

California Expands Pre-Closing Filing and Disclosure Requirements for Healthcare Transactions for Private Equity Sponsors and MSOs

30 September 2026

On September 11, 2026, the California Office of Health Care Affordability (OHCA) published proposed final emergency regulations implementing AB 1415 that will require private equity (PE) groups, hedge funds and management services organizations (MSOs) to file pre-closing notices for covered healthcare transactions, which may not close until OHCA completes its review. The regulations implement AB 1415 (effective January 1, 2026), which require filers to submit organizational charts tracing ownership up through the ultimate parent entity, as well as disclosure of all healthcare entities and MSOs directly or indirectly held across the filer's portfolio. The regulations are proceeding through emergency rulemaking and expected to be adopted in early October.

Major Takeaways

- PE groups and hedge funds acquiring 10% or more of the assets, equity, debt or liabilities of a qualifying healthcare entity or MSO, or any stake paired with governance rights, must file a 90-day pre-closing notice and cannot close until OHCA review is complete.
- Filers must submit organizational charts disclosing ownership through the ultimate parent entity and disclose all holdings under common control of the parent company, including all entities or persons with 5% or greater ownership in such entities.

- All filings are presumptively public, although the parties can request confidential treatment for certain information such as financial statements. If OHCA disagrees with the request, then the filing may be deemed incomplete until the issue is resolved.

Ownership Thresholds

The new regulation creates two thresholds for PE and hedge funds, either of which can trigger the filing requirements. First, PE groups or hedge funds holding 10% or more of the assets, equity, debt or liabilities of a healthcare entity or MSO will be required to file a 90-day pre-closing notice with OHCA. This includes groups of investors, private equity groups or hedge funds investing collectively to hold 10% of the assets or equity of an entity.

A separate trigger applies where any acquisition of assets, equity, debts or liabilities is accompanied by governance or control rights, such as authority over leadership appointments, veto rights, operations, real property sale-leasebacks, indebtedness, management agreements, fees, or capital expenditures and net income.

Required Ownership Disclosure

California now requires more information in the 90-day pre-closing notice. Parties must submit organizational charts tracing ownership through the ultimate parent entity, including all intermediate entities, subsidiaries and entities under common control with the ultimate parent or its shareholders.

This is a material expansion from the prior framework, which focused on the transacting entity. Every person or entity holding 5% or more ownership, whether direct or indirect, of any healthcare entity or noticing entity in the transaction must be separately identified. Moreover, PE groups and hedge funds must disclose all healthcare entities and MSOs directly or indirectly owned, controlled or financed by their asset managers and funds. The financial information required in these notices is also expansive; for example, the submitter must provide three years of certified financial statements from every party to the transaction, which may include both direct and indirect owners of the healthcare entity or MSO (e.g., asset managers and funds).

MSO Provisions

MSOs must now comply with the filing requirements, meaning entities operating under a friendly PC model may be subject to the notice requirement and OHCA review.

Specifically, filing is required when an MSO serves a healthcare entity with \$25 million or more in annual revenue; serves providers collectively generating \$10 million in California-derived revenue; or is involved in a transfer of control of a healthcare entity.

Furthermore, an MSO meeting at least one of four criteria would be required to submit a filing for certain transactions: (1) the MSO is owned by a hospital and have one or more physician organizations as clients or affiliates; (2) the MSO employs a physician-owner of a physician organization; (3) the MSO shares directors, officers, investors or other natural persons with the ability to exercise control with respect to a healthcare entity; or (4) the MSO is affiliated with at least two of the following: a payer, two or more physician organizations, or a hospital.

Timeline and Review Process

Filings triggered under the law must be filed 90-days pre-closing. OHCA has up to 60 days to determine whether a Cost and Market Impact Review ("CMIR") will be conducted. If a CMIR is required, the parties may not close the transaction without approval from OHCA, and the CMIR can result in a referral to the state AG for Antitrust enforcement. CMIR's, if required, take at least several months to complete. OHCA also has broad authority to toll time periods, and the actual timing can be longer.

Confidentiality

All submissions to OHCA are presumptively public records. Confidential treatment requires affirmative designation by the submitter in OHCA's portal system and its acceptance. The submitter must provide a detailed justification identifying the reasons for confidential treatment; how long the information should be kept confidential and the reasoning behind this time period; and how the information has been kept confidential. If a request is denied, the submitter may withdraw the materials, but the notice may not be deemed complete until the matter is resolved, which as a practical matter may delay the start of OHCA's review periods.

Serial Acquisitions

The regulations extend the ten-year lookback for series' of acquisitions that independently do not satisfy the filings thresholds but do meet or exceed them when viewed together. OCHA will determine if a "material change transaction" occurred by combining numerous transactions within a ten-year period into a single, larger transaction, which could trigger the pre-closing notice and review.

Specifically, this provision applies to a series of related transactions for the same or related healthcare services that occurred over the past decade involving the same entities, including PE, hedge funds and MSOs.

Real Estate Sale-Leaseback Transactions

Beyond ownership-based triggers, the regulations require filing for a sale or transfer of real estate where a provider or fully integrated delivery system provides services, if the real estate acquirer is separate from the acquirer of the healthcare entity or its direct parent and the surviving entity will lease or pay rent. Real estate investment trust (REIT) transactions are a new factor in Cost and Market Impact Review (CMIR) determinations, and OHCA will now assess the market position of noticing entities when evaluating competitive effects.

Next Steps

Sponsors and fund managers with active or contemplated California healthcare investments should review those transactions against the expanded definitions and 10% threshold. Entities using MSO structures should evaluate whether they fall within the new definition and triggers, and transaction timelines should account for the 90-day notice period and potential CMIR review.

Authors

Lindsay M. Borgeson

Partner / New York

Micah J. Desaire

Partner / New York

Robert Kantrowitz

Partner / New York

William S. Richmond

Partner / Washington, D.C.

Kiyong Song

Partner / New York

Dennis Williams, P.C.

Partner / New York

Related Services

Practices

- Healthcare & Life Sciences Regulatory

Suggested Reading

- 13 October 2025 Kirkland Alert California Enacts New Laws Impacting Private Equity Investments in Healthcare
- 23 June 2025 Kirkland Alert Oregon SB 951 – Nation's Toughest Limits on Private Equity in Physician Practices Now Law
- 14 January 2025 Kirkland Alert Massachusetts Expands Review of Private Equity Investments in Healthcare

This publication is distributed with the understanding that the author, publisher and distributor of this communication are not rendering legal, accounting, or other professional advice or opinions on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use. Pursuant to applicable rules of professional conduct, this communication may constitute Attorney Advertising.

