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## OLR Bill Analysis

### sHB 5481

#### ***AN ACT CONCERNING THE DEPARTMENT OF PUBLIC HEALTH'S RECOMMENDATIONS REGARDING CHANGE OF OWNERSHIP IN HEALTH CARE FACILITIES.***

#### **SUMMARY**

This bill expands the circumstances in which licensed health care facility or institution (“facility”) ownership changes are subject to prior approval from the Department of Public Health (DPH) by eliminating exemptions in current law for (1) changes in ownership or beneficial ownership of under 10% of the stock of a corporation that owns or operates the facility or (2) certain transfers to relatives.

As under current law, these provisions apply to all DPH-licensed facilities or institutions (e.g., hospitals, behavioral health facilities, nursing homes, outpatient surgical facilities, or home health care agencies).

The bill requires proposed new owners to submit several documents and other information to DPH as part of its review of the transfer, such as (1) organizational charts, (2) profit and loss and capital budget projections, and (3) information on certain prior penalties or sanctions in Connecticut or other states.

As under current law, the bill requires DPH to inspect facilities before approving an ownership change. The bill explicitly allows the commissioner to deny an ownership change. Among other things, it also allows DPH to assess a civil penalty on a facility found to be out of compliance with applicable laws, regulations, or a consent order.

Existing law requires DPH to include, on the written application for a change in nursing home ownership, a statement notifying the potential nursing home licensee and owner that they (and certain other individuals) may be held civilly or criminally liable, or subject to

administrative sanctions, for abuse or neglect of a resident by a nursing home employee. Current law limits this notice provision to anyone having at least a 10% ownership interest in the nursing home or other entity. As the bill eliminates the 10% threshold exemption as described above, it makes a corresponding change to the notice to specify that this liability could apply to anyone having an ownership interest in the nursing home or entity that owns it.

EFFECTIVE DATE: July 1, 2022

## **APPROVAL PROCESS FOR HEALTH CARE FACILITY OWNERSHIP CHANGES**

### ***Scope of Requirement***

The bill requires all ownership transfers of DPH-licensed health care facilities to be subject to prior approval by the department. This includes (1) direct ownership changes or (2) changes in the ownership of the entity that owns, operates, or maintains the facility.

The bill does so by eliminating two exemptions from current law. First, it eliminates the exemption for changes in ownership or beneficial ownership of under 10% of the stock of a corporation that owns, operates, or maintains the facility.

Second, it eliminates the exemption for certain transfers to relatives, including relatives by marriage (specifically parents, spouses, children, siblings, aunts, uncles, nieces, or nephews). Current law exempts transfers to relatives from the approval process unless it involves (1) at least 10% of the ownership or beneficial ownership of the entity that owns, operates, or maintains the facility; (2) multiple facilities; or (3) a facility that is the subject of a pending complaint, investigation, or licensure action.

By law, under specified conditions, the following are not considered to be ownership changes and thus do not require DPH approval: a (1) change in an entity's legal form of ownership (e.g., a corporation becoming a limited liability company) or (2) a public stock offering meeting certain requirements.

### ***Application Process***

As under current law, the bill requires at least 120 days' prior notice to DPH before a proposed ownership change of a health care facility. The bill requires the proposed new owner to apply within this timeframe, in a form and manner the commissioner prescribes. The application must include the following materials and information:

1. a cover letter stating the applicant's intent to purchase the facility and identifying the facility by name, address, county, and number and type of licensed beds;
2. a description of the proposed transaction and the names of the facility's current owner, the proposed new owner, and each owner of any non-publicly traded parent corporation of the new owner;
3. if applicable, organizational charts for the proposed new owner, its parent corporation, and its wholly-owned subsidiaries;
4. a copy of the sale agreement and any lease or management agreements;
5. profit and loss and capital budget projections, including accounts payable with amount due, days overdue, and details of payments to these accounts, for the three years following the ownership change;
6. the name and address of any U.S.-based (including territories) licensed health care facility each proposed owner owned, operated, or managed during the prior five years, and audited financial statements of these facilities for the prior three years; and
7. a statement that the facility is not the subject of a pending complaint, investigation, or licensure action in any state.

In addition, the application must disclose the following information:

1. any direct or indirect interests, including in intermediate entities

and parent, management, and property companies and other related entities;

2. whether the facility has been subject to three or more civil penalties imposed through DPH final orders or civil penalties in other states during the prior two years;
3. whether the facility has been subject to Medicare or Medicaid sanctions in any state, other than civil penalties of \$20,000 or less; and
4. whether any proposed new owner's Medicare or Medicaid provider agreement has been terminated or not renewed in any state.

***Inspection, Corrective Action, and Penalties***

Similar to current law, the bill:

1. requires DPH to inspect the facility to ensure its compliance with applicable laws and regulations and
2. allows DPH, if the facility is not in compliance with laws, regulations, or a corrective action plan, to (a) deny the application or (b) require the proposed new owner to sign a consent order to implement a corrective action plan within a specified time.

The bill also allows the commissioner to assess a civil penalty of up to \$1,000 for each day the owner or facility is in violation of the law, regulations, or consent order. Additionally, if the commissioner disapproves an application, the bill prohibits the applicant's relatives from applying to acquire an ownership interest in the facility.

**COMMITTEE ACTION**

Public Health Committee

Joint Favorable Substitute

Yea 20 Nay 9 (03/25/2022)