June 11, 2026

Office of Health Care Affordability
Department of Health Care Access and Information
Via Email: CMIR@hcai.ca.gov

Re: Comments on Proposed Emergency Regulations Implementing AB 1415, Title 22 CCR §§ 97431 et seq.

Dear Office of Health Care Affordability:

American Investment Council ("AIC" or "we") submits these comments in response to the Office of Health Care Affordability's ("OHCA") proposed emergency regulations implementing AB 1415, dated May 15, 2026, and published for informal comment on May 22, 2026 (the "Proposed Regulations"). We appreciate OHCA's efforts to implement the updated material change transaction notification framework and welcome the opportunity to provide feedback at this stage.

AIC's members are the world's leading private equity and private credit firms, united by their commitment to growing and strengthening the businesses in which they invest, including investments in the health care sector. Our members are committed to regulatory compliance and to the broader goals of health care affordability and access. We offer these comments in that constructive spirit, with the goal of ensuring that the Proposed Regulations faithfully implement the statute, neither exceeding its bounds nor imposing compliance costs that are disproportionate to the regulatory objectives AB 1415 was designed to advance.

Our comments focus on two categories of concern: (1) provisions that appear to go beyond what AB 1415 authorizes; and (2) provisions that impose significant and disproportionate burdens on submitters without commensurate regulatory benefit.

* * *

I. Sections 97438(b)(1)(D)(iv) and (c)(8): Portfolio-Wide Disclosures.

Section 97438(b)(1)(D)(iv) of the Proposed Regulations requires private equity groups and hedge funds to include in their notice filings the "names of health care entities or management services organizations owned or financed by the participating asset managers and funds they manage." Section 97438(c)(8) requires submission of "documentation showing the names of all health care entities or management services organizations in the portfolios of participating asset managers." Together, these provisions impose a portfolio-wide reporting regime that is not tailored to the transaction under review and exceeds the level of disclosure required by statute.

AB 1415 authorizes OHCA to review specific proposed material change transactions for their competitive, cost, and market effects. The statute does not authorize OHCA to require disclosure of investment holdings that are entirely unrelated to the proposed transaction at issue. Information about portfolio companies that are not parties to, or subjects of, the proposed transaction is not reasonably necessary to evaluate the transaction's effect on health care costs, competition, or access in California.

The burden this requirement imposes is significant. Private equity firms and hedge funds may manage dozens or hundreds of independent funds, each with their own portfolio companies. Many of these portfolio companies will have no geographic overlap with the proposed California transaction, and a significant number will not conduct any operations in California at all. Requiring sponsors to identify, compile, and disclose all such holdings at the time of each notice filing, including for entities in unrelated industries and markets, imposes substantial costs without improving OHCA's ability to evaluate the proposed transaction. Portfolio composition is also among the most commercially sensitive information a fund manager holds, and public disclosure of this information does not result in any public benefit.

We recommend that OHCA strike Section 97438(c)(8) entirely and narrow Section 97438(b)(1)(D)(iv) to only require disclosure of health care entities or management services organizations ("MSOs") that are owned or financed by the specific fund or funds that are a party to the transaction under review and that have California health care operations or California-derived health care revenue. We further recommend that OHCA adopt a definition of "participating asset manager" limited to asset managers that are direct parties to the proposed transaction, or that exercise control over the specific fund or vehicle through which the transaction is being consummated.

II. Sections 97438(c)(10): Financial Statement Disclosures.

Section 97438(c)(10) states that a notice must include "certified financial statements for the prior three years . . . of all entities that are parties to the transaction, including the entities described in subsection (b)(10)(A)(i) and (ii) of this section." This underlined language would require submission of financial statements for all entities and persons with 5% or more ownership of the transacting entity, as well as subsidiaries of the transacting entity, regardless of whether the subsidiary's or owner's operations relate to the provision of health care services. There is no reasonable basis for OHCA to require the submission of financial statements for such unrelated parties. The underlined language is also confusing, as such entities are not considered "parties to the transaction," and it is overbroad and overly burdensome for the reasons described above in Section I. We recommend that OHCA strike the underlined language.

III. Section 97435(c)(9): 5% Ownership Threshold.

Section 97435(c)(9)(A) describes that a transaction resulting in a private equity group or hedge fund holding 5% or more of the assets, equity, debt, or liabilities of a qualifying

health care entity or MSO is a type of "material change transaction." The threshold set forth in the regulations is too low and will capture transactions involving only modest investment positions that do not result in a material change in ownership, operations, or governance of a health care entity or MSO. A 5% position often represents a small minority stake with no board representation, no governance rights, and no meaningful ability to influence the operations or strategic direction of the health care entity or MSO. Requiring full notice filings, with all accompanying documentation, for such modest positions imposes compliance costs that are disproportionate to any regulatory benefit.

