

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 26-22—sSB 196
Public Health Committee

AN ACT CONCERNING HOSPITAL SALE-LEASEBACK TRANSACTIONS AND ATTESTATIONS CONCERNING LACK OF A CONTROLLING INTEREST OF A HOSPITAL OR OF INTERFERENCE WITH THE PROFESSIONAL JUDGMENT AND CLINICAL DECISIONS OF CERTAIN HEALTH CARE PROVIDERS OF A HOSPITAL BY A PRIVATE EQUITY ENTITY

SUMMARY: This act prohibits hospitals from entering into sale-leaseback transactions on or after July 1, 2027. These are agreements a hospital enters into with another person or entity for the hospital to sell and lease back the real property comprising its main campus.

The act also requires hospitals, starting by February 15, 2027, to annually submit to the Department of Public Health (DPH) a document with an attestation that no private equity entity:

1. has a controlling interest in the hospital (in relation to its main campus) or ultimate governance control over any asset or activity of the hospital's main campus, including (among other things) any clinical matters, and
2. is allowed to direct the hospital's adoption of any policy or procedure that would interfere with clinicians' professional judgment or clinical decisions.

Subject to certain procedures, the act allows the DPH commissioner to impose a civil penalty of up to \$2,000 on a hospital that fails to submit the required attestation.

The act applies to DPH-licensed short-term acute care general or children's hospitals, including UConn's John Dempsey Hospital.

Under the act, a "private equity entity" is any entity that collects capital investments from people or entities and purchases a direct or indirect ownership share of a hospital. It may buy this share as a parent company or through another entity it owns or controls (in whole or part).

EFFECTIVE DATE: Upon passage

HOSPITAL ATTESTATIONS

Under the act, hospitals must annually submit a document, in a manner DPH sets, attesting that no private equity entity has (1) a controlling interest in the hospital or (2) ultimate governance control over any asset or activity of the hospital's main campus, including any clinical, operational, managerial, financial, or human resources matters. Under the act, "controlling interest" is the direct or indirect power to direct the management and policies of a hospital's main campus through ownership of voting securities, contract, or other means.

The act also requires hospitals, in this annual document, to attest that no private

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equity entity may direct the hospital's adoption of any policy or procedure that would interfere with clinicians' professional judgment or clinical decisions. This includes:

1. how much time to spend with patients or the number of patients seen in a given period;
2. the time allowed to triage emergency department patients or evaluate admitted patients;
3. the time within which a patient must be discharged;
4. decisions on a patient's clinical status, including whether the patient should be kept in observation status or receive palliative care and where the patient should be placed when discharged;
5. the final diagnosis, diagnostic terminology, or codes entered into medical records; or
6. appropriate diagnostic tests.

Under the act, if a hospital fails to submit the required attestation, DPH may impose a civil penalty of up to \$2,000. After a hospital receives an order imposing this penalty, it has 10 business days to submit to DPH a written request for a hearing. If the hospital fails to do so, the order is deemed final. If a hospital requests a hearing within that period, DPH must schedule the matter for a contested case hearing under the Uniform Administrative Procedure Act.

The act specifies that these provisions do not prohibit hospitals, or their affiliates, from (1) investing (directly or indirectly) in a joint venture or (2) having an agreement with physicians or physician groups to provide services at the hospital. Additionally, the act specifies that these provisions do not interfere with a hospital coordinating with its parent health care system.

BACKGROUND

Related Act

PA 26-68, §§ 226-246, replaces the existing health care facility certificate of need (CON) process with a new one in starting July 2027 and, among various other changes, specifically requires CON approval for a real estate sale or lease agreement involving 20% or more of a hospital's total assets.