



August 7, 2024

The Honorable Anna Caballero  
Chair, Senate Appropriations Committee  
State Capitol, Room 412  
Sacramento, CA 95814

**Re: AB 3129 (Wood) Health Care System Consolidation – Oppose**

Dear Chairperson Caballero,

On behalf of the National Venture Capital Association (NVCA), representing venture capital (VC) firms and portfolio companies in California and across the nation, I write to express our strong opposition to AB 3129.<sup>12</sup> As currently drafted, AB 3129 would limit the ability of healthcare providers and innovators to access the capital they need, introduce regulatory overreach of the CA Attorney General over healthcare deals which will create uncertainty and slow down transactions, and severely limit healthcare services and technologies for patients in California.

*Overview of Venture Capital*

First, I'd like to level set on the role of venture capital in driving forward entrepreneurship in California and across the United States. Venture capitalists create partnerships with institutional investors to combine the capital held by pension funds, endowments, foundations, and others with their talent and expertise to make high-risk, long-term equity investments in innovative young companies. A recent survey of companies backed by venture capital showed that four out of five respondents spent at least 70 percent of their total expenses on two activities: wages and compensation, as well as research and development. This statistic highlights the extent to which venture capital finances job creation and innovation despite the risks inherent in funding companies expected to operate in revenue-loss positions for years.

Venture funds are generally partnerships that last ten to fifteen years, building investments far longer than any other asset class. It is also essential to understand that VCs do not simply pick winners; they actively work to develop startups into successful companies. VCs work alongside entrepreneurs, often taking board seats, providing strategic advice and counsel, opening their contact networks, and generally doing whatever they can to help their portfolio companies succeed. In the medical field, VCs work with startups, scientists, healthcare providers, universities, and entrepreneurs to develop life-changing therapies and new care delivery models to expand patient access to care.

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<sup>1</sup> [National Venture Capital Association - NVCA](#)

<sup>2</sup> [Bill Status - AB-3129 Health care system consolidation.](#)



### *Value of a Strong Health Financing Ecosystem*

Concerningly, AB 3129's definitions of "private equity group" and "hedge fund" are broad enough to capture venture capital funds and other investors like angel investors, family offices, and even innovation and investment arms of academic and nonprofit medical centers. The vagueness of the legislation covers a wide range of investment strategies and approaches, including venture capital. Whether or not intended, this legislation impacts every stage of the health investment ecosystem – and, in turn, patients who benefit from these critical innovations.

California's wide range and participation of private capital make it one of the most innovative ecosystems in the world – questioning this private capital puts these benefits at risk. It would not make sense to create an environment that alters the composition of private capital in this industry, and it is hard to imagine California taxpayers making up the difference.

### *Threat to California's Entrepreneurs Accessing Capital Investment*

NVCA is increasingly alarmed that AB 3129 will undermine the ability to grow healthcare companies and provider networks to access the capital investments necessary to expand. This bill's many restrictions on arrangements between healthcare practices and investors could threaten ubiquitous arrangements long relied on by healthcare providers and investors to drive alignment.

With such an expansive scope and severe restrictions on investment arrangements, the bill could stifle California's growth of healthcare startups. AB 3129 would prevent growing companies outside of California from expanding into the state and force California's startups to choose between operating in California or growth opportunities elsewhere.

### *Regulatory Overreach Would Hurt CA's Healthcare Ecosystem*

Lastly, NVCA holds concern about the unilateral approval powers that this legislation gives California's Attorney General (AG) over healthcare transactions. The concentration of power outlined in the bill provides little comfort in how the transactions will be handled, and as we have seen at the national level, political appointments can have a severely negative impact on the entrepreneurial ecosystem.

AB 3129 would also require that VCs obtain prior written consent from California's Attorney General before an acquisition or change of control among healthcare businesses and assets. Technically speaking, every round of financing that a startup undertakes can be considered a change of control. Inserting these additional hurdles will add another layer of unnecessary friction and slow the development of groundbreaking solutions.

In conclusion, AB 3129, in its current form, would not only harm investment in California's entrepreneurs but also create a dangerous precedent on the role of government within private capital investments in healthcare services and beyond. California's entrepreneurs deserve the same opportunity to benefit from healthcare innovation as the rest of the nation, and this legislation would ensure otherwise.



Thank you for your time and consideration. I welcome the opportunity to discuss this important issue further.

Sincerely,

A handwritten signature in black ink that reads "Bobby Franklin". The signature is written in a cursive, flowing style.

Bobby Franklin  
CEO  
National Venture Capital Association