California Health Care Foundation

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Policy Opportunities to Address Consolidation and Anti-Competitive Market Practices

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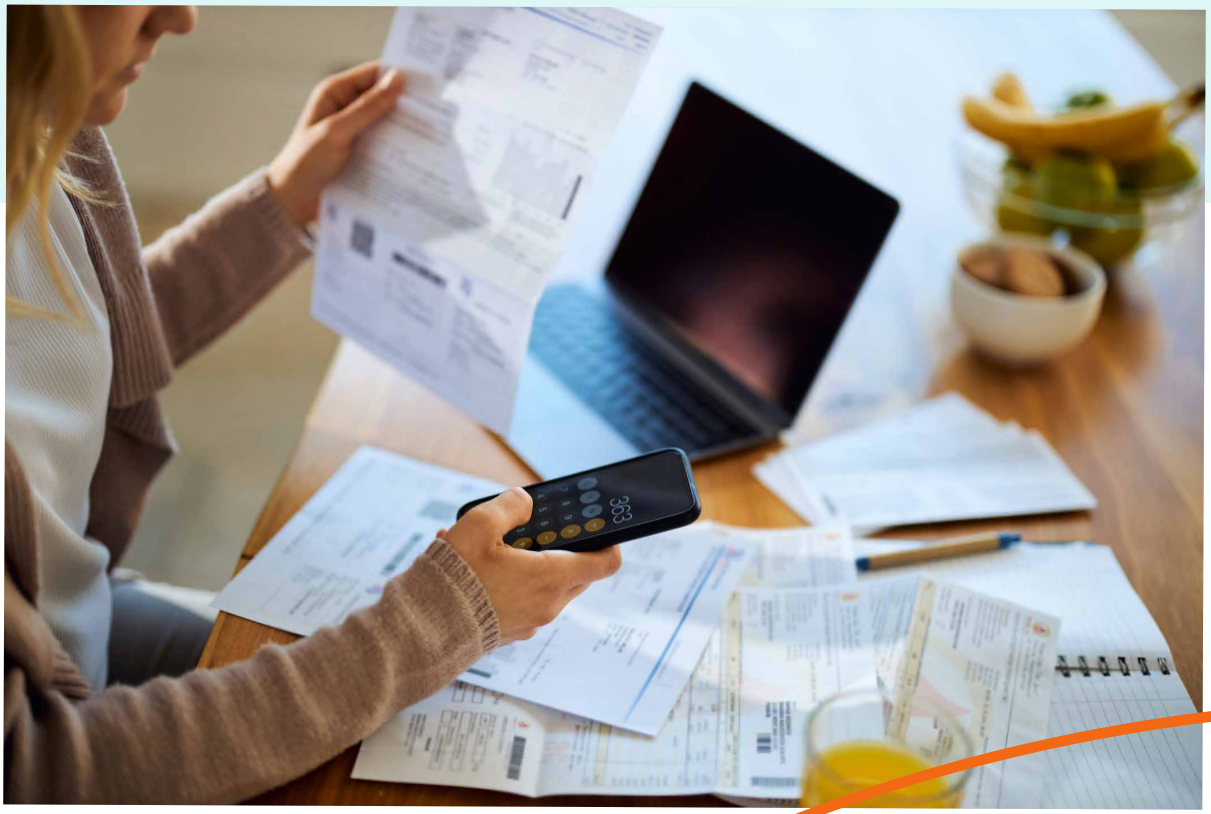

Issue Spotlight

For years, California's health care costs have grown faster than wages, leaving individuals and families under mounting pressure. Unsurprisingly, Californians across the political spectrum want health care affordability to be a top priority for policymakers.[1]

California enters this health care affordability reform moment from a position of relative strength — with established institutions, significant market influence, and a track record of meaningful policy action. *Policy Options to Improve Health Care Affordability: What California Can Learn from Other States* examined state activity across the United States over the past five years to control health care costs and identified policy opportunities for California in four priority areas. This issue spotlight summarizes policy opportunities to address consolidation and anti-competitive market practices.

Health care consolidation — including horizontal mergers between the same type of organization (e.g., hospitals), vertical consolidation across different types of organizations (e.g., hospitals and physician practices), joint ventures, and contractual affiliation — has accelerated significantly in recent decades and is now a significant driver of rising health care prices. Hospitals, health plans, physician organizations, pharmacy benefit managers, private equity groups, hedge funds, and management services organizations (MSOs) must notify the Office of Health Care Affordability (OHCA) of proposed transactions at least 90 days prior to closing.[2] However, significant gaps remain in the state's ability to act on what it reviews.

