



House of Representatives

General Assembly

File No. 590

January Session, 2025

Substitute House Bill No. 6873

House of Representatives, April 8, 2025

The Committee on Public Health reported through REP. MCCARTHY VAHEY of the 133rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT STRENGTHENING THE REVIEW OF HEALTH CARE ENTITY TRANSACTIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 19a-486i of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2025*):

3 (a) As used in this section:

4 (1) "Advanced practice registered nurse" means an advanced practice
5 registered nurse licensed pursuant to chapter 378;

6 [(1)] (2) "Affiliation" means the formation of a relationship between
7 two or more entities that permits the entities to negotiate jointly with
8 third parties over rates for professional medical services;

9 [(2)] (3) "Captive professional entity" means a partnership,
10 professional corporation, limited liability company or other entity
11 formed to render professional services in which a partner, a member, a

12 shareholder or a beneficial owner is a physician, directly or indirectly,
13 employed by, controlled by, subject to the direction of, or otherwise
14 designated by (A) a hospital, (B) a hospital system, (C) a medical school,
15 (D) a medical foundation, organized pursuant to subsection (a) of
16 section 33-182bb, or (E) any entity that controls, is controlled by or is
17 under common control with, whether through ownership, governance,
18 contract or otherwise, another person, entity or organization described
19 in subparagraphs (A) to (D), inclusive, of this subdivision;

20 (4) "Entity" has the same meaning as provided in section 33-602;

21 (5) "Group practice" means two or more physicians, legally organized
22 in a partnership, professional corporation, limited liability company
23 formed to render professional services, medical foundation, not-for-
24 profit corporation, faculty practice plan or other similar entity (A) in
25 which each physician who is a member of the group provides
26 substantially the full range of services that the physician routinely
27 provides, including, but not limited to, medical care, consultation,
28 diagnosis or treatment, through the joint use of shared office space,
29 facilities, equipment or personnel; (B) for which substantially all of the
30 services of the physicians who are members of the group are provided
31 through the group and are billed in the name of the group practice and
32 amounts so received are treated as receipts of the group; or (C) in which
33 the overhead expenses of, and the income from, the group are
34 distributed in accordance with methods previously determined by
35 members of the group. An entity that otherwise meets the definition of
36 group practice under this section shall be considered a group practice
37 although its shareholders, partners or owners of the group practice
38 include single-physician professional corporations, limited liability
39 companies formed to render professional services or other entities in
40 which beneficial owners are individual physicians;

41 (6) "Health care entity" means a health care provider, as defined in
42 section 19a-17b, health care facility, as defined in section 19a-630,
43 provider organization, group practice, or pharmacy benefit manager, as
44 defined in section 38a-479aaa. As used in this subdivision, "provider

45 organization" means any corporation, partnership, business trust,
46 association or organized group of persons, including, but not limited to,
47 a physician organization, a physician-hospital organization, an
48 independent practice organization, a provider network, an accountable
49 care organization or a management services organization, that is in the
50 business of health care delivery or management, whether incorporated
51 or not, and that represents one or more health care providers in
52 contracting with health carriers for the payment of health care services;

53 (7) "Health care provider" has the same meaning as provided in
54 section 19a-17b;

55 [(3)] (8) "Hospital" (A) has the same meaning as provided in section
56 19a-646, or (B) means a facility licensed as a hospital pursuant to the
57 laws of another state;

58 [(4)] (9) "Hospital system" means: (A) A parent corporation of one or
59 more hospitals and any entity affiliated with such parent corporation
60 through ownership, governance or membership; or (B) a hospital and
61 any entity affiliated with such hospital through ownership, governance
62 or membership;

63 [(5) "Health care provider" has the same meaning as provided in
64 section 19a-17b;]

65 (10) "Management services organization" means an entity that
66 provides management, administrative support and other services to a
67 group practice, hospital, hospital system, captive professional entity,
68 medical foundation or other entity organized by, controlled by or
69 otherwise affiliated with such hospital or hospital system pursuant to a
70 contract or other agreement;

71 [(6)] (11) "Medical foundation" means a medical foundation formed
72 under chapter 594b;

73 [(7) "Physician" has the same meaning as provided in section 20-13a;]

74 (12) "Nurse-midwife" means a nurse-midwife licensed pursuant to

75 chapter 377;

76 [(8)] (13) "Person" has the same meaning as provided in section 35-25;

77 (14) "Physician" has the same meaning as provided in section 20-13a;

