ata ACTION
Telehealth Policy to Transform Healthcare

July 14, 2025

The Honorable Mia Bonta
Assemblymember, District 18
California State Assembly
1020 N Street, LOB Suite 390
P.O. Box 942849
Sacramento, CA 94249-0018

RE: ATA ACTION CONCERNS ON AB 1415

Dear Assemblymember Bonta,

On behalf of ATA Action, I am writing to express concerns with AB 1415 as recently amended.

ATA Action, the American Telemedicine Association's affiliated trade association focused on advocacy, advances policy to ensure all individuals have permanent access to telehealth services across the care continuum. ATA Action supports the enactment of state and federal telehealth policies to secure telehealth access for all Americans, including those in rural and underserved communities. ATA Action recognizes that telehealth and virtual care have the potential to truly transform the health care delivery system – by improving patient outcomes, enhancing safety and effectiveness of care, addressing health disparities, and reducing costs – if only allowed to flourish.

Many telehealth medical practices serving California patients – similar to those that deliver care in-person – operate using a model where non-physicians (or "lay entities") provide administrative support and/or investment capital to a provider or group practice, while the provider controls all clinical decisions, protocols and patient care. This model allows providers utilizing telehealth to maximize time with patients and contract out non-medical duties, including billing, credentialing and contracting to other personnel. Importantly, this structure has provided a way for medical providers in California to access needed financing and develop new care delivery models and innovative technologies, including emerging telehealth companies capable of reaching stigmatized populations in California and throughout the country.

ATA Action has concerns that is AB 1415 is enacted as currently drafted it could disrupt this long-established model and significantly chill investment into the health care innovation sector. Our organization's concerns are focused on three key areas, the overly broad definition of Management Services Organization (MSO), the expanded notification requirements added by recent amendments and the provisions on data submission by MSOs.

First, our organization believes that the definition of MSO included in AB 1415 is far too broad and we urge the Committee to consider the wide array of entities this would cover. While the stated intent of the bill is to capture MSOs who have substantial influence over the operations of health care entity, the definition as currently drafted would capture any entity that provides seemingly any type

of business or administrative support to a healthcare practice. This could include everything from healthcare technology companies to consultants advising health care providers on RCM to software that assists with payer negotiation to customer service agents to any billing and collection vendor. Given the onerous compliance and reporting burdens this bill contemplates for MSOs, we strongly recommend that this definition be narrowed. In order to better align with the bill's intent and not needlessly increase administrative burdens for MSOs not involved in the provision of healthcare services we strongly recommended the definition of MSO be amended to read:

(p) "Management services organization" means an entity that provides all or substantially all of the non-clinical administrative or management services necessary for a provider's operations, including utilization management, billing and collections, customer service, provider rate negotiation support, and network development. Notwithstanding the foregoing, a "management services organization" does not include entities that perform on behalf of a provider isolated or one-off service arrangements, enter into standalone vendor contracts, or other arrangements that do not represent all or substantially all of the non-clinical administrative or management services necessary for a provider's operations.

Second and most importantly, ATA Action has significant concerns with the recently added notification requirements present in Section 4, specifically Section 127507.(c)(2), which would necessitate reporting of MSO transactions even when there is no health care entity or provider group involved in the transaction. While ATA Action does not take a position on requiring notice to the Office of Health Care Affordability (OHCA) when investors or MSOs engage in a material transaction with a health care entity, the new draft would subject MSOs to notice requirements even when there is *no health care provider* at the table.

This broad new requirement is problematic for several reasons, the first of which being the fact that the triggering event for the required notice is expansive and undefined in breadth. This bill would require MSOs to report anytime there is a "material change;" however, the definition of material change in the legislation only takes health care entities into account. This uncertainty would create significant compliance headaches for entities captured in this new requirement. For example, would new leadership of an MSO shifting operations and responsibilities represent a material change that requires reporting to the state? It is clear that the notice trigger in this section was drafted with the intent that the health care entities would be a part of the transaction and are not suited to broadly apply to MSOs and other similarly positioned entities.

