



Connecticut Department of Public Health

Testimony Presented Before the Public Health Committee

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Senate Bill 1507, An Act Prohibiting Private Equity Ownership And Control Of Certain Health Care Institutions 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 Manager Hospitals In Financial Distress

The Department of Public Health (DPH) provides the following information on Senate Bill 1507 An Act Prohibiting Private Equity Ownership And Control Of Certain Health Care Institutions 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 Manager Hospitals In Financial Distress. Thank you for the opportunity to testify on this bill.

Section 1 of the bill seeks to prohibit any direct or indirect ownership by private equity or a real estate investment trust (REIT) of a group practice, hospital or health system. However, as currently drafted, this will not limit the ability of private equity or a REIT to gain control of the real estate on which the hospital operates, as occurred with facilities owned by Prospect Medical Holdings. Private equity control over real property can impact the financial stability of a facility through mortgaging the real estate and providing unfavorable leasing terms. In order for the bill to achieve its aims, it should also apply when a private equity firm or REIT acquires or expands control over the real estate in which a facility operates.

Section 2 of the bill prohibits health care facilities or entities from directly or indirectly interfering with, controlling, or otherwise directing professional judgement of health care practice. While the department respects the intent of this section, as drafted the bill raises concerns for patient care as it appears to prohibit action be taken by the facility when a practitioner deviates from the standard of care. This section also raises operational concerns for the department as it would place the department in charge of adjudicating facility and staff disputes, which would be a new role for the department and likely would require additional staff. For example, hospitals and other health care facilities conduct peer review of the care and treatment of patients for the purposes including evaluating and improving the quality of health care rendered and reducing morbidity or mortality. See Conn. Gen. Stat. Section 19a-17b. Under this section, peer review would be prohibited. Health care facilities adopt policies in accord with regulatory requirements to assure the appropriate delivery of care in accord with the standards of practice and the scope

of the facility's license. See e.g., Reg. Conn. State Agencies § 19-13-D55a(f) (outpatient dialysis units) Reg. Conn. State Agencies § 19-13-D56(e)(7) (outpatient surgery centers). Federal regulations also mandate the adoption of policies that govern practices in health care facilities. See e.g., 422 CFR §482.13(e)(5) (requiring hospital policies on ordering restraint or seclusion). These policies would be prohibited under this section of the bill. This section of the bill is opposed given the additional staff likely required to adjudicate facility and staff disputes that were not included in the Governor's proposed and the concerns for patient care.

Thank you for your consideration of this information. DPH encourages committee members to reach out with any questions.