78 (15) "Physician assistant" means a physician assistant licensed
79 pursuant to chapter 370;

80 [(9)] (16) "Professional corporation" has the same meaning as
81 provided in section 33-182a;

82 [(10) "Group practice" means two or more physicians, legally
83 organized in a partnership, professional corporation, limited liability
84 company formed to render professional services, medical foundation,
85 not-for-profit corporation, faculty practice plan or other similar entity
86 (A) in which each physician who is a member of the group provides
87 substantially the full range of services that the physician routinely
88 provides, including, but not limited to, medical care, consultation,
89 diagnosis or treatment, through the joint use of shared office space,
90 facilities, equipment or personnel; (B) for which substantially all of the
91 services of the physicians who are members of the group are provided
92 through the group and are billed in the name of the group practice and
93 amounts so received are treated as receipts of the group; or (C) in which
94 the overhead expenses of, and the income from, the group are
95 distributed in accordance with methods previously determined by
96 members of the group. An entity that otherwise meets the definition of
97 group practice under this section shall be considered a group practice
98 although its shareholders, partners or owners of the group practice
99 include single-physician professional corporations, limited liability
100 companies formed to render professional services or other entities in
101 which beneficial owners are individual physicians; and]

102 [(11)] (17) "Primary service area" means the smallest number of zip
103 codes from which the [group practice] health care entity draws at least
104 seventy-five per cent of its patients; and

105 (18) "Private equity entity" means any entity that collects capital

106 investments from individuals or entities and purchases, as a parent
107 company or through another entity that the private equity entity
108 completely or partially owns or controls, a direct or indirect ownership
109 share of a health care entity or management services organization.
110 "Private equity entity" does not include a venture capital firm
111 exclusively funding a start-up company or any other early-stage
112 business.

113 (b) At the same time that any person conducting business in this state
114 that files merger, acquisition or any other information regarding market
115 concentration with the Federal Trade Commission or the United States
116 Department of Justice, in compliance with the Hart-Scott-Rodino
117 Antitrust Improvements Act, 15 USC 18a, where a hospital, hospital
118 system or other health care provider is a party to the merger or
119 acquisition that is the subject of such information, such person shall
120 provide written notification [to the Attorney General] of such filing and
121 [, upon the request of the Attorney General, provide] a copy of such
122 merger, acquisition or other information to the Attorney General.

123 (c) Not less than [thirty] sixty days prior to the effective date of any
124 transaction that results in a material change to the business or corporate
125 structure of a group practice, the parties to the transaction shall submit
126 [written notice] to the Attorney General written notice of such material
127 change and each survey analysis, study document and report that was
128 prepared by or for any officer or director of each party to the transaction
129 for the purpose of evaluating the transaction with respect to market
130 shares, competitors, potential for sales growth or expansion into
131 product or geographic markets. For purposes of this subsection, a
132 [material change to the business or corporate structure of a group
133 practice] "material change to the business or corporate structure of a
134 group practice" includes: (1) The merger, consolidation or other
135 affiliation of a group practice with (A) another group practice that
136 results in a group practice comprised of eight or more physicians, or (B)
137 a hospital, hospital system, captive professional entity, medical
138 foundation or other entity organized or controlled by such hospital or
139 hospital system; (2) the acquisition of all or substantially all of (A) the

140 properties and assets of a group practice, or (B) the capital stock,
141 membership interests or other equity interests of a group practice by (i)
142 another group practice that results in a group practice comprised of
143 eight or more physicians, or (ii) a hospital, hospital system, captive
144 professional entity, medical foundation or other entity organized or
145 controlled by such hospital or hospital system; (3) the employment of all
146 or substantially all of the physicians of a group practice, or a department
147 or division of a group practice, by (A) another group practice that results
148 in a group practice comprised of eight or more physicians, or (B) a
149 hospital, hospital system, captive professional entity, medical
150 foundation or other entity organized by, controlled by or otherwise
151 affiliated with such hospital or hospital system, including, but not
152 limited to, through a transfer of ownership of such group practice to
153 such hospital, hospital system, captive professional entity, medical
154 foundation or other entity; and (4) the acquisition of one or more
155 insolvent group practices by (A) another group practice that results in a
156 group practice comprised of eight or more physicians, or (B) a hospital,
157 hospital system, captive professional entity, medical foundation or
158 other entity organized by, controlled by or otherwise affiliated with
159 such hospital or hospital system.

