

California in Spotlight as Massachusetts Avoids Bill Targeting Private Equity in Healthcare

August 2, 2024

The Massachusetts legislative session for 2024 has come to a close without the passage of a bill that would have targeted private equity in healthcare. Introduced in May 2024, Massachusetts House Bill (HB) 4653 proposed to expand the reach of the Health Policy Commission (HPC) by requiring notice to the HPC of any transactions involving a private equity fund investing in a provider organization, and that same bill was revised by the Massachusetts Senate in July as Senate Bill (SB) 2871.

SB 2871 made substantial changes to the House version, including making any transactions with private equity funds reviewable to assess costs and market impacts, as well as granting the HPC the ability to make adjustments to transactions. It also proposed limiting what a management services company could do for an affiliated friendly PC (professional corporation), with potentially significant impacts to the corporate structure that private equity funds historically have relied on to invest in provider organizations in states with restrictions on the ownership of healthcare practices, such as Massachusetts.

The end of the Massachusetts legislative session without the passage of a bill on this matter comes as a reprieve in a moment of escalating tension for investors in the healthcare sector.

What about the Golden State?

Now all eyes turn to California, where [Assembly Bill \(AB\) 3129](#) appears to have momentum and is expected to be passed before the end of the California legislative session on August 31, 2024. The bill, which was introduced in response to growing concerns about the increasing involvement of private equity and hedge funds in California's healthcare sector, has undergone a series of major revisions since its introduction.

AB 3129 would require private equity and hedge funds (both defined very broadly) to provide written notice to, and obtain the written consent of, California's attorney general before engaging in any transaction that would result in a change of control of a healthcare facility, provider group, or nonphysician provider. The bill also would prohibit private equity funds and hedge funds from exercising control over the provision of medical, psychiatric, or dental services provided by professional corporations.

The California bill, and others like it, is expected to significantly slow down investment in the provider side of the healthcare sector in states such as California, where investors will need to decide whether they are willing to open themselves up to an attorney general review in connection with their acquisition of – and, perhaps more significantly, their eventual exit from – a provider organization. California and Massachusetts are not the only states where these issues have been raised, and we expect to see more such bills in 2025. Stay tuned for an update on California AB 3129, and its implications, if it is passed before the end of the 2024 legislative session.

This content is provided for general informational purposes only, and your access or use of the content does not create an attorney-client relationship between you or your organization and Cooley LLP, Cooley (UK) LLP, or any other affiliated practice or entity (collectively referred to as "Cooley"). By accessing this content, you agree that the information provided does not constitute legal or other professional advice. This content is not a substitute for obtaining legal advice from a qualified attorney licensed in

your jurisdiction and you should not act or refrain from acting based on this content. This content may be changed without notice. It is not guaranteed to be complete, correct or up to date, and it may not reflect the most current legal developments. Prior results do not guarantee a similar outcome. Do not send any confidential information to Cooley, as we do not have any duty to keep any information you provide to us confidential. This content may be considered **Attorney Advertising** and is subject to our [legal notices](#).

Key Contacts

Alexis Finkelberg Bortniker San Diego	aborniker@cooley.com +1 858 550 6050
Danielle Fortier	dfortier@cooley.com +1 310 883-6548
Josh Seidenfeld Palo Alto	jseidenfeld@cooley.com +1 650 843 5862
Garland "Sonny" W. Allison Colorado	sallison@cooley.com +1 720 566 4133

This information is a general description of the law; it is not intended to provide specific legal advice nor is it intended to create an attorney-client relationship with Cooley LLP. Before taking any action on this information you should seek professional counsel.

Copyright © 2023 Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304; Cooley (UK) LLP, 22 Bishopsgate, London, UK EC2N 4BQ. Permission is granted to make and redistribute, without charge, copies of this entire document provided that such copies are complete and unaltered and identify Cooley LLP as the author. All other rights reserved.