OFFICE OF THE GOVERNOR

SEP 28 2024

To the Members of the California State Assembly:

I am returning Assembly Bill 3129 without my signature.

This bill would require a private equity group (PEG) or hedge fund to provide written notice to and obtain the written consent of the Attorney General (AG) at least 90 days before a change of control or acquisition between the PEG or hedge fund and a health care facility or provider group, with exemptions.

The Office of Health Care Affordability (OHCA) was established in 2022 to review and evaluate health care consolidation transactions through cost and market impact reviews (CMIR) of mergers, acquisitions, or corporate affiliations involving health plans, hospitals, physician organizations, pharmacy benefit managers, and other health care entities. OHCA analyzes transactions that may significantly impact market competition, meeting state spending targets, or affordability and will compile data about market consolidation. While OHCA itself cannot block a proposed transaction, it can coordinate with other state entities, including referring transactions for further review to the AG. This bill would exempt transactions involving PEGs or hedge funds that would be subject to review by the AG from OHCA's existing review.

I appreciate the author's continued efforts and partnership to increase oversight of California's health care system in an effort to ensure consumers receive affordable and quality health care. However, OHCA was created as the

responsible state entity to review proposed health care transactions, and it would be more appropriate for the OHCA to oversee these consolidation issues as it is already doing much of this work.

For these reasons, I cannot sign this bill.

Sincerely,

Gavin Newsom