California Legislature Inches Closer to Imposing Reporting Requirements on Management Service Organizations

July 15, 2025

California lawmakers moved a step closer in their efforts to increase regulatory oversight over private equity ("PE") investments in healthcare. On June 27, 2025, the California Senate amended Assembly Bill 1415 ("AB 1415" or "the proposed bill")1 to, among other things, impose a reporting requirement for management service organizations ("MSOs"),2 a common PE investment vehicle.3 If enacted, AB 1415 would take effect on January 1, 2026.

Background. Introduced on February 21, 2025, by Assemblymember Mia Bonta, chair of the Assembly Committee on Health, the proposed bill aims to expand the oversight authority of the California Office of Health Care Affordability ("OHCA" or "the office"). As detailed in our previous article,[4] the original version of the proposed bill targeted PE healthcare investments by, among other things, including MSOs in the definition of a "health care entity" subject to regulation by the office. However, subsequent amendments to the proposed bill in the California Assembly removed MSOs from the definition of "health care entity," ensuring that the sale of an MSO itself would not be reportable to OHCA unless it involves the transfer of a material amount of assets, or change of control, of a "health care entity."

Expanded Reporting Requirements for MSOs. AB 1415, as amended by the California Senate, marks a new era of regulatory scrutiny for MSOs in California. The proposed bill would require MSOs undergoing a sale of a material amount of assets or change of control to provide notice to OHCA. As presently drafted, the proposed bill subjects

---

1 The proposed bill can be found here.

2 MSOs provide non-clinical administrative and managerial services to providers.

3 Subsequent Senate amendments on July 2, 2025, omit the definition of, and references to, "health system." Assemblymember Bonta stated that she would scale back the legislation in response to lobbying efforts by large hospital groups.

4 For additional background on AB 1415, including how the proposed bill compares to Assembly Bill 3129, which sought to require PE groups and hedge funds to obtain approval from the California Attorney General prior to entering into a healthcare transaction, but was ultimately vetoed by Governor Newsom, please see our Debevoise Debrief—Proposed Expansion of California Healthcare Transaction Oversight Takes Aim at Private Equity. For more information on Assembly Bill 3129, please see our Debevoise Debrief—California Lawmakers Target Private Equity and Hedge Fund Investment in Healthcare Facilities.

MSOs to their own reporting requirements—a "health care entity" need not be a transacting party to trigger notice. Further, notice must also be submitted by counterparties to a material transaction who are:

- private equity groups or hedge funds;
- newly created business entities created for the purpose of entering into agreements or transactions with a healthcare entity;
- MSOs and
- entities that own, operate or control a provider, regardless of whether the provider is currently operating, providing healthcare services or has a pending or suspended license.

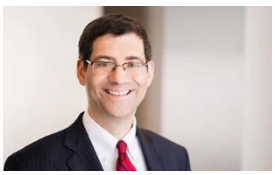
If enacted, the proposed bill would also require OHCA to establish requirements for MSOs to "submit data and other information as necessary to carry out the functions of the office," thereby increasing compliance obligations for MSOs.

Updated MSO Definition. As amended, AB 1415 defines an MSO as "an entity that provides management and administrative support services for a provider in support of the delivery of health care services, excluding the direct provision of health services." Management and administrative support services are described as including (i) provider rate negotiation and/or (ii) revenue cycle management, and may also include utilization management, claims handling, customer service and network development. Prior versions of the definition were vague, stating only that an MSO is "an entity that provides administrative services or support for a provider." Thus, the proposed bill refines the scope of the definition and clarifies that entities that perform only limited administrative services, such as third-party administrators, may be excluded from the notice requirement.

Looking Ahead. The proposed expansion of OHCA's review authority over MSOs showcases the state's continued focus on regulating PE involvement in healthcare transactions. As the proposed bill advances through the state legislature,[5] stakeholders—MSOs in particular—should continue to monitor how new developments may impact the current regulatory landscape. If enacted, AB 1415 would take effect on January 1, 2026, leaving a limited window for existing investors to exit the market.

[5] The proposed bill now sits with the Senate Appropriations Committee, where it could undergo additional changes before it goes to a vote on the floor.

We will continue to monitor the status of this proposed legislation and similar legislative developments and report on any material updates.



Andrew L. Bab
Partner, New York
+1 212 909 6323
albab@debevoise.com

Spencer K. Gilbert
Partner, New York
+1 212 909 6265
skgilbert@debevoise.com

Kevin Rinker
Partner, New York
+1 212 909 6569
karinker@debevoise.com

Kim T. Le
Counsel, San Francisco
+1 415 738 5706
kle@debevoise.com

Hannah R. Levine
Associate, New York
+1 212 909 6095
hrlevine@debevoise.com