160 (d) (1) The written notice of a material change required under
161 subsection (c) of this section shall identify each party to the transaction
162 and describe the material change as of the date of such notice to the
163 business or corporate structure of the group practice, including: (A) A
164 description of the nature of the proposed relationship among the parties
165 to the proposed transaction; (B) the names and specialties of each
166 physician, physician assistant, advanced practice registered nurse and
167 nurse-midwife that is a member of the group practice that is the subject
168 of the proposed transaction and who will practice [medicine] with the
169 resulting group practice, hospital, hospital system, captive professional
170 entity, medical foundation or other entity organized by, controlled by,
171 or otherwise affiliated with such hospital or hospital system following
172 the effective date of the transaction; (C) the names of the business
173 entities that are to provide services following the effective date of the
174 transaction; (D) the address for each location where such services are to

175 be provided; (E) a description of the services to be provided at each such
176 location; [and] (F) the primary service area to be served by each such
177 location; (G) the names of each individual or entity that holds a direct or
178 indirect ownership interest of five per cent or more of the resulting
179 health care entity organized by, controlled by or otherwise affiliated
180 with such hospital or hospital system following the effective date of the
181 transaction; and (H) the name and scope of services provided by any
182 entity serving as a management service organization for the resulting
183 health care entity or other entity organized by, controlled by or
184 otherwise affiliated with such hospital or hospital system following the
185 effective date of the transaction.

186 (2) Not later than thirty days after the effective date of any transaction
187 described in subsection (c) of this section, the parties to the transaction
188 shall submit written notice to the Commissioner of Health Strategy.
189 Such written notice shall include, but need not be limited to, the same
190 information described in subdivision (1) of this subsection. The
191 commissioner shall post a link to such notice on the Office of Health
192 Strategy's Internet web site.

193 (e) Not less than [thirty] sixty days prior to the effective date of any
194 transaction that results in (1) an affiliation between one hospital or
195 hospital system and another hospital or hospital system, (2) a transfer
196 that impacts or changes the governance or controlling body of a hospital
197 or hospital system, including, but not limited to, any affiliation or
198 merger, or (3) a transfer of a controlling interest in any entity that
199 possesses or controls, directly or indirectly, an interest of at least twenty
200 per cent of a health care facility, the parties to the affiliation or transfer
201 shall submit written notice to the Attorney General of such affiliation.
202 Such written notice shall identify each party to the affiliation and
203 describe the affiliation as of the date of such notice, including: [(1)] (A)
204 A description of the nature of the proposed relationship among the
205 parties to the affiliation; [(2)] (B) the names of the business entities that
206 are to provide services following the effective date of the affiliation; [(3)]
207 (C) the address for each location where such services are to be provided;
208 [(4)] (D) a description of the services to be provided at each such

209 location; and [(5)] (E) the primary service area to be served by each such
210 location. For any transaction that requires a cost and market impact
211 review under section 19a-639f, the Attorney General may extend review
212 under this section until thirty days after the release of the final report on
213 the cost and market impact review.

214 (f) Not less than sixty days prior to the effective date of any material
215 change transaction, or a series of related transactions that occur within
216 a five-year period and that, taken together, would amount to a material
217 change transaction, involving a health care entity in the state that either
218 has total assets, annual revenues, or anticipated annual revenues for
219 new entities of at least ten million dollars, including both in-state and
220 out-of-state assets or revenues, or that includes a private equity entity,
221 the parties to such transaction or transactions shall submit a written
222 notice to the Attorney General of such material change transaction or
223 such series of related transactions. For purposes of this subsection,
224 "material change transaction" includes: (1) A corporate merger
225 involving one or more health care entities; (2) an acquisition of one or
226 more health care entities, including, but not limited to, insolvent health
227 care entities, by direct or indirect purchase in any manner, including,
228 but not limited to, lease, transfer, exchange, option, receipt of a
229 conveyance, creation of a joint venture or any other manner of purchase,
230 such as by a health care system, private equity group, hedge fund,
231 publicly traded company, real estate investment trust, management
232 services organization or health carrier, or any subsidiaries thereof, of not
233 less than twenty per cent of the assets or operations of a health care
234 entity; (3) any affiliation, arrangement or contract that results in a
235 change of control of a health care entity by an arrangement or agreement
236 in which any other person, corporation, partnership or entity acquires
237 direct or indirect control over the operations of a health care entity in
238 whole or in substantial part; (4) the formation of a partnership, joint
239 venture, accountable care organization, parent organization or
240 management services organization for the purpose of administering
241 contracts with health carriers, third-party administrators, pharmacy
242 benefit managers or health care providers; (5) a sale, purchase, lease,
243 affiliation or transfer of control of a board of directors or governing body

244 of a health care entity; or (6) a real estate sale or lease agreement
245 involving not less than twenty per cent of the assets of a health care
246 entity.