Furthermore, the provisions of Section 4 127507.(c)(2)(B) require notice to be given to OHCA any time an MSO engages a material change, irrespective of the size of the MSO or whether the agreement/transaction is related to healthcare. AB 1415 largely exempts provider groups with less than 25 physicians from the OHCA reporting requirements, but there is no similar size related carveout for MSOs. This could mean, for example, any emerging health tech startup that meets the definition of an MSO would be required to give at least 90-day notice to OHCA any time it seeks new rounds of financing or reconstitutes its capitalization table. This onerous requirement would have a disproportionate impact and chilling effect on start-ups and new, innovative entities currently making significant strides in important fields such as maternal care, nutrition and food support, sexual and reproductive health and mental health.

The sponsors of this legislation have stated that this bill seeks to ensure that "private equity, hedge funds and MSOs — all of which are operating with little oversight — are subject to cost and market impact reviews ***when they are involved in health care mergers and transactions*** that will impact costs for consumers." This intent does not align with the requirements that would be implemented by Section 127507.(c)(2) as why should an MSO –or their parent entity- be required to provide a substantial amount of information regarding themselves and their operations to OHCA when the counterparty to the transaction—or the subject of the transaction—is not related to healthcare. Implementing this mandate will not only stifle investment in new and innovative technology but also discourage entities from contracting or partnering with health care entities, robbing providers, and patients, of efficiencies, innovation and generally worsening the healthcare ecosystem.

Before advancing this legislation, ATA Action requests the following amendments to Section 4 127507 (c)(2)(B):

(2) (A) A noticing entity shall provide the office with written notice of agreements or transactions between the noticing entity and a health care entity or management services organization, or an entity that owns or controls the health care entity ~~or management services organization~~ that do either of the following:

(i) Sell, transfer, lease, exchange, option, encumber, convey, or otherwise dispose of a material amount of the health care entity's or management services organizations assets to one or more entities.

(ii) Transfer control, responsibility, or governance of a material amount of the assets or operations of the health care entity ~~or management services organization~~ to one or more entities.

~~(B) In addition to reporting obligations under subparagraph (A), a management services organization shall provide the office with written notice of any agreement or transaction that is described in clauses (i) and (ii) of subparagraph (A) between the management services organization and any other entity.~~

The reporting requirements contained in Section 127507.(c)(2)(A) meet the intent of the legislation without placing onerous, poorly defined reporting requirements on all MSO transactions.

Third, our organization is concerned by the broad regulatory authority that this legislation would grant OHCA regarding requirements for MSOs to submit data. Specifically, Section 3 (creating Health & Safety Code §127501.5) lacks the same safeguards included in the existing §127501.4 statute and could result in burdensome, unnecessarily expansive data collection requirements. OHCA already has the authority to collect data on transactions involving health care entities, providers and payors through existing reporting requirements, implementing further, vague, reporting requirements for MSO data is burdensome and exacerbates the compliance and investment chilling concerns raised above, especially as MSOs do not provide health care services. Our organization believes that the best approach to these data sharing requirements would be to mirror the requirements in the previous section addressing data collection from healthcare entities (§127501.4). This section lays out specific categories of information that may be gathered which stands in sharp contrast to AB 1415's broad and vague language about "data and other information" to be submitted to the office.

Thank you for considering our concerns. We encourage you to consider the amendments outlined above before advancing this legislation. ATA Action believes that moving forward this bill as

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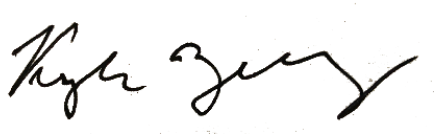
currently drafted would create burdensome, onerous and confusing requirements for MSOs in California, many of which would be deemed unnecessary by the passage of Senate Bill 351, which is currently before the Assembly Committee on Appropriations. SB 351 takes a more considered approach, putting the California Medical Board's guidance on corporate practice of medicine into statute and ensuring that, while MSOs or other non-physicians can still participate and collaborate on certain tasks and duties, physicians maintain the ultimate decision-making power. If you have any questions or would like to discuss further the telehealth industry's perspective, please contact me at kzebley@ataaction.org.

Kind regards,



Kyle Zebley
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