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Healthcare Alert

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California Governor Newsom Vetoes AB-3129

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AB-3129 would have required private equity groups and hedge funds to provide notice to and obtain approval from the California Attorney General before closing certain health care transactions.



What's the impact?

- While California's bill reflected a national trend of increased scrutiny of consolidation and private equity involvement in health care, it also overlapped with existing state regulation of health care transactions.
- Health care entities in California must adhere to requirements set forth by California's Office of Health Care Affordability.

Governor Newsom vetoed AB-3129 on September 28, 2024, a much-awaited decision in the California health care industry. AB-3129 would have required private equity groups and hedge funds to provide notice to and obtain approval from the California Attorney General (AG) before closing transactions with certain health care facilities, provider groups, and providers. Nixon Peabody recently outlined the [implications of the proposed legislation](#), including the impact on transaction timelines and enforceability of non-compete clauses.

California's efforts to regulate health care transactions

Over the past several years, Assemblymember Jim Wood, who authored AB-3129, proposed various iterations of the bill in the California legislature. These efforts in California have been consistent with a national trend of increased scrutiny of consolidation and private equity involvement in health care.

The Governor's [accompanying message](#) with his veto of AB-3129 indicates that the expansion of the AG's oversight over health care transactions under AB-3129 would be redundant in light of the recent establishment of the California Office of Health Care Affordability (OHCA) in 2022, which approves [transactions in California involving health care entities](#) through an analysis of whether a transaction and the parties involved meet certain classification criteria, revenue thresholds, and notice requirements.

Due to the significant resources that could be involved with reviewing transactions subject to AB-3129, the veto may also reflect state budgetary constraints and apprehension that the state does not have available resources to dedicate to multiple offices that oversee health care transactions.

Compliance with OHCA requirements

The California legislature does not appear to have the necessary votes to override the Governor's veto and likely will not attempt to do so. Although legislation similar to AB-3129 may be introduced in the future, this signals—for now, at least—that OHCA will remain the primary state oversight vehicle for health care entities and transactions. As a result, there may be efforts to modify the scope of OHCA's oversight to capture transactions that would have required approval under AB-3129. The Nixon Peabody team is continuing to monitor OHCA and its impact.

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