Children's Choice
DENTAL CARE

June 10, 2024

The Honorable Richard Roth
Chair
Senate Health Committee
1021 O Street
Suite 7510
Sacramento, CA 95814

The Honorable Thomas Umberg
Chair
Senate Judiciary Committee
1021 O Street
Suite 6530
Sacramento, CA 95814

RE: AB 3129 (Wood) Health Care Consolidation and Contracting

POSITION: Oppose

Dear Chairs Roth and Umberg:

I am writing to you on behalf of Children's Choice Pediatric Dental Care (Children's Choice) to respectfully oppose AB 3129.

If passed, AB 3129 will result in less capital being available to fund and diminished access to care for patients throughout the state. The underlying premise of the bill is flawed and the bill fails to provide the Office of Health Care Affordability ("OHCA") with sufficient time to collect and report data informative to the legislature regarding health care expenditures and cost trends in order to develop data-informed policies.

Children's Choice was founded in Sacramento and has delivered dental care to children since 2008. Since then, we have helped over 204,000 children across California which represents approximately 2.8% of the child population in the state. Since opening in 2008, we have expanded to 25 locations with 30 dentists, 8 orthodontist and over 480 employees. 15 of our locations were opened during the COVID-19 pandemic and delivered emergency care to children. In some counties we have served 50% of the children population. Annually, Children's Choice sees 227,327 pediatric visits, 179,182 of which (82%) are children who are covered under Medi-Cal Dental. Patients receive dental care from Children's Choice that they are not able to receive at other dental practices.

We have been able to expand to 25 locations, because we have been able to access capital from a private equity firm. We plan to open new clinics that are dedicated to providing quality dental care in underserved communities and ensuring that low-income Californians' dental needs are met. However, the prospect of the enactment AB 3129 is threatening our ability to raise additional capital from private equity. The enactment of AB 3129 will send a strong message that private equity capital investment is no longer welcome in California.

AB 3129 proposes to significantly expand the Attorney General's current review and approval powers over health care transactions to include unprecedented oversight over changes to the control and governance of health care facilities involving certain private investors.

Moreover, the bill includes few limitations on the Attorney General's ability to exercise its approval powers and does not set forth clear and objective approval criteria. Instead, it would apply an ambiguous "public interest" standard that could lead to for-profit transactions being analyzed under a more stringent standard of review than is currently set out for nonprofit health care entities, creating meaningful risks and hurdles for transactions involving for-profit health care entities. As such, we expect the law would cause tremendous uncertainty among private equity funds and other types of long-term investors. Indeed, the mere possibility that California might enact AB 3129 has caused investors to consider foregoing potential investments in the state.

Rather than enact AB 3129, we urge the legislature to instead allow the Office of Health Care Affordability (OHCA) to collect sufficient data under its new transaction approval regime to analyze the health care market for cost drivers and trends and to develop data-informed policies.

In 2022, when SB 184 [Ch. 47, Stat. 2022] was being considered, its proponents promised that OHCA will "collect and analyze the health care market for cost drivers and trends in order to develop data-informed policies and enforceable cost targets, with the goals of containing health care costs and providing quality and affordable health care to all Californians." SB 184 became effective upon Governor Newsom's signature on June 30, 2022, and OHCA's emergency regulations became effective January 1, 2024, just a few months ago. OHCA has not had sufficient time to gather and analyze data, let alone to recommend policy changes such as those outlined in AB 3129. The introduction of AB 3129 is thus premature and lacks sufficient data to support its policy proposals.

Private equity did not force itself onto Children's Choice. Rather, we invited private equity investment. It has provided us the ability to expand our capacity to provide quality dental care in underserved communities and to ensure that low-income Californians' dental needs are met.

For all the above reasons, we must respectfully oppose AB 3129.

Sincerely,

John Steinbrun

John Steinbrun
CEO, Children's Choice

cc: The Honorable Jim Wood
Members, Senate Health Committee
Members Senate Judiciary Committee
Teri Boughton, Principal Consultant, Senate Health Committee
Joe Parra, Consultant, Senate Republic Caucus
Amanda Mattson, Counsel, Senate Judiciary Committee
Morgan Branch, Consultant, Senate Republican Caucus