We recommend that OHCA raise the threshold in Section 97435(c)(9)(A) to at least 25%, consistent with its previous thresholds for determining "control" of a health care entity, and establish a safe harbor for changes in minority positions that do not confer governance rights such as board representation, veto rights, or approval authority over material operational or financial decisions of a health care entity or MSO.

We further recommend that OHCA raise the 5% threshold in other areas of the Proposed Regulations for the same reasons as set forth above, including Section 97438(b)(10)(A), Section 97438(b)(11), and Section 97438(c)(7)(B).

IV. Section 97435(c)(11): Real Estate Transactions.

Section 97435(c)(11) makes independently reportable any transaction in which a health care entity sells or transfers real estate where it provides health care services, if the health care entity will be required to lease or pay rent for the property moving forward. This provision effectively makes sale-leaseback transactions independently subject to OHCA's notice and potential review process.

AB 1415 does not address real estate financing transactions, and sale-leasebacks in the health care context are typically straightforward capital-raising mechanisms that do not alter clinical operations, change the ownership or control of the health care entity, or affect market concentration. A health care provider that sells its facility to a real estate investor and leases it back continues to operate identically before and after the transaction: the same services are provided, by the same clinical staff, to the same patient population, in the same geographic market. The ownership of the underlying real estate has changed, but nothing about the health care entity's market position, competitive behavior, or provision of patient care has changed.

Making these transactions independently reportable will generate a meaningful volume of notice filings for transactions that are unlikely to warrant OHCA's attention, consuming OHCA's resources and imposing compliance costs on health care entities and their financing partners without materially advancing OHCA's goal of promoting health care affordability. We recommend that OHCA either remove Section 97435(c)(11) entirely or significantly narrow it, such as by limiting its application to sale-leaseback transactions in which the purchaser-lessor obtains governance or operational rights over the health care

entity, or in which the lease terms are structured in a way that would significantly impair the financial stability of the health care entity.

V. Sections 97438(b)(1)(H) and (I): Disclosure of Affiliates and Governing Body Members.

Section 97438(b)(1)(H) requires submitters to provide "names of all affiliates, parents, and subsidiaries," and Section 97438(b)(1)(I) requires "names of all members of the submitter's governing body." For large, complex institutional investors such as private equity firms or hedge fund managers, these requirements could (1) capture hundreds or thousands of affiliated entities and investment vehicles that have no connection to the proposed California health care transaction, and (2) lead to public disclosure of extremely sensitive information that does not have any meaningful connection to OHCA's concerns about health care costs and competition.

The term "affiliates" as used in the Proposed Regulations encompasses all entities that control, are controlled by, or are under common control with a submitter. For a large asset manager with a common controlling principal, this could include dozens of investment funds, general partners, and portfolio companies entirely unrelated to health care in California.

We recommend that OHCA clarify that Section 97438(b)(1)(H) requires disclosure only of affiliates, parents, and subsidiaries that are directly involved in, or materially relevant to, the transaction being noticed, rather than an exhaustive list of the submitter's entire corporate family. We further recommend that OHCA strike Section 97438(b)(1)(I), regarding the obligation to disclose members of the submitter's governing body.

VI. Section 97438(c)(7): Organizational Charts.

Section 97438(c)(7)(A) requires submitters to provide a "current organizational chart for any party to, or subject of, the transaction up through the ultimate parent entity and including any subsidiary organizations." As applied to private equity groups and hedge funds, this requirement raises two significant concerns.

First, private equity funds do not have a single, clearly identifiable "ultimate parent entity." A typical private equity fund structure involves a general partner, which manages the fund and makes investment decisions, and a collection of limited partners, which are passive capital contributors. If "ultimate parent entity" is interpreted to require tracing ownership up through the limited partner base, the organizational chart obligation would be effectively unlimited in scope. A single fund may have dozens or hundreds of limited partners, each of which may itself be an entity with its own ownership chain. Nothing in AB 1415 contemplates or authorizes this degree of disclosure, and there is no plausible regulatory justification for it. Limited partners in a private equity fund have no role in directing a proposed health care transaction and thus have no meaningful connection to the competitive or market concerns OHCA is charged with evaluating.

We recommend that OHCA clarify that, for private equity groups and hedge funds, the organizational chart obligation under § 97438(c)(7)(A) runs only to the general partner of the relevant fund, since it is the general partner that exercises investment and governance authority over the fund and its portfolio companies. This interpretation would be consistent with the statutory definitions of "private equity group" and "hedge fund," which focus on management and control of assets rather than passive capital contribution, and would give OHCA the ownership and control information that is actually relevant for its review.

Second, the requirement to include "subsidiary organizations" in the organizational chart is overbroad, as many of those subsidiary organizations may not operate in the health care industry, may not operate in California, and ultimately may not have any bearing on the competitive, cost, or market effects of the transaction OHCA is reviewing. We recommend that OHCA narrow § 97438(c)(7)(A)'s organizational chart requirement to only include subsidiaries of the transacting entity that have California health care operations or that are otherwise directly involved in the transaction.

