

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
<http://www.cga.ct.gov/ofa>

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.

AMENDMENT

LCO No.: 9645

File Copy No.: 614

Senate Calendar No.: 339

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

The amendment strikes the underlying bill and its associated fiscal impact.

The amendment, which includes various provisions regarding private equity control over hospitals, health systems, and health care practices, results in a cost to the General Fund of \$164,000 in FY 26 and

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.

Primary Analyst: NB
Contributing Analyst(s):
Reviewer: JS

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\$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 3.

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

Section 2 requires hospitals to annually attest to the non-existence of private equity control to DPH, resulting in no fiscal impact. DPH has the necessary resources and expertise to develop a uniform template to be used for such attestation.

Section 3 prohibits licensed health care entities and management services organizations from exercising ultimate control over the 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 \$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 4 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 preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does 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.