alleviated by continued investment to expand and retain services. The state's policy should be to encourage investment in California's health care marketplace rather than making it more difficult. This bill creates barriers to new resources for patients when exactly the opposite is needed.

Some of the problems with this bill are:

- **The definition of "private equity group" is too broad.** The bill adopts an extraordinarily broad definition of "private equity group" as "an investor or group of investors who engage in the raising or returning of capital and who invests, develops, or disposes of specified assets." This is really a definition of an "investor," not a definition of a "private equity group." **This bill would deem every investor to be a private equity group,** including a nonprofit hospital, physician, bank, mutual fund, CalPERS, or even a single individual. It is difficult to think of **any** individual or organization that invests money that would not meet the bill's definition of a "private equity group."

- **The standards for DOJ review are unclear.** Without clear standards, entities will struggle to determine whether DOJ approval is required, slowing much-needed investment in health care. The bill’s definition of “change of control” is also unclear, including “indirect” control and “sharing of control” where there are even minor changes in governance. The bill explicitly calls out “altering voting control of” a provider as requiring notice. **This bureaucratic red tape would stifle needed infusions of resources for patient care.**
- **Existing DOJ review process should be improved.** Hospital transactions require thousands of hours of work from legal, financial, operational, and clinical experts. California hospitals report receiving bills from the DOJ in the hundreds of thousands of dollars per transaction, and they undergo reviews that take close to a year or more to complete. Such delays have contributed to failed transactions and closures. Because of this substantial investment of time and resources, parties need certainty surrounding the process before undertaking such a risk. AB 3129 and the current DOJ process lacks objective standards and delegates significant discretion to the DOJ, further jeopardizing investment required to preserve patient access to vital services.
- **This bill is premature and unnecessary.** Existing law requires, as of April 1, 2024, the Department of Health Care Access and Information’s Office of Health Care Affordability (OHCA) to analyze the transactions covered by AB 3129. OHCA is the state agency responsible for gathering data about California’s health care marketplace and understanding the health care delivery system, payment system, access, and costs. Existing law prohibits transactions from closing until 60 days after OHCA publishes its final impact analysis — which gives the DOJ time to go to court if it believes the transaction violates any laws. **The DOJ has long had the ability to investigate and prosecute anticompetitive behavior, as do federal government authorities.**
- **The bill endangers patient services.** AB 3129 would outlaw very common arrangements among physicians and management services organizations — arrangements that are in patients’ best interests. In general, physicians prefer to practice medicine and leave to others the management tasks of running a practice. Similarly, patients prefer their doctors to spend time on patient care rather than paperwork or other administrative tasks. This bill would disrupt longstanding physician practice management arrangements throughout the state, needlessly creating an environment that would harm patient care.

California relies on investment in all marketplaces to meet growing and changing demand. Health care is no exception — it needs constant innovation and resources to maintain high-quality patient care. Stifling investment would jeopardize the care on which patients across the state rely. **For these reasons, the California Hospital Association requests your “no” vote on AB 3129.**

Sincerely,



Meghan Loper,
Consulting Lobbyist, California Hospital Association

cc: Assemblymember Jim Wood
The Honorable Members of the Assembly Judiciary Committee
Allison Merrilees, Chief Counsel, Assembly Judiciary Committee
Daryl Thomas, Consultant, Assembly Republican Caucus