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Healthcare Alert

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California expands health care oversight

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California governor signs AB 1415 and SB 351, expanding oversight and scrutiny of health care transactions and codifying corporate practice of medicine parameters.



What's the impact?

- Under AB 1415, private equity groups, hedge funds, MSOs, and entities that own, operate, or control a health care entity will all constitute "noticing entities" that are subject to the OHCA pre-transaction filing and data reporting requirements as of January 1, 2026.
- Updates to the implementing OHCA regulations are necessary to identify applicable revenue thresholds and clarify the types of transactions to which noticing entities will be subject.
- SB 351 codifies existing corporate practice of medicine and dentistry (collectively "CPOM") restrictions and strengthens non-competition parameters.

On October 11, 2025, California Governor Gavin Newsom signed [AB 1415](#) into law, which expands the scope of entities subject to the California Office of Health Care Affordability's ("OHCA") pre-transaction filing requirements to capture transactions involving private equity groups, hedge

funds, and certain management services organizations (“MSOs”) and require data reporting obligations for MSOs.

AB 1415: Pre-transaction notification requirements for “noticing entities”

DEFINING NOTICING ENTITIES, MSOS

AB 1415 introduces the concept of “noticing entities,” which include MSOs, private equity groups, hedge funds, and any entity that owns, operates, or controls a provider, regardless of whether the provider is actively providing health care services.

As described in our [earlier publication](#) about the proposed legislation, AB 1415 introduced definitions for MSOs, private equity groups, and hedge funds in the context of material health care transactions. An MSO is defined as an entity that provides management and administrative support services for a provider in the delivery of health care services. Notably, however, the statute expressly clarifies that management and administrative support services must include either provider rate negotiation, revenue cycle management, or both. This provision implies that organizations that are not engaged in providing these services might not be considered MSOs for the purposes of OHCA. Given that such an organization may already be considered a health care entity or noticing entity, entities that otherwise meet the definition of an MSO but provide health care services or own at least one health facility are not considered MSOs under AB 1415.

FILING REQUIREMENTS

Under AB 1415, a noticing entity is required to provide notice to OHCA in the event that it enters into a material transaction with a health care entity (“HCE”), MSO, or an entity that owns or controls an HCE or MSO. In addition, if an MSO enters into a material transaction with any other entity, it is required to provide notice to OHCA regarding such a transaction.

AB 1415 further provides that OHCA is instructed to adopt regulations that eliminate duplicative reporting in the event a noticing entity or HCE may be required to submit a notice under more than one circumstance set forth under the law. Until modified regulations are implemented, some ambiguity exists between the new OHCA filing requirements for noticing entities under AB 1415 and the current regulations. We expect OHCA to publish revised regulations in the coming months that clarify the nature and scope of the newly created filing requirements for noticing entities, and largely anticipate that these will track with the current requirements that are applicable to health care entities. Because the law takes effect on January 1, 2026, and requires a filing 90 days before closing, identifying whether a noticing entity is required to file based on current regulations is critical at this point. Parties closing transactions on or after January 1, 2026, should be aware of the potential risk in not submitting a filing, even though modified regulations or guidance have not yet been issued.

Data reporting for MSOs

AB 1415 also sets forth additional obligations for MSOs, requiring them to submit “data and other information necessary” for OHCA to carry out its functions. The exact nature of these data reporting requirements is not clear on the face of AB 1415, and we anticipate that forthcoming guidance or amended regulations published by OHCA will provide additional insight into the specific reporting requirements for MSOs.

SB 351

Governor Newsom also signed SB 351 on October 6, 2025, which strengthened the existing CPOM doctrine in California. In a previous [Alert](#), we discussed the proposed version of SB 351 and its potential implications on health care operations and services in California.

From our perspective, SB 351 does not change the existing CPOM doctrine in California, and organizations that comply with historical CPOM parameters are likely to be deemed in compliance under SB 351. That said, SB 351 empowers the California attorney general with the authority to seek injunctive relief against organizations or individuals that violate SB 351, so it provides an additional layer of regulatory oversight. Further, the attorney general or OHCA may use the transaction approval process to verify CPOM compliance, which ultimately could be a means of creating additional parameters for CPOM arrangements in the state.

Looking ahead

AB 1415 and SB 351 both take effect on January 1, 2026. Health care entities, MSOs, private equity and hedge fund investors, and related stakeholders should consider whether any prospective or planned transactions may be subject to the OHCA pre-transaction filing requirements, and monitor whether OHCA issues any rulemaking or guidance that provides further context to the obligations set forth under AB 1415.

Nixon Peabody attorneys are actively tracking AB 1415’s implementation and any forthcoming revised regulations that OHCA might release in the coming months. For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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