Simpson Thacher

Memorandum

California OHCA Issues Final Regulations Implementing Expanded Health Care Transaction Review Requirements for Private Equity, Hedge Funds, and MSOs

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On Friday, California Office of Health Care Affordability ("OHCA") published proposed final regulations that implement a 2026 law that significantly expanded OHCA's review authority over health care transactions involving private equity ("PE") groups, hedge funds, and management services organizations ("MSOs"). Stakeholders involved in California health care transactions should re-assess whether their ongoing or contemplated transactions are implicated by these regulations, because newly covered transactions will need to comply with the 90-day advance notice requirement established in the original OHCA regulations.

As background, Assembly Bill 1415 ("AB 1415"), which took effect January 1, 2026, required additional entities to provide advance notice to OHCA before closing a broader range of health care transactions and investments. The new regulations provide critical details for filing obligations, definitions, ownership thresholds, and disclosure requirements for "noticing entities." OHCA's proposed final regulations will be adopted through emergency rulemaking and are subject to a five-working day comment period, followed by a ten-calendar day review period by the Office of Administrative Law before taking effect.

Key Takeaways

- **Expanded OHCA suspensory review authority**: The proposed final regulations implement AB 1415's expanded review authority over health care transactions involving PE groups, hedge funds, and MSOs, with adoption possible as early as late September via emergency rulemaking. Newly covered transactions must now observe OHCA's 90-day pre-closing notice and review period. Transactions subject to OHCA review may not be implemented until OHCA completes its review process by either granting a Cost and Market Impact Review ("CMIR") waiver, or completing an in-depth CMIR review to determine if the proposed health care transaction is likely to significantly affect market competition, the state's ability to meet designated health care targets, or affordability, quality or access to health care services.

- **Broader filing triggers**: The regulations expanded the types of covered transactions and triggers for filings, including a 10% PE/hedge fund ownership threshold (up from 5% in the draft), MSO management services arrangements, and real estate sale-leaseback transactions.

- **Enhanced disclosures**: PE groups and hedge funds face extensive portfolio disclosure requirements, including organizational charts through the ultimate parent entity and debt ratio documentation.

- **Public records presumption**: All filings are presumptively public, requiring confidentiality strategies and dual-version (redacted/unredacted) submissions.

Background

The regulations that implement AB 1415 are the latest and most comprehensive in a series of legislative and regulatory efforts to regulate PE involvement in the California health care market and control rising costs. Effective January 1, 2026, AB 1415 created a new "noticing entity" category that encompasses PE groups, hedge funds, MSOs, newly-formed business entities created for transactions with health care entities, and entities that own, operate, or control a health care provider. OHCA published proposed regulations in May 2026 to implement AB 1415, which were subject to public comment. The regulations are currently being advanced through an emergency rulemaking process and are slated to be adopted after review by the Office of Administrative Law. The proposed final regulations largely align with the May 2026 draft regulations, but include certain changes to definitions and provisions that narrow the scope of transactions subject to review.

Transactions subject to filing requirements must submit a notification to OHCA at least 90 days prior to closing, and receive approval from OHCA in the form of a CMIR waiver. After a health care entity or noticing entity submits a filing, OHCA reviews the notice of a material change transaction and decides whether to initiate a CMIR. Once it deems a material change notification complete, OHCA has 45 days to determine that no CMIR is warranted, or up to 60 days to determine that a CMIR will be conducted. If OHCA initiates a CMIR, it must be completed within 90 days of the decision to conduct a CMIR, with a possible 30-day extension. OHCA may also apply tolling provisions to the review timeframe as a result of outstanding information requests and reviews conducted by other regulatory entities.

Key Provisions of the Final Regulations

Expanded Definitions. The proposed final regulations clarify and expand some key definitions that determine the scope of OHCA's review authority:

- "Noticing entity" is defined as the existing categories of entities set forth in AB 1415: PE groups, hedge funds, MSOs, newly created business entities formed for the purpose of transacting with a health care entity, and entities that own, operate, or control a health care provider. Before AB 1415, these types of entities were not subject to the same extensive disclosure requirements as health care entities (*i.e.*, health care providers, payers, fully integrated delivery systems, pharmacy benefit managers) required to report transactions to OHCA.

