



September 5, 2024

The Honorable Gavin Newsom  
Governor, State of California  
1021 O St., Suite 9000  
Sacramento, CA 95814

**RE: Assembly Bill 3129 (Wood) — REQUEST FOR VETO**

Dear Governor Newsom:

Assembly Bill (AB) 3129 (Wood, D-Healdsburg) would create an ambiguous, redundant, and costly process for state review of some health care business transactions.

This bill would transfer the state's review of some health care business transactions from the Office of Health Care Affordability (OHCA) to the Attorney General's office (AG), subjecting some changes in control of health care entities to existing OHCA regulations while subjecting others to a new, more burdensome, and chilling AG review process.

This dual system would be inefficient and counterproductive, adding state costs as well as costs to health care entities doing business in California. **This is why the California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, respectfully requests your veto of AB 3129.**

### **OHCA is the Appropriate State Agency to Review Health Care Transactions**

California has spent several years and millions of dollars to establish the Office of Health Care Affordability. Besides reviewing proposed health care transactions, OHCA is responsible for: collecting and analyzing spending data from all segments of the health care sector; promoting strategies for improving health care affordability, access, quality, and equity; and enforcing cost-growth targets for the state. In other words, OHCA is the state's authority on California's health care marketplace.

By contrast, the AG's office provides *legal* expertise. Existing law acknowledges this difference in capability, prohibiting transactions from closing until 60 days after OHCA publishes its final impact analysis to give the AG time to use its current authority to go to court to prevent any anticompetitive behavior. It is counterproductive to shift the analysis of health care transactions from OHCA to the AG.

Also, it is more appropriate for the agency that reviews health care transactions to be organizationally connected to other state agencies involved in health care, rather than within the office of an independent

constitutional officer. Review of health care transactions within the state Health and Human Services Agency would foster coordination and synergy that retains a focus on the preservation of care and services.

### **AB 3129 is Ambiguous**

AB 3129 is overly broad with poorly defined terms. This will lead to ambiguity and confusion by health care entities that may or may not be impacted by the bill. For example, the terms “private entity group” and “hedge fund” are very broadly defined and include entities that most people would not consider to be private equity or hedge funds.

In addition, AB 3129 lacks clear, objective standards for entities to meet to obtain AG approval. The result will be that entities won’t know in advance how to structure their transactions to obtain approval. Because these transactions require thousands of hours of work from financial, legal, and clinical experts at health care entities, it’s vital that the law be clear. This lack of clarity would chill investments required to preserve and expand health care services. California must compete with other states to attract investment, and AB 3129 will encourage investors to go elsewhere.

Finally, CHA understands that the intent of the Aug. 15 amendments was to remove hospitals from the bill. However, the amendments leave ambiguity about this goal.

### **AB 3129 Adds Millions of Dollars in State Costs**

The scope of AB 3129 is broad. It would require AG review of transactions involving hundreds if not thousands of providers, including: clinics, ambulatory surgery centers, laboratories, imaging facilities, other outpatient facilities, physicians, dentists, optometrists, pharmacists, mental health professionals, physician assistants, registered nurses, nurse practitioners, certified nurse-midwives, nurse anesthetists, clinical nurse specialists, and more.

This will cost the state millions of dollars that have not been included in the 2024-25 budget. In the Assembly Appropriations Analysis of AB 2080 (2022), which would have enacted a similar regulatory framework, the AG expected first-year costs to be \$6.49 million and out-year costs to be \$11.35 million annually. The AG’s office believed it would need 23 new deputy attorneys general and 19 legal secretaries.

In addition, because the bill contains many ambiguities, allows the AG’s office to consider many factors based on its discretion, and gives the AG the authority to impose potentially onerous conditions on a transaction, there will likely be significant litigation. AB 3129 would allow health care entities to appeal to the Office of Administrative Hearings (OAH) any AG decision to deny a transaction or to impose conditions on an approval. Health care entities would also be able to file an action in superior court. Based on previous experience with the AG, it is likely that health care entities will often avail themselves of these opportunities. These hearings come at significant cost to OAH, the state courts, and the AG to participate in OAH hearings and defend litigation.

**For these reasons, on behalf of more than 400 hospitals and health systems, CHA respectfully requests your veto on AB 3129.** If you have any questions, please don’t hesitate to contact me at [kscott@calhospital.org](mailto:kscott@calhospital.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'K Scott', with a long horizontal flourish extending to the right.

Kathryn Austin Scott  
Senior Vice President, State Relations and Advocacy

cc: Assembly Member Jim Wood, DDS  
Angela Pontes, Chief Deputy Legislative Secretary, Office of the Governor