VII. Section 97440(b)(1): Third-Party Information Requests.

Section 97440(b)(1) permits OHCA to toll the 45-day and 60-day review periods whenever OHCA has requested and is awaiting information from a third party necessary to complete its review. Transactions are typically structured around the statutory review periods, and parties arrange their financing, regulatory approvals, and business planning around those timelines. Open-ended tolling triggered by requests to third parties over whom the transacting parties have no control creates substantial and potentially indefinite uncertainty.

As drafted, the Proposed Regulations have no limit on the number of tolling periods, no requirement that third-party requests be narrowly tailored or necessary to the review, and no mechanism for parties to challenge an extended or recurring tolling period. This framework effectively gives OHCA the ability to extend the review period indefinitely through successive third-party requests, without any procedural protection for the transacting parties.

We recommend that OHCA amend Section 97440(b)(1) to cap tolling for third-party information requests at no more than 10 additional days per tolling event, set a limit on the total number of such tolling periods, require that third-party requests be reasonably necessary to complete the review of the specific transaction at issue, and require that parties receive prompt written notice of any tolling event with a stated anticipated duration.

VIII. Section 97431(g)(4): Expansion of "Health Care Entity" Definition.

Section 97431(g)(4) of the Proposed Regulations defines "health care entity" to include "an entity that owns, operates, or controls a provider, regardless of whether the provider is currently operating, providing health care services, or has a pending or suspended

license." Entities that own, operate, or control a provider are already included in the definition of "noticing entity" in Health and Safety Code Section 127507(h)(4). This demonstrates that the California legislature has already contemplated how to treat these upstream entities, and chose to capture these entities as noticing entities, rather than as health care entities. OHCA's insertion of upstream entities into the "health care entity" definition of the Proposed Regulations effectively overrides that legislative choice and would expand the universe of reportable transactions materially beyond what the statute contemplates. Thus, we recommend that OHCA remove Section 97431(g)(4) from the definition of "health care entity" in the Proposed Regulations.

IX. Private Equity Exit Transactions.

The Proposed Regulations do not address private equity exit transactions, whereby a private equity sponsor reduces or fully relinquishes its ownership or control interest in a health care entity or MSO ("Exit Transactions"). As currently drafted, the Proposed Regulations would subject each party to an Exit Transaction to the same notice requirements and documentation obligations as private equity acquisitions. Requiring the full notice and review process from the private equity sponsors participating in an Exit Transaction, including the extensive documentation requirements that specifically apply to private equity groups and hedge funds, would place a material burden on the exiting private equity sponsor that does not achieve any of OHCA's statutory purposes.

We recommend that OHCA consider whether Exit Transactions warrant distinct treatment, such as an exemption from the private equity specific information and documentation requirements in Sections 97438(b) and 97438(c), a streamlined review process with significantly abbreviated timelines, and/or a rebuttable presumption against CMIR review in cases where the transaction results in an overall reduction of private equity or hedge fund ownership or control of a health care entity or MSO.

X. Publicly Traded Companies.

OHCA should consider whether publicly traded companies warrant distinct treatment with respect to the new ownership and organizational disclosure requirements in Sections 97438(b) and 97438(c). Publicly traded companies are subject to extensive disclosure obligations under federal securities laws, including continuous reporting requirements by the SEC that make ownership structures, parent entities, governing body members, and other organizational information readily available to the public. Requiring these entities to compile and resubmit information that is already publicly available in SEC filings provides limited regulatory benefit while imposing meaningful compliance burdens.

We recommend that OHCA adopt either (1) an exception to such disclosures by publicly traded companies, or (2) a streamlined disclosure pathway for publicly traded noticing entities under which such entities may satisfy certain ownership and organizational disclosure requirements set forth in Sections 97438(b) and 97438(c) by reference to their

most recent publicly filed SEC disclosures rather than through duplicative submission requirements.

XI. Duplicative Reporting.

Health and Safety Code Section 127507(c)(2)(C) directs OHCA to adopt regulations that "eliminate duplicative reporting if a noticing entity or health care entity is required to submit notice to the office under more than one provision in subdivision (c)." The Proposed Regulations do not include any provision implementing this requirement, and we urge OHCA to do so before the regulations are finalized.

A single transaction will frequently trigger reporting obligations under more than one provision of the regulations, and the Proposed Regulations provide no mechanism for consolidating these into a single filing or for specifying how overlapping obligations interact. In the absence of a duplicative-reporting rule, submitters face uncertainty about whether separate, full filings are required under each triggered provision, which could multiply compliance costs for a single transaction without advancing any corresponding regulatory interest.

* * *

AIC appreciates the important work OHCA is undertaking to implement AB 1415 and to promote health care affordability and market transparency in California. We respectfully submit that the issues identified above warrant revision to the Proposed Regulations.

We welcome the opportunity to discuss any of these points further with OHCA staff and are available at OHCA's convenience.

Respectfully submitted,

/s/ Shelby Telle

Shelby Telle
Deputy General Counsel
American Investment Council