247 [(f)] (g) The Attorney General may request the submission of any
248 additional information that is necessary to carry out the Attorney
249 General's responsibilities under this section. Written information
250 submitted to the Attorney General pursuant to this subsection and
251 subsections (b) to [(e)] (f), inclusive, of this section shall be maintained
252 and used by the Attorney General in the same manner as provided in
253 section 35-42, except the Attorney General may share such information
254 with the Commissioner of the Office of Health Strategy to receive
255 consultation on any aspect of the Attorney General's review under this
256 section. Any such shared information, including, but not limited to,
257 documentary material, shall be held in the custody of the Office of
258 Health Strategy, and shall not be available to the public in the same
259 manner as provided in section 35-42.

260 (h) The Attorney General, in his or her review of any notice or
261 information submitted under this section, shall (1) evaluate a
262 transaction's compliance with antitrust laws, and (2) if the transaction
263 would not otherwise require a certificate of need under section 19a-638,
264 as amended by this act, consult with the Office of Health Strategy
265 regarding the effect of the transaction on access, quality and
266 affordability of health care in the parties' primary service areas.

267 (i) (1) If the Attorney General identifies any issues of concern in his
268 or her evaluation of a transaction under subdivision (1) of subsection (h)
269 of this section, the Attorney General may offer the parties conditions to
270 meet for the transaction to proceed unchallenged, provided the
271 Attorney General deems such conditions appropriate.

272 (2) If the Attorney General, in consultation with the Commissioner of
273 the Office of Health Strategy, identifies any issues of concern in his or
274 her evaluation of a proposed transaction under subdivision (2) of
275 subsection (h) of this section, and the transaction would not otherwise
276 require a certificate of need under section 19a-638, as amended by this

277 act, the Attorney General may offer the parties conditions to meet for
278 the transaction to proceed or require a certificate of need pursuant to the
279 provisions of chapter 368z.

280 [(g)] (j) Not later than January [15, 2018, and] first annually,
281 [thereafter,] each hospital and hospital system shall file with the
282 Attorney General and the Commissioner of Health Strategy a written
283 report describing the activities of the group practices owned or affiliated
284 with such hospital or hospital system. Such report shall include, for each
285 such group practice: (1) A description of the nature of the relationship
286 between the hospital or hospital system and the group practice; (2) the
287 names and specialties of each physician, physician assistant, advanced
288 practice registered nurse and nurse-midwife practicing [medicine] with
289 the group practice; (3) the names of the business entities that provide
290 services as part of the group practice and the address for each location
291 where such services are provided; (4) a description of the services
292 provided at each such location; and (5) the primary service area served
293 by each such location.

294 [(h)] (k) Not later than January [15, 2018, and] fifteenth annually,
295 [thereafter,] each group practice comprised of thirty or more physicians
296 that is not the subject of a report filed under subsection [(g)] (j) of this
297 section shall file with the Attorney General and the Commissioner of
298 Health Strategy a written report concerning the group practice. Such
299 report shall include, for each such group practice: (1) The names and
300 specialties of each physician practicing medicine with the group
301 practice; (2) the names of the business entities that provide services as
302 part of the group practice and the address for each location where such
303 services are provided; (3) a description of the services provided at each
304 such location; and (4) the primary service area served by each such
305 location.

306 [(i)] (l) Not later than January [15, 2018, and] fifteenth annually,
307 [thereafter,] each hospital and hospital system shall file with the
308 Attorney General and the Commissioner of Health Strategy a written
309 report describing each affiliation with another hospital or hospital

310 system. Such report shall include: (1) The name and address of each
311 party to the affiliation; (2) a description of the nature of the relationship
312 among the parties to the affiliation; (3) the names of the business entities
313 that provide services as part of the affiliation and the address for each
314 location where such services are provided; (4) a description of the
315 services provided at each such location; and (5) the primary service area
316 served by each such location.

317 (m) Any person or entity that fails to comply with any provision of
318 this section or wilfully or knowingly gives false or incorrect information
319 shall be subject to fines not to exceed one thousand dollars per day for
320 each day that such person or entity is in violation of this section or for
321 each day that such information is false or incorrect. Any civil penalty
322 authorized by this subsection shall be imposed by the Attorney General
323 and recovered in a civil action brought by the Attorney General. In such
324 civil action, upon application of the Attorney General, the court may
325 grant such equitable relief that the court, in its discretion, determines is
326 necessary or appropriate.

