



Senate

General Assembly

File No. 614

January Session, 2025

Substitute Senate Bill No. 1507

Senate, April 9, 2025

The Committee on Public Health reported through SEN. ANWAR of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT PROHIBITING PRIVATE EQUITY OWNERSHIP AND CONTROL OF HOSPITALS AND HEALTH SYSTEMS AND THE CONTROLLING OF OR INTERFERENCE WITH THE PROFESSIONAL JUDGMENT AND CLINICAL DECISIONS OF CERTAIN HEALTH CARE PROVIDERS AND REQUIRING AN EVALUATION OF THE APPOINTMENT OF A RECEIVER TO MANAGE HOSPITALS IN FINANCIAL DISTRESS.

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

- 1 Section 1. (NEW) (*Effective July 1, 2025*) (a) As used in this section:
- 2 (1) "Health system" means: (A) A parent corporation of one or more
- 3 hospitals and any entity affiliated with such parent corporation through
- 4 ownership, governance, membership or other means; or (B) a hospital
- 5 or any entity affiliated with such hospital through ownership,
- 6 governance, membership or other means;
- 7 (2) "Hospital" means a facility licensed as a hospital under chapter
- 8 368v of the general statutes;
- 9 (3) "Indirect ownership interest" means an ownership interest in an

10 entity that has an ownership interest in a hospital or health system;

11 (4) "Operational control" means to: (A) Influence or direct the actions
12 or policies of any part of a hospital or health system; or (B) choose,
13 appoint or terminate a member of the board, manager, managing
14 member, senior employee, consultant or other individual or entity that
15 participates in the operational oversight of a hospital or health system;

16 (5) "Ownership interest" means possession of equity in capital, stock
17 or profits of a hospital or health system or ownership of real estate on
18 which a hospital or health system operates;

19 (6) "Private equity company" means a publicly traded or nonpublicly
20 traded entity that collects capital investments from individuals or
21 entities; and

22 (7) "Real estate investment trust" has the same meaning as provided
23 in 26 USC 856, as amended from time to time.

24 (b) On and after October 1, 2025, no private equity company or real
25 estate investment trust shall (1) acquire (A) any direct or indirect
26 ownership interest in a hospital or health system, or (B) any operational
27 or financial control over a hospital or health system; or (2) increase (A)
28 any direct or indirect ownership interest that the private equity
29 company or real estate investment trust has in a hospital or health
30 system, or (B) any operational or financial control that the private equity
31 company or real estate investment trust has over a hospital or health
32 care system.

33 Sec. 2. (NEW) (*Effective July 1, 2025*) (a) As used in this section:

34 (1) "Advanced practice registered nurse" means an advanced practice
35 registered nurse licensed pursuant to chapter 378 of the general statutes;

36 (2) "Clinician with independent practice authority" means a
37 physician, an advanced practice registered nurse or any other health
38 care provider who has the authority to engage in the independent
39 practice of such provider's profession pursuant to title 20 of the general

40 statutes;

41 (3) "Health care practice" means a business, regardless of form,
42 through which a licensed health care provider offers health care
43 services. "Health care practice" does not include any entity that holds a
44 license to operate a facility issued by the Department of Public Health
45 or the Department of Mental Health and Addiction Services;

46 (4) "Health system" means: (A) A parent corporation of one or more
47 hospitals and any entity affiliated with such parent corporation through
48 ownership, governance, membership or other means; or (B) a hospital
49 and any entity affiliated with such hospital through ownership,
50 governance, membership or other means;

51 (5) "Management services organization" means a business that
52 provides management or administrative services to a health care
53 provider or an organization of health care providers, including, but not
54 limited to, a health care practice, for compensation; and

55 (6) "Physician" means a physician licensed pursuant to chapter 370 of
56 the general statutes.

57 (b) No health care facility or entity that holds a license issued by the
58 Department of Public Health or the Department of Mental Health and
59 Addiction Services and no management services organization shall
60 directly or indirectly interfere with, control or otherwise direct the
61 professional judgment or clinical decisions of a health care practice or a
62 clinician with independent practice authority who provides health care
63 services at or through such facility or entity or at or through a health
64 care practice.

