

Set Aside Time, Cash For Calif. Health M&A Regs, Experts Warn

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Sheppard Mullin's Healthcare industry team co-hosted a program with Moss Adams and America's Physician Groups in connection with the newly approved cost and market impact review (CMIR) regulations promulgated by the California Office of Health Care Affordability (OHCA). The new regulations apply to a large scope of transactions in the healthcare space, and, in combination with the related statutory provisions in SB 184, set forth the framework for OHCA's authority to receive advance notice of and review a large scope of healthcare transactions in the coming months of 2024, reflecting a dramatic change to California's healthcare regulatory landscape.

Law360 summarized the program in the February 7, 2024, article, "Set Aside Time, Cash for Calif. Health M&A Regs, Experts Warn." Sheppard Mullin's Healthcare industry team senior associate Jordan Grushkin noted, "The CMIR regulations require eligible healthcare entities to submit notice of a transaction by 90 days before the expected closing, after which the California OHCA has 45 to 60 days to decide whether to grant a waiver to the companies. If the waiver is granted, the companies can move forward to close their transaction, but if not, you can safely assume that OHCA intends to conduct a full CMIR review." He added, "In total, transactions that undergo a full review under the new regulations could have to wait nine months or more before the deal closes."

And, organizations could have to spend several hundred thousand dollars on the new regulatory process, including payments to the state, outside advisers and legal counsel.

Eric Klein, a partner and the leader of the firm's Healthcare industry team, observed, "If each transaction costs you a quarter of a million, as much as half a million with the back and forth et cetera, that's a lot of extra dollars to be spending that's not on patient care."

Read the full article here. (A subscription is required)

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