327 (n) Nothing in this section shall be construed to limit or infringe upon
328 the existing authority of any state agency, including, but not limited to,
329 the Office of Health Strategy or the Attorney General, to review any
330 transaction.

331 Sec. 2. Subsection (a) of section 19a-638 of the general statutes is
332 repealed and the following is substituted in lieu thereof (*Effective October*
333 *1, 2025*):

334 (a) A certificate of need issued by the unit shall be required for:

335 (1) The establishment of a new health care facility;

336 (2) A transfer of ownership of a health care facility;

337 (3) A transfer of ownership of a large group practice to any entity
338 other than a (A) physician, or (B) group of two or more physicians,
339 legally organized in a partnership, professional corporation or limited
340 liability company formed to render professional services and not

341 employed by or an affiliate of any hospital, medical foundation,
342 insurance company or other similar entity;

343 (4) The establishment of a freestanding emergency department;

344 (5) The termination of inpatient or outpatient services offered by a
345 hospital, including, but not limited to, the termination by a short-term
346 acute care general hospital or children's hospital of inpatient and
347 outpatient mental health and substance abuse services;

348 (6) The establishment of an outpatient surgical facility, as defined in
349 section 19a-493b, or as established by a short-term acute care general
350 hospital;

351 (7) The termination of surgical services by an outpatient surgical
352 facility, as defined in section 19a-493b, or a facility that provides
353 outpatient surgical services as part of the outpatient surgery department
354 of a short-term acute care general hospital, provided termination of
355 outpatient surgical services due to (A) insufficient patient volume, or (B)
356 the termination of any subspecialty surgical service, shall not require
357 certificate of need approval;

358 (8) The termination of an emergency department by a short-term
359 acute care general hospital;

360 (9) The establishment of cardiac services, including inpatient and
361 outpatient cardiac catheterization, interventional cardiology and
362 cardiovascular surgery;

363 (10) The acquisition of computed tomography scanners, magnetic
364 resonance imaging scanners, positron emission tomography scanners or
365 positron emission tomography-computed tomography scanners, by any
366 person, physician, provider, short-term acute care general hospital or
367 children's hospital, except (A) as provided for in subdivision (22) of
368 subsection (b) of this section, and (B) a certificate of need issued by the
369 unit shall not be required where such scanner is a replacement for a
370 scanner that was previously acquired through certificate of need
371 approval or a certificate of need determination, including a replacement

372 scanner that has dual modalities or functionalities if the applicant
 373 already offers similar imaging services for each of the scanner's
 374 modalities or functionalities that will be utilized;

375 (11) The acquisition of nonhospital based linear accelerators, except a
 376 certificate of need issued by the unit shall not be required where such
 377 accelerator is a replacement for an accelerator that was previously
 378 acquired through certificate of need approval or a certificate of need
 379 determination;

380 (12) An increase in the licensed bed capacity of a health care facility,
 381 except as provided in subdivision (23) of subsection (b) of this section;

382 (13) The acquisition of equipment utilizing technology that has not
 383 previously been utilized in the state;

384 (14) An increase of two or more operating rooms within any three-
 385 year period, commencing on and after October 1, 2010, by an outpatient
 386 surgical facility, as defined in section 19a-493b, or by a short-term acute
 387 care general hospital; [and]

388 (15) The termination of inpatient or outpatient services offered by a
 389 hospital or other facility or institution operated by the state that
 390 provides services that are eligible for reimbursement under Title XVIII
 391 or XIX of the federal Social Security Act, 42 USC 301, as amended; and

392 (16) A transaction for which (A) written notice was provided
 393 pursuant to section 19a-486i, as amended by this act, and (B) the
 394 Attorney General requires a certificate of need pursuant to subdivision
 395 (2) of subsection (i) of said section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2025	19a-486i
Sec. 2	October 1, 2025	19a-638(a)

Statement of Legislative Commissioners:

In Section 1(f), references were added to a series of related transactions, for internal consistency.

