

CAHCF/CCAL

Connecticut Association of Health Care Facilities
Connecticut Center for Assisted Living

March 21, 2022

WRITTEN TESTIMONY OF MATT BARRETT, PRESIDENT/CEO OF THE CONNECTICUT ASSOCIATION OF HEALTH CARE FACILITIES AND THE CONNECTICUT CENTER FOR ASSISTED LIVING (CAHCF/CCAL) IN OPPOSITION TO H.B. NO. 5481 AN ACT CONCERNING THE DEPARTMENT OF PUBLIC HEALTH'S RECOMMENDATIONS REGARDING CHANGE OF OWNERSHIP IN HEALTH CARE FACILITIES.

Senator Anwar, Representative Steinberg, and distinguished members of the Public Health Committee, my name is Matt Barrett. I am the President and CEO of the Connecticut Association of Health Care Facilities and the Connecticut Center for Assisted Living (CAHCF/CCAL), a state trade association and advocacy organization of one-hundred and sixty skilled nursing facilities and assisted living communities. Thank you for this opportunity to submit testimony in opposition to H.B. No. 5481 AAC The Department of Public Health's Recommendations Regarding Change of Ownership in Health Care Facilities.

H.B. No. 5481 represents a significant overhaul of the change of ownership process. While we are not opposed to reforms in the change of ownership process, we do recommend a more active stakeholder input process before significant changes are made, and CAHCF would offer to be helpful in any way in such a review.

As a guiding principle, we recommend that any revisions to the change of ownership process in Connecticut should balance the Department of Public Health's (DPH) need for sufficient information to determine the suitability of the new owner while not burdening the ability of individual and corporations from making simple and inconsequential changes to ownership structures which are currently addressed both under Connecticut's current process, as well as Medicare.

We recommend that such a review also thoroughly evaluate the body of law that now exists in statutes and regulations provide for disclosure of any ownership, direct or indirect, of 10% or more in an institution, fingerprinting of all such owners and affidavits disclosing whether or not such owners, officers or directors and others have been convicted of any felonies, held civilly liable for fraud, misappropriation or have had any federal or state license suspended or revoked.

Specifically, current statutes and regulations provide for disclosure of any ownership, direct or indirect, of 10% or more in an institution, fingerprinting of all such owners and affidavits disclosing whether or not such owners, officers or directors and others have been convicted of any felonies, held civilly liable for fraud, misappropriation or have had any federal or state license suspended or revoked. The proposed bill deletes the current requirement to disclose direct and indirect ownership of 10% or more in favor of requiring disclosure of any ownership amount, however small. Furthermore, changes to ownership at a grandparent level or above that have no bearing on day-to-day operation or management of the facility will require a full and formal change of ownership process, again, no matter how small the ownership interest. Of even greater concern is the addition of a number of new disclosures as part of the application which are extremely onerous and include highly confidential information including audited financial statements, not just of the proposed owner, but of any licensed health care facility in the United States owned, operated or managed by any direct or indirect owner in the prior five years regardless of whether that ownership still exists at the time of the change of ownership application. The Department would also require copies of sale agreements and lease agreements which often are not in final form at the time a change of ownership is filed and frequently contain confidential, proprietary information that would then be subject to disclosure under FOIA. Organizational charts for not only the proposed owner (which is currently required) but any parent or subsidiary organization would be required to be disclosed and would be required to include “the relationships between such organizations employees, departments and the jobs within such organizations.” It is unclear exactly what this requirement entails but in any event such information in an organizational chart for multiple entities would be extremely onerous.

Further, the bill includes a number of provisions that are vague as to their scope and applicability such as “accounts payable with amount due, days overdue and details of payment to all such accounts”. Presumably a new owner would not have accounts payable relative to that facility and would not have access such information of the current owner, nor would such information be relevant. Finally, section three requires that the Department conduct an inspection to determine whether an existing owner is in compliance with all relevant regulations and if not, the Commissioner may deny the change of ownership or require the new owner to implement corrective action. While this process is currently in effect for physical plant requirements, this provision broadens the requirement to include any regulatory requirement and allows for a denial of the change of ownership if any violations exist.

In conclusion, we caution that any new requirements not be a deterrent to new businesses wishing to invest in the health care industry in Connecticut at a time when such investments are vital to ensure improvements are made to address

lessons learned from the pandemic and to protect the health and safety of all patients.

Thank you again for this opportunity to testify on the bill as drafted. I would be happy to answer any questions you may have.

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