

April 15, 2025

The Honorable Mike McGuire, Chair
Senate Rules Committee
1021 O Street, Suite 400
Sacramento, CA 95614

The Honorable Shannon Grove, Vice Chair
Senate Rules Committee
1021 O Street, Suite 400
Sacramento, CA 95614

RE: AB 1415 (Bonta) - California Health Care Quality and Affordability Act

Dear Chair McGuire and Vice Chair Grove,

As a representative of the more than four million small businesses in California, Small Business Majority is pleased to support AB 1415, which strengthens the Office of Health Care Affordability's (OHCA) ability to keep up with trends in the healthcare market and address rising healthcare costs. We thank you for championing this legislation.

Small Business Majority is a small business organization with offices across California that empowers diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enable us to educate stakeholders about key issues impacting entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities.

Healthcare costs are now outpacing inflation and small business owners are struggling to manage these increased costs. In fact, healthcare costs are so high that more than half of Californians reported skipped or delayed care in the last year, and entrepreneurs are having to make hard cost cutting decisions. According to [our research](#), to mitigate the impact of rising costs on their bottom lines, small businesses that provide health benefits to their employees anticipate making changes to their health coverage offerings during economic downturns, including increasing employee contributions to their health plans (51%), offering more limited coverage, and cutting other employee benefits.

AB 1415 covers a variety of healthcare entities that would be subject to OHCA data collection, including healthcare systems and management services organizations (MSOs). This is essential because while health systems have argued that healthcare mergers lead to increased coordination and efficiency, robust research shows that these mergers and takeovers drive higher prices of care, and do not improve quality or equity. By including health systems in this bill, OHCA will be able to subject the whole system with its combined market power to the spending target and collect data about the system's spending and drivers of higher prices for consumers. Similarly, it is essential to track data when MSOs are involved in healthcare mergers. While these services sound administrative, they can have significant clinical implications and market impacts. In recent years, private equity firms have used MSOs to indirectly invest in physician organizations without violating Corporate Practice of Medicine laws.

AB 1415 will ensure that both MSO and private equity and hedge fund involvement in healthcare mergers are subject to Cost and Market Impact Reviews (CMIRs) when the mergers will impact consumers' affordability. Our concerns are heightened about private equity and hedge fund deals in healthcare because they can lead to increased prices, dangerous health outcomes, cuts in access to care and worse outcomes for the healthcare provider being acquired. And we are not alone in these concerns: 75% of

small business owners agree that government should have greater authority to block mergers and acquisitions in the healthcare industry. While OHCA can currently review private equity and hedge fund involved mergers right now, they lack the authority to require information and notice directly from private equity firms and hedge funds. AB 1415 will give OHCA the authority to see both sides of transactions when private equity or hedge funds take control over healthcare entities such as physician organizations and hospitals.

According to our [recent polling](#), 66% of small business owners say increasing access to affordable healthcare options for themselves and their employees should be a top priority for lawmakers this year. AB 1415 will strengthen OHCA's ability to track health systems, rein in healthcare costs, and increase transparency around MSOs and private equity firms' and hedge funds' involvement in healthcare mergers.

For these reasons, Small Business Majority supports and urges your AYE vote for AB 1415 (Bonta).

Sincerely,

A handwritten signature in black ink, appearing to read "Bianca Blomquist". The signature is fluid and cursive, with the first name "Bianca" written in a larger, more prominent script than the last name "Blomquist".

Bianca Blomquist
California Director
Small Business Majority

cc: Members, Assembly Health Committee