PH *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Office of Health Strategy	GF - Cost	309,000	303,000
Attorney General	GF - Cost	183,155	240,873
State Comptroller - Fringe Benefits ¹	GF - Cost	194,500	217,500

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill significantly expands the amount of review, investigation, and potential action (i.e. imposing conditions for the transaction to continue or challenging the transaction under anti-trust laws) required of the Office of the Attorney General (OAG) for material changes with healthcare entities resulting in a cost to the state. To meet the requirements of the bill the OAG will need to hire three additional employees² for a salary and other expenses cost of \$183,155 in FY 26³ and \$240,873 in FY 27, along with associated fringe benefit costs of \$70,491 in FY 26 and \$93,988 in FY 27.

The Office of Health Strategy will have an increased oversight role in reviewing certain healthcare transactions. To meet the requirements of

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.71% of payroll in FY 26.

²The three additional employees consist of two assistant attorney generals and one office assistant for a salary cost of \$173,155 in FY 26 and \$230,873 in FY 27.

³FY 26 costs are for nine months of expenditures due to the bills 10/1/2025 effective date.

the bill, OHS will need to hire three positions⁴ for salary costs of \$303,000 beginning in FY 26 and a one-time cost of \$6,000 in FY 26 for equipment. There is also a corresponding annual cost of \$123,500 to the State Comptroller beginning in FY 26 for fringe benefits.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

⁴ The positions are a Staff Attorney 3 and two Lead Planning Analysts.

OLR Bill Analysis**sHB 6873*****AN ACT STRENGTHENING THE REVIEW OF HEALTH CARE ENTITY TRANSACTIONS.*****SUMMARY**

Existing law requires prior notice to the attorney general before parties may complete a transaction resulting in (1) a material change to a physician group practice's business or corporate structure or (2) an affiliation between one hospital or hospital system and another, so the attorney general can review the transaction under the antitrust laws. This bill extends and modifies this law in various ways, including adding to the types of entities and transactions subject to review and in some cases requiring consultation between the attorney general and Office of Health Strategy (OHS).

It makes certain changes to the current requirements, such as requiring parties to give earlier notice and adding to the information that group practices must provide.

It expands the list of transactions that require prior notice to the attorney general. For example, it requires parties to give notice for a material change transaction, or series of them over a five-year period, involving a health care entity with total assets or annual revenues, or anticipated annual revenues, of \$10 million or more. It also requires this notice (without an asset or revenue threshold) for health care entity transactions that include private equity entities, but not venture capital firms exclusively funding start-ups or other early-stage businesses.

For these purposes, "material change transactions" include, among other things, (1) a corporate merger; (2) the acquisition of 20% or more of an entity's assets or operations; or (3) the formation of certain types of entities, such as a management services organization (MSO), for the

purpose of administering contracts with providers, carriers, or certain others.

The bill allows the attorney general to share information provided under these provisions with OHS. If the attorney general identifies antitrust concerns with a proposed transaction, he may impose conditions for it to continue. He may also do this, or may require the parties to obtain a certificate of need (CON, see BACKGROUND), if he and OHS have concerns over the transaction impacting health care access, quality, and affordability.

Among other things, the bill also:

1. applies these notice provisions and related requirements to transactions involving hospitals licensed in other states (in some cases, it is unclear whether this is enforceable if the out-of-state hospitals have no presence in Connecticut);
2. subjects any person or entity who fails to comply with the bill or related requirements, or willfully or knowingly gives false or incorrect information, to a daily fine of up to \$1,000; and
3. makes minor, technical, and conforming changes.

EFFECTIVE DATE: October 1, 2025

CHANGES AND EXPANSIONS TO NOTICE AND REPORTING REQUIREMENTS

Material Change to Physician Group Practices (§ 1(c) & (d))

Existing law requires parties engaging in any transaction resulting in a material change to a group practice to give the attorney general prior written notice. The bill requires notice at least 60 days before the transaction's effective date, rather than 30 days as under current law.

Under existing law, the parties must also provide written notice to OHS within 30 days after the transaction takes effect.

Scope of Covered Transactions. For purposes of this notice

requirement, a material change currently includes (among other transactions) the employment of all, or substantially all, of a group practice's physicians by (1) another group practice, resulting in a group of eight or more physicians or (2) certain other entities (see below). The bill extends the notice requirements to the employment of a group practice's department or division by other practices or entities.

Under existing law, this notice requirement applies when a group's physicians are employed by (1) a hospital or hospital system; (2) a captive professional entity; (3) a medical foundation; or (4) another entity organized or controlled by, or otherwise affiliated with, the hospital or hospital system (in this analysis, "hospital-affiliated entity"). The bill specifies that this includes employment through the practice's ownership transfer to any of these entities.

