

# Public Health Committee JOINT FAVORABLE REPORT

**Bill No.:** HB-6731

AN ACT CONCERNING THE DEPARTMENT OF PUBLIC HEALTH'S  
RECOMMENDATIONS REGARDING CHANGE IN OWNERSHIP OF HEALTH

**Title:** CARE FACILITIES.

**Vote Date:** 3/20/2023

**Vote Action:** Joint Favorable

**PH Date:** 3/13/2023

**File No.:**

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## **SPONSORS OF BILL:**

The Public Health Committee.

## **REASONS FOR BILL:**

Polices in Connecticut strive to ensure that before ownership of a healthcare facility is transferred or changes hands, that an appropriate level of review is conducted. This bill expands the circumstances under which licensed health care facilities undergoing a change of ownership are subject to prior approval from the Department of Public Health (DPH). Currently, there are exemptions from DPH involvement if the ownership transferred is under 10% of the stock of the corporation that owns or operates the facility, as well as certain transfers to relatives. This bill would remove these exemptions. The bill also requires that the proposed new owners submit the following documents and other information to DPH as part of the review for the transfer:

- A description of the proposed transfer
- A copy of the sales agreement
- Information regarding other facilities that the new owner has owned or operated during the past five years, such as any disciplinary sanctions.

Finally, the bill sets standards under which DPH may deny an application. The bill also prohibits someone from applying for ownership in a facility if DPH denied a prior application by a person's relative.

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

### **Manisha Juthani, MD, Commissioner of DPH:**

The Commissioner acknowledged that DPH requested this bill due to ongoing concerns regarding the change of ownership process for licensed healthcare facilities. DPH has seen a trend where potential and current owners (both in and out of state) transfer less than 10% of holdings limiting DPH involvement. This limitation has allowed potential owners with less than 10% ownership, and who may have a history of quality-of-care violations and staffing concerns at an existing facility, to purchase other facilities. This bill will require a review by DPH of all ownership changes regardless of the relationship between the new and current owner and the percentage of ownership. In addition, the bill will require full disclosure of financial dealings with companies or services that have an interest in the facility as well as partnerships with family members or other entities. These additional requirements will foster decision making that provides assurances of financial stability, and the commitment of the entity to quality of care for the residents.

### **NATURE AND SOURCES OF SUPPORT:**

None expressed.

### **NATURE AND SOURCES OF OPPOSITION:**

#### **Connecticut Hospital Association (CHA):**

While in support of the intent of the bill, CHA has concerns that the legislation as drafted may not be as effective as desired and may inadvertently tie the hands of the Commissioner. CHA recognizes that licensure and Certificate of Need (CON) review are two necessary components of the change of ownership process. However, we urge the Committee to avoid creating a process that would add an unnecessary administrative burden and is duplicative and wasteful regarding resources for both the state and the facility. CHA believes that the intent of the bill is to ensure the state is aware of any issues related to the new owner, but CHA is concerned that as drafted, DPH would be receiving information it already has rather than information it may not have readily accessible and yet is important to considering a change in the ownership application. CHA would also note that there may be a situation when family members have different approaches and histories in ownership. In these circumstances the Commissioner should have some level of discretion to do an independent evaluation rather than a blanket denial.

#### **Matt Barrett, President and CEO, CT Association of Health Care Facilities /CT Center for Assisted Living (CAHCF/CCAL):**

CAHCF/CCAL is in support of the intent of the bill however, as drafted, the proposed revisions in the bill are unreasonably burdensome and contain a number of requirements which are vague in scope and application. As such, these new requirements would be a significant deterrent to new businesses coming to Connecticut at a time when such investments are so important to the delivery of health care in our state. CAHCF/CCAL is also very concerned about the addition of several new disclosures as part of the application process which are extremely onerous and include highly confidential information which would be required for every direct or indirect owner no matter how small their ownership. CAHCF/CCAL also has concerns regarding the broad provision which would give the DPH discretion to deny a change of ownership if such owner does not demonstrate "character and

competence", quality of care and an acceptable history of past and current compliance. Finally, the bill includes several provisions that are without any definition, such as "beneficial ownership", "intermediate entities", or vague as to their scope and application. This bill as drafted will significantly burden the ability of individuals and corporations from making simple and inconsequential changes to ownership. CAHCF/CCAL urges the Committee to continue work on this issue with relevant industry stakeholders to ensure a fair and balanced process going forward. CAHCF/CCAL would be happy to participate in this effort.

**Testimonies containing similar comments were submitted by:**

- Mag, Morelli, President of LeadingAge CT
- CT Assisted Living Association

**Tracy Wodatch, President and CEO, Ct Association for Healthcare at Home:**

Healthcare at Home is the united voice for the DPH- licensed Home Health and Hospice agencies. While Ms. Wodatch appreciates the need to restrict ownership of healthcare facilities by unscrupulous people, she is concerned about the breath of the requirements and the strict decision making that does not provide the Commissioner of DPH with an appropriate level of discretion to do an independent evaluation rather than a blanket denial. It is essential that all stakeholders work together to develop a system that allows DPH to gather the necessary information to make an informed decision, but also balances the need to develop a process that will not put unnecessary hurdles in the way of the appropriate ownership of healthcare facilities. To slow down this process puts significant undue strain on both parties which will ultimately impact access to much needed skilled Home Health and Hospice care in our communities.

**Coco Sellman, Co-Owner of All Pointe Home Care:**

Ms. Sellman stated that some of what is in this bill is outrageous and basically gives veto power to DPH for the sale or change of ownership in a company. A provider trying to change ownership, acquire additional needed investors, or conduct a needed sale may not be able to complete a necessary transaction because of all the hurdles in this bill, forcing the agency to instead close. This is a terrible outcome for everyone -patients, employees and owners -at a time in the health care industry where we need to be encouraging growth. Home health care providers are already strapped trying to serve our communities. We should not be developing policies that make it even harder.

**Reported by: Kathleen Panazza**

**Date: March 30, 2023**