- "Management services organization" is defined by reference to the statutory definition.[1] However, to qualify as an MSO subject to notice requirements, the entity must also meet at least one of four criteria, narrowing the scope of MSO transactions subject to review compared to the statutory definition: (1) the MSO is owned by a hospital with two or more physician organizations as clients or affiliates; (2) the MSO employs or contracts with the physician-owner of one or more physician organizations; (3) the MSO shares directors, officers, investors, or other natural persons with the ability to exercise control with respect to a health care entity; or (4) the MSO is affiliated with at least two of the following: a payer (*e.g.*, a health plan or third-party administrator), two or more physician organizations, or a hospital.

- "Transaction" now also encompasses agreements involving the transfer of assets or control of health care entities and/or MSOs.

Who Must File. Health care entities or noticing entities meeting specified monetary thresholds or other criteria must file written notice with OHCA at least 90 days before closing a covered transaction. The monetary thresholds under regulations remain unchanged: the primary revenue threshold remains $25 million in annual revenue or California assets, and a secondary $10 million threshold applies to transactions with entities that meet the above $25 million threshold, with entities that own or control such a health care entity or that involve transactions with noticing entities. If the transaction involves a noticing entity, the noticing entity must meet additional requirements such as: PE groups and hedge funds that are parties to transactions with MSOs or health care entities meeting the above monetary thresholds; MSOs that are party to transactions with other MSOs or health care entities meeting the same monetary thresholds; and newly created business entities formed to transact with an MSO that meets certain criteria or with health care entities meeting such monetary thresholds.

Expanded Transaction Circumstances Requiring Filing. The regulations expand the list of transaction circumstances triggering a filing obligation from eight to eleven. Several new provisions are particularly significant:

- **Serial transactions.** The ten-year lookback period for serial transactions (*i.e.*, transactions between the same parties during the lookback period, which are treated as a single transaction for purposes of the size threshold) involving the health care entities or affiliated entities now also applies to MSOs.

- **PE and hedge fund transactions.** A filing is triggered when a PE group or hedge fund acquires 10% or more of the assets, equity, debt, or liabilities of a health care entity or MSO. The 10% threshold in the proposed final regulations is higher than the 5% threshold in the May 2026 proposed regulations, narrowing the scope of transactions subject to review. Notably, this includes groups of investors investing collectively to reach the 10% threshold, and OHCA stated in its finding of emergency for the regulations

[1] Under California Health and Safety Code § 127500.2(o), MSO means "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 services. Management and administrative support services shall include provider rate negotiation, revenue cycle management, or both." Entities that own one or more health facilities are not MSOs.

that the 10% threshold will better align with federal Hart-Scott-Rodino ("HSR") filing requirements where passive investments of less than 10% are excluded from review. The provision also covers acquisitions where a PE group or hedge fund obtains authority to appoint or replace leadership, veto decisions, alter operations, purchase and leaseback real property, control indebtedness, manage or operate the entity via management agreements, charge fees to the entity, or direct capital expenditures or net income of the entity.

- **MSO transactions.** Filing is required when an MSO provides management services to a health care entity meeting the $25 million threshold; when an MSO serves two or more providers collectively generating $10 million in annual California-derived revenue; or when there is a transfer of control of a health care entity. Compared to the May 2026 proposed regulations, filing is no longer triggered by a transfer of control or a 25% or greater ownership change of the MSO itself, narrowing the scope of transactions subject to review.

- **Real estate sale-leaseback transactions.** The regulations now require filing for sale-leaseback transactions where the provider or fully integrated delivery system provides services at the property.