Expanded Contents. Along with the notice, the bill requires the parties to give the attorney general each survey analysis, study document, and report prepared by or for their officers or directors to evaluate the transaction's potential impact on market shares, competitors, sales growth, or expansion into product or geographic markets.

The bill also expands certain components of the existing notice requirements. It requires the parties to include the names and specialties of the physician assistants (PAs), advanced practice registered nurses (APRNs), and nurse-midwives in the group (and who will continue with the group after the transaction), instead of just the physicians as under current law.

It also requires the notice to include:

1. the names of any individual or entity with 5% or greater direct or indirect ownership in the resulting hospital-affiliated entity after the transaction, and
2. the name and scope of service of any MSO for the resulting health care or hospital-affiliated entity after the transaction.

Under the bill, an MSO is an entity that, through a contract or agreement, provides management, administrative support, and other services to a group practice, hospital or hospital system, captive professional entity, medical foundation, or other hospital-affiliated entity.

Under the bill, “health care entities” are health care providers, health care facilities as defined under the CON law (see BACKGROUND), provider organizations, group practices, and pharmacy benefit managers (PBMs).

Generally, “provider organizations” are entities such as physician organizations, physician-hospital organizations, independent practice organizations, provider networks, accountable care organizations (ACOs), or MSOs in the health care delivery or management business that represent providers in contracting with carriers for health care services payments.

Affiliations or Transfers (§ 1(e))

Existing law requires prior notice to the attorney general for transactions leading to an affiliation of one hospital or hospital system with another. As with group practice material changes, the bill requires the notice at least 60 days, rather than 30 days, before the transaction’s effective date. It also extends this notice requirement to the following transactions:

1. transfers that impact or change a hospital’s or hospital system’s governance or controlling body, including affiliations or mergers, or
2. transfers of a controlling interest in any entity that possesses or controls, directly or indirectly, at least 20% of a health care facility.

Other Material Change Transactions (§ 1(f))

The bill imposes similar notice requirements on a wider range of health-care related transactions. It requires the parties to give the

attorney general at least 60 days' notice before the transaction takes effect.

This requirement applies to any (1) material change transaction (see below), or series of related transactions over a five-year period that, taken together, would amount to a material change transaction, involving an in-state health care entity with total assets or annual revenues (or anticipated annual revenues) of \$10 million or more, including assets or revenues from other states, or (2) material change transaction involving a private equity entity.

A private equity entity is any entity that collects capital investments and purchases direct or indirect ownership in a health care entity or MSO (it may buy this ownership as a parent company or through another entity it completely or partially owns or controls). But the term excludes venture capital firms exclusively funding start-ups or other early-stage businesses.

Material Change. For this purpose, the bill defines a material change transaction as any of the following involving a health care entity:

1. a corporate merger;
2. an acquisition of 20% or more of an entity's assets or operations (including insolvent entities) by direct or indirect purchase in any manner (e.g., lease, transfer, or exchange), such as by a health care system, private equity group, hedge fund, publicly traded company, real estate investment trust (REIT), MSO, health carrier, or their subsidiaries;
3. any affiliation or arrangement that leads to a change in an entity's control in which another person or entity acquires direct or indirect control over all or most of its operations;
4. the formation of a partnership, joint venture, ACO, parent organization, or MSO for the purpose of administering contracts with carriers, third-party administrators, PBMs, or providers;

5. a sale, purchase, lease, affiliation, or transfer of control of an entity's board or governing body; or
6. a real estate sale or lease of 20% or more of an entity's assets.

Premerger Notification Federal Filing (§ 1(b))

Federal law generally requires parties to mergers or acquisitions above certain dollar thresholds to first notify the Federal Trade Commission and Department of Justice, and they cannot finalize the deal until a waiting period passes (or the agency doing the review grants early termination of the period) (15 U.S.C. § 18a). Under existing state law, if the transaction involves a hospital, hospital system, or other health care provider, the parties also must notify the state attorney general.

The bill requires the parties to give the attorney general a copy of the federal filing. Current law requires them to do so only upon his request.

Attorney General Review and Information Sharing (§ 1(g) & (h))

The bill allows the attorney general to request the parties to any of these transactions to submit additional information needed to carry out his duties under these provisions.

Under the bill, as under current law, the attorney general must maintain and use the written information he receives under these provisions in compliance with the Connecticut Antitrust Act. The bill specifically requires him to evaluate the transaction's compliance with antitrust laws.