65 (c) Conduct prohibited under subsection (b) of this section shall
66 include, but need not be limited to, controlling, either directly or
67 indirectly, through discipline, punishment, threats, adverse
68 employment actions, coercion, retaliation or excessive pressure any of
69 the following: (1) The amount of time spent with patients or the number
70 of patients seen in a given time period, including, but not limited to, the

71 time permitted to triage patients in the emergency department or
72 evaluate admitted patients; (2) the time period within which a patient
73 must be discharged; (3) decisions involving the patient's clinical status,
74 including, but not limited to, whether the patient should be kept in
75 observation status, whether the patient should receive palliative care
76 and where the patient should be placed upon discharge; (4) the
77 diagnosis, diagnostic terminology or codes that are entered into the
78 medical record; (5) the appropriate diagnostic test for medical
79 conditions; or (6) any other conduct the Department of Public Health
80 determines would interfere with, control or otherwise direct the
81 professional judgment or clinical decision of a clinician with
82 independent practice authority.

83 (d) Any nondisclosure or nondisparagement agreement entered into,
84 amended or renewed on or after July 1, 2025, regarding any provision
85 of subdivisions (1) to (6), inclusive, of subsection (c) of this section, to
86 which a clinician with independent practice authority is a party shall be
87 void and unenforceable.

88 (e) Any policy or contract entered into, amended or renewed on or
89 after July 1, 2025, that has the effect of violating any provision of this
90 section shall be void and unenforceable. If a court of competent
91 jurisdiction finds that a policy, contract or contract provision is void and
92 unenforceable pursuant to this subsection, the court shall award the
93 plaintiff reasonable attorney's fees and costs.

94 (f) The Department of Public Health may adopt regulations, in
95 accordance with the provisions of chapter 54 of the general statutes, to
96 implement the provisions of this section.

97 Sec. 3. (*Effective from passage*) The Commissioner of Health Strategy
98 shall evaluate whether the Attorney General should be authorized to
99 petition the Superior Court for the appointment of a receiver to manage
100 hospitals in financial distress or operational crisis. Not later than
101 October 1, 2026, the commissioner shall report, in accordance with the
102 provisions of section 11-4a of the general statutes, to the joint standing
103 committee of the General Assembly having cognizance of matters

104 relating to public health regarding such evaluation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2025</i>	New section
Sec. 2	<i>July 1, 2025</i>	New section
Sec. 3	<i>from passage</i>	New section

PH *Joint Favorable Subst.*

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 \$
Public Health, Dept.	GF - Cost	121,300	153,500
State Comptroller - Fringe Benefits ¹	GF - Cost	42,700	58,400

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill, which includes various provisions regarding hospitals, health systems, and health care practices, results in a cost to the General Fund of \$164,000 in FY 26 and \$211,900 in FY 27 and annually thereafter, as described below. The cost is associated with personnel needs in the Department of Public Health (DPH) due to Section 2.

Section 1 prohibits private equity companies and real estate investment trusts from new or increased acquisitions or control of any hospital or health system, which results in no fiscal impact to the state.

Section 2 prohibits licensed health care entities and management services organizations from controlling clinical decisions of a health care practice or clinician. This results in a cost to DPH of \$121,300 in FY 26 and \$153,500 in FY 27 (and annually thereafter), with an estimated cost to the Office of the State Comptroller for associated fringe benefits 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.

\$42,700 in FY 26 and \$58,400 in FY 27. FY 26 costs reflect an October 1 start date for all staff.

It is anticipated that this prohibition will result in an increase in case volume for the Facility Licensing and Investigations Section (FLIS) regarding interference and coercion claims. To handle this increase, DPH requires: (1) a part-time (0.5 FTE) Supervising Nurse Consultant, at an annualized salary of \$47,500 (plus \$19,300 annualized fringe benefits); and (2) a full-time Nurse Consultant investigator, at an annualized cost of \$96,000 (plus \$39,100 annualized fringe benefits). These positions will complete essential duties in conducting healthcare investigations, such as reviewing patient records and facility documentation as well as interviewing staff and patients. The FLIS currently has a backlog of approximately 1,000 complaints, making additional staff necessary to complete investigative work that may result from this bill.

Other expenses are expected to total \$16,500 in FY 26 and \$10,000 in FY 27 in annually and thereafter. This includes a one-time total cost of \$8,400 in FY 26 for laptops and related hardware, and ongoing annual costs of \$10,000 (with partial year costs in FY 26 of \$8,100) consisting of: (1) fleet maintenance costs for one motor vehicle (\$4,600) needed to allow investigations to be conducted at facilities across the state; (2) mileage reimbursement (\$5,000); and (3) \$400 for software and general office supplies.

Section 3 requires the Commissioner of Health Strategy to evaluate the potential appointment of a receiver to manage hospitals in financial distress or operational crisis, which results in no fiscal impact. The duties required by the bill can be accomplished through existing resources.