Enhanced Disclosure Requirements. The regulations impose significant new disclosure obligations on transaction parties. PE groups and hedge funds must now disclose the names of all health care entities or MSOs directly or indirectly owned, controlled or financed by the participating asset managers and the funds they manage. The regulations do not explicitly limit these disclosures to California health care entities and MSOs. Organizational charts for health care entities and noticing entities must also show all entities and persons with 5% or more ownership interest; organizational charts for any party to, or the subject of the transaction must include the ultimate parent entity, including any subsidiaries and any entities controlled by or under common control with the ultimate parent company or its shareholders, as well as proposed post-transaction organizational charts. PE groups and hedge funds must also provide documentation of debt-to-enterprise-value or debt-to-equity ratios, the source of debt, and post-recapitalization debt ratios for any acquired health care entity or MSO.

Confidentiality Provisions. All information submitted to OHCA is presumptively a public record unless the submitter designates it as non-public or confidential and OHCA accepts that designation. Certain categories of materials are deemed confidential by default, including non-public stock purchase agreements, compensation documents, contract rates, transaction valuation documentation, and unredacted résumés. Submitters seeking confidential treatment for other materials must provide a detailed justification for each confidentiality request. Dual versions of filings must be submitted: an unredacted confidential version and a redacted public version. The confidentiality framework applies to both notice submissions and CMIR document submissions.

New CMIR Review Factors and Procedures. The final regulations add new factors to OHCA's CMIR analysis, including consideration of REIT transactions that could weaken the financial status of a health care entity or place access to care at risk. OHCA will now also consider the market position of "noticing entities"

alongside health care entities when assessing competitive effects. The regulations establish a new remand pathway when a submitter challenges OHCA's determination to conduct a CMIR, as well as a post-CMIR document submission process with response log requirements.

Timing and Process. Timing and process are generally unchanged in the updated regulations and the 90-day pre-closing notice requirement remains the baseline. However, the regulations also add a new ground for expedited review: urgent situations, including public health emergencies, natural disasters, and legal mandates, that are not of the submitter's making.

Practical Implications

Entities, especially those involved in PE-backed, hedge fund-driven, or MSO-structured California health care transactions, should consider the following steps:

- **Assess transaction exposure.** All active and contemplated California health care transactions should be reviewed against the expanded definitions and the 10% ownership threshold for PE and hedge fund investors. The broad definition of "transaction" and the inclusion of entities that own, operate, or control a provider substantially enlarge the universe of filings that may be required.

- **Review MSO structures.** Entities utilizing MSO structures should evaluate whether they fall within the new MSO definition and the related filing triggers. The multi-factor test, focusing on hospital ownership, physician-owner agreements, shared governance, and affiliations with health plans, physician organizations, and hospitals, will require careful analysis of existing organizational and contractual arrangements.

- **Plan for extended timelines.** Transaction timelines must account for the minimum 90-day pre-closing notice period, plus the potential for a CMIR review (up to 90 days with a possible 30-day extension under the regulations, but in practice can require more time) and information-request and parallel regulatory review tolling. Transaction timelines should also account for the advance time required to prepare the extensive required information disclosures and confidentiality justifications.

- **Prepare comprehensive disclosures.** PE groups and hedge funds should prepare for extensive portfolio disclosure, including organizational charts, three years of certified financial statements, and debt ratio documentation. Advance preparation of these materials can help minimize delays in the review process.

- **Develop a confidentiality strategy.** Given the presumption that filings are public records, transaction parties should develop a confidentiality request strategy early and prepare dual-version (redacted and unredacted) filings for all sensitive documents.

- **Analyze prior transaction history.** The ten-year lookback for "serial" transactions requires a thorough review of historical transaction activity involving the same or affiliated health care entities and MSOs. Parties with active acquisition programs in California health care should map prior transactions against the updated serialization provisions.

For assistance navigating the expanded CMIR filing requirements, preparing transaction notifications and related disclosures, developing confidentiality strategies, and engaging with OHCA and other regulators, please contact any of the Simpson Thacher attorneys below.

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