For all covered transactions, the bill allows the attorney general to share the parties' submitted information with the OHS commissioner, so that she may consult with him. OHS must keep this information in its custody and generally not release it, as under existing antitrust law (see BACKGROUND).

Conditions on Approval or CON Requirement (§§ 1(h) and (i) & 2)

The bill requires the attorney general, when reviewing a covered

transaction that would not otherwise require a CON, to consult with OHS on how the transaction would affect health care access, quality, and affordability in the parties' primary service areas.

If the attorney general identifies any antitrust concerns with a transaction, he may offer the parties conditions, as he finds appropriate, for the transaction to proceed unchallenged. If the attorney general, in consulting with OHS, identifies health care-related concerns and the transaction would not otherwise need CON approval, he may (1) offer the parties conditions for the transaction to proceed or (2) require a CON.

Extended Review Period for Certain Transactions (§ 1(e))

By law, OHS must conduct a cost and market impact review (CMIR) of CON applications that propose to transfer a hospital's ownership if the purchaser is (1) an in- or out-of-state hospital or hospital system that had net patient revenue exceeding \$1.5 billion for fiscal year 2013 or (2) organized or operated for profit (CGS § 19a-639f).

For transactions covered by the above notice provisions that are also subject to CMIR requirements, the bill allows the attorney general to extend the review period until 30 days after the final CMIR report's release.

Hospital Reporting on Affiliated Group Practices (§ 1(j))

Existing law requires hospitals and hospital systems to annually report to OHS and the attorney general on the physician group practices they own or control. The bill requires them to report the names and specialties of the PAs, APRNs, and nurse-midwives in the group, instead of just the physicians as under current law.

Penalties and Other Review Authority (§§ 1(m) & (n))

The bill establishes a \$1,000 daily civil penalty for anyone who fails to comply with the new provisions in the bill or related provisions in current law or willfully or knowingly gives false or incorrect information. This applies to (1) requirements for parties to give notice of the covered transactions discussed above, (2) existing reporting

requirements for hospitals or hospital systems about their group practices (see above) or affiliations with other hospitals or hospital systems, or (3) existing reporting requirements for other practices with 30 or more physicians.

Under the bill, the attorney general must impose these penalties and recover them through a civil lawsuit. The penalties apply to each day that the violation continues or the information is false or incorrect. The court, upon the attorney general's application, may grant equitable relief (e.g., an injunction) that it determines necessary or appropriate.

The bill specifies that its provisions do not limit or interfere with the existing authority of the attorney general, OHS, or other state agencies to review any transaction.

BACKGROUND

Certificate of Need Program

By law, OHS's Health Systems Planning Unit administers the state's CON program for health care facilities. Under this program, these facilities must generally receive CON approval when establishing new facilities or services, changing ownership, acquiring certain equipment, or terminating certain services.

Under the CON law, "health care facilities" are hospitals, specialty hospitals, freestanding emergency departments, outpatient surgical facilities, state-operated facilities that provide services eligible for reimbursement under federal Medicare or Medicaid law, central service facilities, mental health facilities, substance abuse treatment facilities, and any other facility requiring a CON. The term includes any of these facilities' parent companies, subsidiaries, affiliates, or joint ventures, or any combination of them (CGS § 19a-630).

Confidential Information in Antitrust Investigations

The law generally prohibits public disclosure of confidential materials related to antitrust investigations. But it allows the attorney general to disclose material to someone testifying in an antitrust investigation (other than one involving mergers or acquisitions) when

the attorney general or his designee reasonably (1) determines its use is necessary to bring out evidence of a suspected violation and (2) believes the person providing the testimony is an author or recipient of the confidential material or has read it or is aware of its substance (CGS § 35-42(i)).

Related Bills

sSB 1332 (File 133), favorably reported by the Aging Committee, prohibits private equity companies and REITs from acquiring or increasing their ownership interest, operational control, or financial control in a nursing home.

sSB 1480 (File 387), favorably reported by the Human Services Committee, requires nursing homes or hospitals to be free of new ownership interests by private equity companies or REITs in order to be eligible for Medicaid reimbursement.

sSB 1507, favorably reported by the Public Health Committee, prohibits (1) private equity companies and REITs from acquiring or increasing their ownership interest, operational control, or financial control in a hospital or health system and (2) health care facilities and MSOs from interfering with or otherwise directing the clinical decisions of health care practices or clinicians with independent practice authority at these facilities or at health care practices.

COMMITTEE ACTION

Public Health Committee

Joint Favorable

Yea 24 Nay 8 (03/21/2025)