
THIRD READING

Bill No: AB 1415
Author: Bonta (D), et al.
Amended: 7/2/25 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 9-2, 6/25/25

AYES: Menjivar, Durazo, Gonzalez, Limón, Padilla, Richardson, Rubio, Weber
Pierson, Wiener

NOES: Valladares, Grove

ASSEMBLY FLOOR: 42-16, 5/15/25 - See last page for vote

SUBJECT: California Health Care Quality and Affordability Act

SOURCE: Health Access California

DIGEST: This bill establishes definitions of “hedge fund,” “private equity,” “management services organizations,” and “noticing entity” for the purposes of data reporting to the Office of Health Care Affordability (OHCA) as necessary to carry out functions of OHCA related to monitoring and analyzing the health care market and cost drivers of spending, and creating a state strategy for controlling the cost of health care.

ANALYSIS:

Existing law establishes OHCA, within the Department of Health Care Access and Information (HCAI), to, among other things be responsible for: analyzing the health care market for cost trends and drivers of spending, developing data-informed policies for lowering health care costs for consumers and purchasers, creating a state strategy for controlling the cost of health care and ensuring affordability for consumers and purchasers, and enforcing cost targets, including cost targets established by the OHCA board. The HCAI director also serves as the OHCA director. [Health and Safety Code (HSC) §127501]

This bill:

- 1) Defines a “hedge fund” as a pool of funds managed by investors for the purpose of earning a return on those funds, regardless of the strategies used to manage the funds. Hedge funds include, but are not limited to, a pool of funds managed or controlled by private limited partnerships or other types of private corporate or partnership formations. Not included are:
 - a) Natural persons or other entities that contribute, or promise to contribute, funds to the hedge fund, but otherwise do not participate in the management of the hedge fund or the fund’s assets, or in any change in control of the hedge fund or the fund’s assets; or,
 - b) Entities that solely provide or manage debt financing secured in whole or in part by the assets of health care facility, including, but not limited to, banks and credit unions, commercial real estate lenders, bond underwriters, and trustees.
- 2) Defines “management services organization” as an entity that provides management and administrative support services for a provider in support of the delivery of health care services, excluding the direct provision of health care services. Management and administrative support services include provider rate negotiation, revenue cycle management, or both. Management and administrative support services may also include, utilization management, claims handling, customer service, and network development.
- 3) Defines “private equity group” as an investor or group of investors who primarily engage in the raising or returning of capital and who invest, develop, dispose of, or purchase any equity interest in assets, either as a parent company or through another entity the investor or investors completely or partially own or control. Not included are natural persons or other entities that contribute or promise to contribute funds to the private equity group, but otherwise do not participate in the management of the private equity group or the group’s assets, or in any change in control of the private equity group or the group’s assets.
- 4) Adds management services organizations to the entities OHCA is required to conduct research and evaluation on related to entities, which may significantly affect health care cost, quality, equity, and workforce stability.
- 5) Requires OHCA to, in a manner prescribed by OHCA, establish requirements for management services organizations to submit data as necessary to carry out

the functions of OHCA.

- 6) Requires a noticing entity to provide OHCA with written notice of agreements or transactions between the noticing entity and a health care entity or management services organization, or an entity that owns or controls the health care entity or management services organization, that do either of the following:
 - a) Sell, transfer, lease, exchange, option, encumber, convey, or otherwise dispose of a material amount of the health care entity's or management services organization's assets to one or more entities; and,
 - b) Transfer control, responsibilities, or governance of a material amount of the assets or operations of the health care entity or management services organization to one or more entities.
- 7) Requires, in addition to reporting obligations in 6) above, a management services organization to provide OHCA with written notice of any agreement or transaction that is described in 6) above between the management services organization and any other entity.
- 8) Defines "noticing entity" to include all of the following:
 - a) A private equity group or hedge fund;
 - b) A newly created business entity created for the purpose of entering into agreements or transactions with a health care entity;
 - c) A management services organization; and,
 - d) An entity that owns, operates, or controls a provider, regardless of whether the provider is currently operating, providing health care services, or has a pending or suspended license.

Comments

According to the author of this bill:

Health care costs continue to rise, placing an increasing burden on families, employers, and our state's budget. That is exactly why the Legislature created OHCA—to ensure health care in California is affordable and sustainable. This bill makes small but important changes to OHCA's authority. First, this bill requires private equity groups and hedge funds to report directly to OHCA on significant health care transactions, allowing a more thorough review of these transactions that can drive up prices and

reduce quality and access for consumers. This bill similarly requires management services organizations, which exert significant administrative control over health care delivery and prices, to report to OHCA—including private equity-backed MSOs that drive higher cost growth. This bill aligns squarely with the original legislative intent for OHCA: providing OHCA the data and authority it needs to reduce the unsustainable growth in Californians' health care costs.

