



Special Alert: CA Governor Newsom Vetoes Bill Regulating PE Deals

On September 28, 2024, California Governor Gavin Newsom vetoed Assembly Bill (AB) 3129, which sought to regulate private equity (PE) transactions involving healthcare organizations by requiring certain transactions to be reviewed by, and to receive approval from, the California Attorney General (AG).

In his veto message, Governor Newsom stated that the state's Office of Health Care Affordability (OHCA), established in 2022, has the power to review and evaluate healthcare transactions (including the ones at issue in AB 3129).¹ While OHCA does not have the power to block proposed transactions, as the AG would have had under AB 3129, it can refer transactions to the AG for further examination. Put simply, the governor's veto seems to stem from concern that taking power away from the newly-created OHCA could muddy the waters in healthcare transaction regulation.

While there is a possibility that the California legislature could override Governor Newsom's veto, it appears unlikely as of the publication of this Alert.² However, the overall popularity of this bill in the legislature (as evidenced by the fairly wide margins with which it passed) indicates that PE groups looking to transact in the healthcare space – both in California and across the U.S. – should be on high alert, as regulators are increasingly turning their focus on the role of PE in healthcare.

For more information on AB 3129, as well as the status of state and federal regulation of PE, see the September 2024 Health Capital Topics article entitled, "California Passes Bill Regulating Private Equity Deals."³

1 Available at: <https://www.gov.ca.gov/wp-content/uploads/2024/09/AB-3129-Veto-Message.pdf> (Accessed 9/30/24).

2 "Governor Newsom Vetoes AB 3129, Addressing Private Equity in California Health Care Transactions" By Paul A. Gomez, et al., Polsinelli, September 30, 2024,

https://www.polsinelli.com/publications/governor-newsom-vetoes-ab-3129#_ftn1 (Accessed 9/30/24).

3 Available at: https://www.healthcapital.com/hcc/newsletter/09_24/HTML/PE/convert_ca-passes-bill-regulating-pe-deals.php (Accessed 9/30/24).



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Mr. Zigrang is the co-author of *"The Adviser's Guide to Healthcare - 2nd Edition"* [AICPA - 2015], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Guide to Valuing Physician Compensation and Healthcare Service Arrangements* (BVR/AHLA); *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies*; *Business Appraisal Practice*; and, *NACVA QuickRead*. Additionally, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); the National Association of Certified Valuators and Analysts (NACVA); the American Health Lawyers Association (AHLA); the American Bar Association (ABA); the Association of International Certified Professional Accountants (AICPA); the Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Certified Valuation Analyst (CVA) designation from NACVA. Mr. Zigrang also holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter. He is also a member of the America Association of Provider Compensation Professionals (AAPCP), AHLA, AICPA, NACVA, NSCHBC, and, the Society of OMS Administrators (SOMSA).



Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.



Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging

rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: *The Health Lawyer* (American Bar Association); *Physician Leadership Journal* (American Association for Physician Leadership); *The Journal of Vascular Surgery*; *St. Louis Metropolitan Medicine*; *Chicago Medicine*; *The Value Examiner* (NACVA); and *QuickRead* (NACVA). She has previously presented before the American Bar Association (ABA), the American Health Law Association (AHLA), the National Association of Certified Valuators & Analysts (NACVA), the National Society of Certified Healthcare Business Consultants (NSCHBC), and the American College of Surgeons (ACS).



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