

### **SB 977 (MONNING): HEALTH CARE SYSTEM CONSOLIDATION: ATTORNEY GENERAL APPROVAL AND ENFORCEMENT**

**POSITION:** The Chamber's Health Committee voted to OPPOSE the bill on June 8, 2020. The Chamber's Public Policy Committee voted to OPPOSE the bill on July 14, 2020. The Chamber's Board of Directors voted to OPPOSE the bill on July 23, 2020.

**RATIONALE:** This bill puts an undue burden on health care systems who are performing business matters, including affiliations or mergers. The COVID-19 pandemic has exasperated health care systems and the state should be making it easier for hospitals to operate, rather than over regulating the system.

**STATUS:** SB 977 was introduced by Senator Bill Monning on February 11, 2020 and passed the Senate on June 26, 2020. The bill was ordered to the Assembly and has been referred to the Committee on Health where it is waiting to be heard.

#### **SUMMARY**

SB 977 would require health care systems (made up of two or more hospitals within multiple counties or three or more hospitals within one county), private equity groups, or hedge funds to disclose written notice and receive consent from the Attorney General on an affiliation or acquisition of another health care provider or facility. The bill also creates a Health Policy Advisory Board which would advise the Attorney General on health care markets, assess and analyze these markets, and produce an annual report.

#### **INDUSTRY/IES IMPACTED**

This bill would affect health care systems, private equity groups, hedge funds, who are seeking to expand or acquire an additional health care provider or facility.

#### **ADDITIONAL INFORMATION**

This legislation expands the Attorney General's oversight to approve or deny an affiliation or acquisition between a health care system, private equity group, or hedge fund and a health care provider or facility when the transaction is over \$500,000. This includes agreements or transactions with nonprofit health facilities. The Attorney General would be able to evaluate transactions based on factors such as, determination of fair market value, benefit to the community, or ability to impact care to the community. Health care systems, private equity groups, or hedge funds located in rural areas, would be able to request a waiver from this process.

#### **SUPPORTERS**

- Attorney General Xavier Bacerra (Sponsor)
- American Civil Liberties Union of California
- California Labor Federation, AFL-CIO
- California State Council of Service Employees International Union
- Center for Public Interest Law
- Health Access
- California NARAL Pro-choice California

#### **OPPONENTS**

- California Medical Association
- California Hospital Association
- America's Physicians Groups
- American Investment
- Council Association of California
- Healthcare Districts California Ambulatory Surgery Association

- Pacific Business Group on Health
- United Nurses Associations of California/Union of Health Care Professionals
- Western Center on Law & Poverty, Inc.

### **ARGUMENTS IN FAVOR**

- The Attorney General believes this will establish better oversight of health care systems and strengthen access to affordable and quality health care.
- The legislation would help alleviate anticompetitive practices in acquisitions and mergers in health care systems, decreasing large health care systems' market power.

- California Association of Hospitals and Health Systems
- California Association of Public Hospitals & Health Systems
- Scripps Health
- Sharp HealthCare
- California Chamber of Commerce
- Los Angeles Chamber of Commerce

### **ARGUMENTS IN OPPOSITION**

- This puts an undue burden health care systems who are performing business matters, including affiliations or mergers. It assumes that these actions are of an anticompetitive nature.
- This legislation gives too much power to the Attorney General.
- The COVID-19 pandemic has exasperated health care systems. This is an onerous process that will give less flexibility to make business decisions.