Background

OHCA. OHCA was originally created in the 2021 Budget Act. As part of its responsibilities to monitor cost trends and promote competitive markets, OHCA requires health care entities that are not already subject to prior notice requirements or that are not exempt, to provide OHCA in advance with a written notice of agreements or transactions that:

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

Cost and market impact review. If after OHCA reviews an agreement or transaction, it finds that a material change is likely to have a risk of significant impact on market competition, the state's ability to meet cost targets, or costs for purchasers and consumers, OHCA will conduct a cost and market impact review. An agreement or transaction subject to a cost and market impact review cannot be implemented until 60 days after OHCA issues its final report. OHCA may refer its findings and the totality of documents gathered and data analysis performed to the Attorney General for further review. A medical group practice, a professional medical corporation, a medical partnership, or any lawfully organized group of less than 25 physicians that provides, delivers, furnishes, or otherwise arranges for health care services is exempt from this and other specified provisions, unless it is a high cost outlier. When an exempted provider is being acquired by, or affiliating with, an entity that is not an exempted provider, the acquiring or affiliating entity is required to comply with notice requirements. Certain agreements that are subject to review by other entities (nonprofit corporations and health plans and insurers) are not subject to notice and review by OHCA, however they may be referred to OHCA for a cost and market impact review. OHCA may refer its factual findings, and all documents, to the Attorney General for further review of unfair methods of competition, anticompetitive behavior, or anticompetitive effects.

OHCA baseline report. In April 2024, the OHCA board approved a statewide health care spending target for 2025 of 3.5% and trending down to 3% by 2029. This target is based on historical median household income growth in an effort to allow growth that is not faster than the income of California’s families. OHCA published “Baseline Report: Health Care Spending Trends in California, 2022–2023” on June 5, 2025. This report provides a baseline assessment of health care spending in the years before the statewide spending target, and it includes per-capita and per-member per-year growth rates at the statewide level and by market, payer, region, and service category. The report summarizes baseline total health care expenditures and total medical expenses, which is the foundation to implement OHCA’s statewide spending target. The spending target is effective for performance years 2025-2029. Changes in total health care expenditures by market are:

- Commercial spending (HMOs, PPOs, other) grew 5.8%;
- Medicare spending (including fee-for-service and Medicare Advantage and excluding individuals in Medi-Cal and Medicare (dual eligibles) and another program referred to as dual eligible special needs plans (DSNPs)) grew over 6%;
- Medi-Cal (fee-for-service and managed care) spending grew 6.5%;
- Dual eligible and D-SNPs spending grew 35.2%; and,
- Total health care expenditures across markets and other spending grew 8.2%.

High cost hospitals. In February 2025, OHCA developed a methodology to identify high-cost hospitals as those that are above the 85th percentile, for three out of five years from 2018-2022. Initially, 11 hospitals were identified that are twice the statewide average on commercial unit price and relative commercial Medicare price. OHCA adjusted the cost target for high cost hospitals by dividing statewide spending target by the average of the high-cost facilities’ cost relativity values which equates to 1.8% in 2026, 1.7% in 2027 and 2028, and 1.6% in 2029. In April, the OHCA board approved a hospital sector target for seven high-cost hospitals (Community Hospital of the Monterey Peninsula, Doctors Medical Center – Modesto, Dominican Hospital, Salinas Valley Memorial Hospital, Santa Barbara Cottage Hospital, Stanford Health Care, and Washington Hospital – Fremont.)

Related/Prior Legislation

SB 184 (Committee on Budget and Fiscal Review, Chapter 47, Statutes of 2022) establishes OHCA and identifies its three primary responsibilities: managing spending targets, monitoring system performance, and assessing market consolidation. SB 184 requires OHCA to collect, analyze, and publicly report data on total health care expenditures, and enforce spending targets set by the OHCA board.

FISCAL EFFECT: Appropriation: No Fiscal Com.:Yes Local:No

Senate Rule 28.8

SUPPORT: (Verified 7/30/25)

Health Access California (source)

AARP

Access Reproductive Health

Asian Resources, INC

Attorney General Rob Bonta

California Academy of Family Physicians

California Federation of Teachers

California LGBTQ Health and Human Services Network

California Nurses Association

California Pan-Ethnic Health Network

California Physicians Alliance

California State Council of Service Employees International Union

CalPIRG

Coalition for Patient-Centered Care

Courage California

Economic Security California Action

Families USA

Friends Committee on Legislation of California

Indivisible Tri-Valley

Latino Coalition for a Healthy California

Monterey Bay Central Labor Council

National Union of Healthcare Workers

Northern California Carpenters Regional Council

Private Equity Stakeholder Project

Salinas Valley Federation of Teachers

Small Business Majority

The Leukemia & Lymphoma Society
Unite Here International Union
United Food and Commercial Workers Western States Council
Western States Regional Council of Carpenters
Writers Guild of America West

OPPOSITION: (Verified 7/30/25)

