
OLR Bill Analysis

sSB 1507

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.

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)