

California Legislators Pass AB 3129 to Require Notice and Consent for Private Equity and Hedge Fund Investments in Health Care

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The California legislature passed AB 3129 late Saturday night, the last day of the legislative session. The final bill included some amendments in the final days of the legislative session that carved out certain types of transactions and health care providers from the scope of the bill. If signed by Governor Newsom, AB 3129 will require notice and, in some instances, consent of the California Attorney General (“AG”) for certain investments by private equity groups and hedge funds in the California health care industry beginning on January 1, 2025.

AB 3129 requires notice and potential approval by the AG prior to an acquisition or change of control between a private equity group or hedge fund and certain types of California health care practices and facilities. The notice and consent requirements vary depending on the size and type of provider entity. The bill also bars private equity groups or hedge funds from exercising certain authority over physician, psychiatric and dental practices. However, these restrictions largely reiterate existing laws against the corporate practice of medicine.¹

The legislature amended AB 3129 several times in the days before it was passed. In the ultimate language of the bill, transactions with certain types of California health care entities were excluded from the notice and consent requirements, including the following:

- Transactions with hospitals;
- Transactions with dermatology practices;
- Transactions with health care service plans subject to review by the Department of Managed Health Care for cost impact or market consolidation;
- Transactions where a county is acquiring a health care facility, provider group, or provider from a private equity group or hedge fund to ensure continued access to health care services in that county;
- Transactions with health districts.

The bill also included a late addition that notice and consent “shall only be required for transactions or agreements with the University of California in which a private equity group or hedge fund is purchasing, acquiring, or taking control, responsibility, or governance of a health care facility, provider group, or provider.” The language of this amendment could benefit from further clarification through implementing regulations or guidance.

For the bill to become law, Governor Newsom will need to sign AB 3129 by the end of September. If signed, members of and investors in the California health care industry will need to consider the impacts of AB 3129’s notice and consent requirements on potential future transactions with the benefit of qualified health care counsel early in the process.

[1] Our prior analyses of AB 3129 can be found here:

<https://natlawreview.com/article/californias-ab-3129-continues-national-trend-scrutinizing-private-equity>

<https://natlawreview.com/article/california-considers-revisions-legislation-health-care-investments-and-regulations>

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