1) Require Ownership and Financial Transparency

Effective consolidation oversight demands visibility into who owns and controls health care entities. However, complex corporate structures, private equity arrangements, and MSOs that exercise operational control without formal ownership obscure this information. California currently requires health care entities to report any changes to ownership or control but does not require their proactive disclosure of ownership structures, financial relationships, or related-party transactions.

California could require health care entities to annually report and publicize information about ownership, controlling entities, and business structure, including parent companies, subsidiaries, entities under common control, and any MSOs. It could also require annual reporting on finances, including related-party transactions.

2) Strengthen Oversight of Health Care Transactions

States are expanding notice and review requirements (Cost and Market Impact Reviews, or CMIRs) to cover a broader range of health care entities and transaction types and to prevent or oversee mergers, acquisitions, contracting affiliations, and other health care transactions that may harm patients and providers. California law requires OHCA to be notified of proposed material change transactions at least 90 days prior to closing.[3] However, OHCA can only review the transactions and refer findings to the Attorney General; it cannot block or impose conditions on them without a court order.[4] California could consider authorizing OHCA to independently block or impose conditions on health care transactions.

3) Prohibit Anti-Competitive Practice Terms

Health systems and insurers with outsized market power frequently use contractual provisions to restrict competition and entrench their market position. California could consider adopting policies to limit or outright prohibit the unfair, anti-competitive practices listed in Table 1.

Table 1. Anti-Competitive Practices

ENTITY	UNFAIR CONTRACT PROVISIONS
Hospital	➤ **All-or-nothing clauses,** which require insurers to contract with all facilities in a health system if they want to access any single facility, prevent insurers from excluding expensive or low-performing facilities from their networks. ➤ **Anti-steering clauses** restrict insurers from directing enrollees toward lower-cost and/or higher-quality competitors, eliminating a key market mechanism for rewarding quality and efficiency. ➤ **Anti-tiering clauses** restrict insurers from placing providers on different tiers based on cost or quality. This shields dominant providers from price-based competition because it limits insurers' ability to encourage patients to choose better-quality or lower-cost providers.
Insurers	➤ **Most-favored-nation (MFN) clauses** prohibit providers from offering any other payer a lower price, preventing competing payers in the market from negotiating a lower-cost contract with those providers.
Hospitals & Insurers	➤ **Gag clauses** prohibit contracting parties from disclosing information, such as negotiated reimbursement rates, to outside entities, including to the employers or consumers who ultimately pay for coverage.

Source: Definitions of anti-competitive contracting provisions derived from Nicole Rapfogel and Marquisha Johns, *Policies to Combat Anticompetitive Practices in Health Care*, Center for American Progress, 2024.

Learn More

Read *Policy Options to Improve Health Care Affordability: What California Can Learn from Other States* for more information or explore the issue spotlights on the other three priority areas:

- Controlling unreasonable hospital prices
- Preventing medical debt and providing consumer relief
- Reducing administrative waste and complexity

About the Authors

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Michael Bailit, MBA, is founder and president of Bailit Health, where he focuses on how purchasers and regulators can influence health care markets to operate as effectively and efficiently as possible. He has worked with state agencies and employer purchasing coalitions in more than 30 states.

Bailit Health is a health policy consulting firm that assists state agencies and their partners with strategy development and implementation, program design, multistakeholder process management, project management, and health policy research and analysis.

About the Foundation

The **California Health Care Foundation** is dedicated to advancing meaningful, measurable improvements in the way the health care delivery system provides care to the people of California, particularly those with low incomes and those whose needs are not well served by the status quo. We work to ensure that people have access to the care they need, when they need it, at a price they can afford. CHCF informs policymakers and industry leaders, invests in ideas and innovations, and connects with changemakers to create a more responsive, patient-centered health care system.

Endnotes

1. The 2026 CHCF California Health Policy Survey
2. A.B. 1415, 2025-26 Leg., Reg. Sess. (Cal. 2025).
3. *OHCA MCN Submission Flow Chart* (PDF), HCAI, accessed March 2, 2026.
4. Cal. Health & Safety Code §§ 127500–127507; and Cal. Code Regs. Tit. 22, §§ 97431-97442.