

# Government Administration and Elections Committee

## JOINT FAVORABLE REPORT

**Bill No.:** HB-7224

AN ACT EXPANDING LIABILITY UNDER THE FALSE CLAIMS ACT FOR ENTITIES WITH AN OWNERSHIP INTEREST AND PROHIBITING THE

**Title:** LICENSING OF HOSPITALS WITH CERTAIN LEASE BACK ARRANGEMENTS.

**Vote Date:** 3/26/2025

**Vote Action:** Joint Favorable

**PH Date:** 3/21/2025

**File No.:**

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

### SPONSORS OF BILL:

Government Administration & Elections Committee

### REASONS FOR BILL:

This bill would prohibit new licenses or renewals of licenses from being issued to hospitals with a lease back arrangement and would increase liability for violations of the False Claims Act onto entities that have an ownership interest in hospitals. This would give investors a financial interest in ensuring hospitals do not violate the False Claims Act. The lease back arrangements that exist in Connecticut are largely seen as detrimental to the health care industry as they can take money away from hospitals and move it out of the health care industry entirely.

### RESPONSE FROM ADMINISTRATION/AGENCY:

#### **Deidre S. Gifford, Commissioner, Office of Health Strategy**

Transparency in, and review of, health care transactions are important tools for addressing the consolidation and financialization of healthcare. This bill should be harmonized with House Bill 7224, which casts a wide net over healthcare transactions, in order to address all concerns around the state of health care transactions in Connecticut.

#### **Juthani Manisha, Commissioner, Department of Public Health**

As written, section 4 of this Bill would have the unintended consequence of making the sale of hospitals that are currently in a lease agreement more difficult. This would prevent the transfer of a hospital to purchasers that are financially stable and have a history of quality care. Instead, HB 6873 would allow the state to exercise discretion if the applicant could demonstrate a benefit to patients and the community at large.

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

No support given.

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

Form Letter testimony in opposition provided by:

- **Jessica Olander, President, Connecticut River Valley Chamber of Commerce**
- **Paul Amarone, Public Policy Associate, Connecticut and Industry Association**
- **Kristina Baldwin, Vice President, American Property and Casualty Insurance Association**
- **Brooke Foley, General Counsel, Insurance Association of Connecticut**
- **Christopher Nikolopoulos, Senior Regional Vice President, National Association of Mutual Insurance Companies**

This Bill imposes overly broad and punitive liability on investors and businesses which will have serious unintended consequences for the investment and business sectors in Connecticut. By allowing passive investors to be held personally liable for a company's fraud, it discourages investment in Connecticut businesses. It places an unreasonable burden on passive investors by assuming they have the ability and resources to investigate and confirm fraud within the 60-day window. The severe penalties for failure to report may lead to overreporting which would waste money and time and reduce the reputation of businesses and the investigative entities. This could lead to investors being held culpable for pre-existing fraud in a company they have recently invested in.

## **GENERAL COMMENTS:**

### **Connecticut Hospital Association**

The lease-back arrangement system used by hospital operators has not served patients well in our state. Profits from the sale have been used to support corporate parents instead of the hospital operations, putting enormous financial strain on hospitals. However, the financial arrangements should be viewed on their individual merits. While the burden of proof that the arrangement benefits the hospital and community should be high, and should fall on the transacting parties to prove, an outright ban of these arrangements will remove those that are both potentially beneficial, and those that are bad. This legislation should be modified so that the DPH Commissioner, in consultation with the Attorney General and the OHS Commissioner, has flexibility in licensing and can keep the good arrangements and remove the bad.

**Reported by: Aston Foley**

**Date: 3/28/2025**