Adventist Health
Alliance of Catholic Health Care, Inc.
American Investment Council
California Children's Hospital Association
California Hospital Association
California Independent Physician Practice Association
Cedars Sinai
Central Valley Doctors Health System
Community Memorial Healthcare
Cottage Health
Desert Care Network
Dignity Health
John Muir Health
Loma Linda University Adventist Health Sciences Center
Lompoc Valley Medical Center
Long Beach Area Chamber of Commerce
MarinHealth Medical Center
Marshall Medical Center
MemorialCare Health Systems
Montage Health
Newport Healthcare
Pomona Valley Hospital Medical Center
Private Essential Access Community Hospitals
Rady Children's Hospital
Redlands Community Hospital
Ridgecrest Regional Hospital
Saint Agnes Medical Center
Salinas Valley Health
San Bernardino Mountains Community Hospital District
San Diego Regional Chamber of Commerce
Sharp HealthCare
Stanford Medicine Children's Health
Sonoma Valley Hospital

United Hospital Association
University of California

ARGUMENTS IN SUPPORT: This bill's sponsor, Health Access California, writes in recent years, private equity groups are using management services organization to indirectly invest in physician organizations by purchasing providers' nonclinical assets. OHCA is also charged with analyzing health care mergers that are likely to impact competition and the state's ability to meet the targets, or affordability for consumers through cost and market impact reviews. OHCA has already started reviewing mergers and has found that there are transactions skirting their oversight, and does not have specific statutory authority to review mergers involving management services organizations and the private equity and hedge fund side of health care deals these entities are involved in." The sponsor indicates that this bill will strengthen OHCA and the state's ability to slow health care costs and have the full picture about private equity deals in health care that drive up the cost of care and have negative impacts for consumers. Attorney General Bonta writes that when a short-term profit-driven business model is applied to our health care system, there is an incentive to raise prices, cut costs, and pay out any revenue to private equity investors, and, this often leads to staffing shortages, failures to pay vendors, and increased costs for patients and employers. Attorney General Bonta indicates private equity backed acquisitions have led to a higher rate of serious medical errors in hospitals and increased mortality in nursing homes, and, private equity transactions are leading to further consolidation in the health care market through a practice called "roll ups" where health care providers purchase smaller providers in a given area or specialty to aggregate market power, which resulting in increases in prices.

ARGUMENTS IN OPPOSITION: The California Hospital Association (CHA) writes that this bill would undermine progress toward California's goals by empowering OHCA to continue to pursue deep, fast, and inequitable cuts to health care spending without adequate consideration of the detrimental consequences for patients. CHA raises concerns that OHCA is targeting seven hospitals with even more aggressive spending caps of 1.8% beginning 2026 reduced to 1.6% by 2029. CHA indicates one of these hospitals is a safety net hospital with seven out of eight patients on Medi-Cal or Medicare, and two that are losing money every day on patient care. CHA writes this is a premature expansion of OHCA and it would potentially derail health care partnerships and investment. University of California (UC) Health writes that definitional expansions broaden the scope of OHCA and would create additional, over burdensome, and duplicative filing requirements that would disrupt or delay much needed investments, innovations, and transactions in

the health care space. UC Health also believes adding management services organizations is overbroad. The Long Beach Area Chamber of Commerce raises concerns that this bill will result in increases in compliance burdens, slow down transactions, and increase regulatory complexity.

Oppose unless amended. The American Investment Council (AIC) writes if passed, this bill will result in less capital being available to fund health care services and research in California, diminished access to care for patients, and additional failures in the health care system. According to AIC, “in 2024 alone, private equity invested \$88.3 billion in California’s economy, supporting medical technologies, life sciences and access to health care. Private equity is responsible for 1,621,000 direct jobs and another four million indirect jobs in the state. California is home to over 805 private equity firms that are responsible for some of the state’s most innovative and successful companies.” AIC states that lack of neutral definitions explicitly target private equity groups and hedge funds potentially result in unfair and discriminatory regulatory practices. Additionally, AIC believes this bill will cause significant confusion and create substantial transaction delays and harm to investing entities.

ASSEMBLY FLOOR: 42-16, 5/15/25

AYES: Addis, Aguiar-Curry, Ahrens, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Caloza, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Ortega, Papan, Patel, Pellerin, Ransom, Celeste Rodriguez, Rogers, Schiavo, Schultz, Sharp-Collins, Solache, Ward, Wicks, Wilson, Zbur, Rivas

NOES: Chen, Davies, DeMaio, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis

NO VOTE RECORDED: Alanis, Alvarez, Arambula, Ávila Farías, Bains, Calderon, Carrillo, Castillo, Flora, Hart, Irwin, Nguyen, Pacheco, Petrie-Norris, Quirk-Silva, Ramos, Michelle Rodriguez, Blanca Rubio, Soria, Stefani, Valencia

Prepared by: Teri Boughton / HEALTH / (916) 651-4111
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