The Out Years

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

OLR Bill Analysis**sSB 1507**

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SUMMARY

Starting October 1, 2025, this bill prohibits private equity companies and real estate investment trusts (REITs) from acquiring or increasing any (1) direct or indirect ownership interest in or (2) operational or financial control over a hospital or health system (i.e. hospitals or parent corporations of hospitals and their affiliates).

The bill also prohibits (1) health care facilities or entities licensed by the departments of public health (DPH) or mental health and addiction services (DMHAS) and (2) management services organizations (MSOs) from directly or indirectly interfering with or otherwise directing the professional judgment or clinical decisions of health care practices or clinicians with independent practice authority at these facilities or entities or at health care practices. Prohibited conduct includes, among other things, controlling the amount of time spent with patients, decisions on patients' clinical status, or diagnostic codes used.

Starting July 1, 2025, the bill makes null and void any (1) nondisclosure or non-disparagement agreements regarding this prohibited conduct to which a clinician with independent practice authority is a party and (2) policies or contracts that violate the bill's provisions.

It authorizes DPH to adopt regulations to implement the bill's

provisions.

Lastly, the bill requires the Office of Health Strategy (OHS) to evaluate whether the attorney general should be allowed to petition the Superior Court to appoint a receiver to manage hospitals in financial distress or operational crisis. The OHS commissioner must report on the evaluation to the Public Health Committee by October 1, 2026.

EFFECTIVE DATE: July 1, 2025, except the provision on the OHS evaluation and reporting requirement takes effect upon passage.

PRIVATE EQUITY COMPANY AND REIT ACQUISITIONS

Starting October 1, 2025, the bill prohibits private equity companies and REITs from acquiring or increasing any (1) direct or indirect ownership interest in or (2) operational or financial control over a hospital or health system.

Under the bill, a “private equity company” is a publicly or privately traded entity that collects capital investments, and a “REIT” generally is a company that owns or finances income-producing commercial real estate.

The bill defines an “ownership interest” as having equity in a hospital’s or health system’s capital, stock, or profits or owning the real estate where these facilities operate. It defines “operational control” as (1) influencing or directing the actions or policies of any part of a hospital or health system or (2) choosing, appointing, or terminating a person or entity that participates in the hospital’s or health system’s operation (e.g., board member, senior employee, or consultant).

INTERFERENCE WITH CLINICAL DECISIONS

Prohibited Conduct

The bill prohibits (1) DPH- or DMHAS- licensed health care facilities or entities and (2) MSOs from directly or indirectly interfering with, controlling, or otherwise directing the professional judgement or clinical decisions of health care practices or clinicians with independent practice authority who provide health care services through these facilities or

entities or at a health care practice.

This prohibition includes controlling (directly or indirectly) through discipline, punishment, threats, adverse employment actions, coercion, retaliation, or excessive pressure any of the following:

1. the amount of time spent with patients or the number of patients seen in a given time period, including the time allowed to triage patients in the emergency department or evaluate admitted patients;
2. the time period within which patients must be discharged;
3. decisions on patients' clinical status, including whether they should be kept in observation status or receive palliative care, and where they should be placed after discharge;
4. the diagnosis, diagnostic terminology, or codes that are entered into the medical record;
5. the appropriate diagnostic test for medical conditions; or
6. any other conduct DPH determines would interfere with, control, or otherwise direct the professional judgment or clinical decision of a clinician with independent practice authority.

Under the bill, clinicians with independent practice authority include physicians, advanced practice registered nurses, and other health providers given this authority under state law. MSOs are businesses that provide, for compensation, management or administrative services to health care providers or an organization of them (e.g., health care practices).

Nondisclosure and Non-disparagement Agreements

Under the bill, any nondisclosure or non-disparagement agreement entered into, amended, or renewed on or after July 1, 2025, regarding the prohibited conduct described above to which a clinician with independent practice authority is a party is void and unenforceable.

Similarly, the bill makes void and unenforceable any policy or contract entered into, amended, or renewed on or after July 1, 2025, that violates the bill's provisions. If a court finds that a policy, contract, or contract provision is void and unenforceable under the bill, it must award the plaintiff reasonable attorney's fees and costs.

BACKGROUND

Related Bills

SB 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 starting October 1, 2025.

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.

HB 6873, favorably reported by the Public Health Committee, adds to the types of health care entities and transactions subject to review by the attorney general under the antitrust laws, among other things.

COMMITTEE ACTION

Public Health Committee

Joint Favorable Substitute

Yea 32 Nay 0 (03/21/2025)