Public Health Committee
JOINT FAVORABLE REPORT

Bill No: SB-196

Title: AN ACT CONCERNING HOSPITAL SALE-LEASEBACK AGREEMENTS AND ATTESTATIONS CONCERNING LACK OF PRIVATE EQUITY CONTROL OF THE HOSPITAL AND CONTROL OF OR INTERFERENCE WITH THE PROFESSIONAL JUDGMENT AND CLINICAL DECISIONS OF CERTAIN HEALTH CARE PROVIDERS.

Vote Date: 3/2/2026

Vote Action: Joint Favorable Substitute

PH Date: 2/18/2026

File No.:

Disclaimer: *The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

The Public Health Committee.

REASONS FOR BILL:

This bill addresses two issues: the financial restructuring of hospitals through sale-leaseback agreements and the control private equity majority ownership exerts on hospital governance. A sale-leaseback transaction occurs when a hospital sells its main campus real property to a Real Estate Investment Trust (REIT), which then leases it back as a rental. The hospital continues operation but must make long-term rental payments on previously owned property. SB-196 allows hospitals in financial distress to enter sale-leaseback agreements provided that the hospital's governing body authorized the agreement and the Attorney General's office was notified within 10 days. SB-196 requires hospitals to submit attestations to the Department of Public Health (DPH), no later than October 1, 2026, stating no private equity entity has a controlling interest in the hospital nor interferes with the clinical decision-making of healthcare providers.

SUBSTITUTE LANGUAGE (IF APPLICABLE):

SB-196 prohibits sale-leaseback transactions by removing the exception for hospitals in financial distress. The substitute language also pushes the start date to February 2027.

RESPONSE FROM ADMINISTRATION/AGENCY:

Commissioner Manisha Juthani, MD, CT Department of Public Health, Commentary:

Commissioner Juthani requests: (1) the due date for required hospital attestations be moved to no earlier than February 1, 2027, allowing DPH appropriate time to create the template

required under subsection (c) of the bill; and, (2) clarification on "what authority the department would have if it were discovered that there is inaccurate information on the attestation, or what the department is meant to do with these attestations once they are received."

Senator Martin Looney (D-11), President Pro Tempore, CT State Senate, Supports with Recommendations:

Senator Looney recommends strengthening the language of the bill to prohibit sale/leaseback agreements and to expand regulation of private equity in healthcare to any purchaser (including hospitals, insurers, and private equity companies). Private equity companies profit by selling the real property they have acquired, thereby recouping their initial investment, without alleviating the financial ruin of the purchased business. The purchased entity must still pay the taxes and maintenance costs of the property; however, it no longer possesses equity in the real property, preventing it from securing loans to improve its financial outlook.

NATURE AND SOURCES OF SUPPORT:

Connecticut Hospital Association (CHA), Supports:

CHA supports reasonable regulations aimed at encouraging transparent investments and preventing interests from outside the community to jeopardize the financial health of hospitals. SB-196 achieves this measured approach.

Unregulated private equity investment has damaged some Connecticut hospitals; however, blanket prohibitions on "modest yet important" private equity investments could harm healthcare delivery in Connecticut. Financial investments, in a variety of ways, allow hospitals and health systems to continue to serve their communities in the appropriate settings. Investments support hospitals' abilities to fulfill their missions to serve patients and communities with top-notch care, invest in jobs and economic growth, and improve health equity, access, and affordability.

Chris Noble, Esq., Policy Director, Private Equity Stakeholder Project (PESP), Supports:

PESP, "a financial watchdog organization that seeks to bring transparency and accountability to the private equity industry," believes SB-196 will strengthen oversight of sale-leaseback transactions and strengthen protections against corporate practice in medicine.

Over the last decade, private equity has touched every facet of the healthcare industry with over $1 trillion in investments. Profits are prioritized with common tactics, including "aggressively looting safety net hospitals, stripping out valuable real estate, cutting critical but less profitable services, and exploiting government funding programs designed to support and stabilize healthcare access." These buyouts frequently end in bankruptcy. In 2024, "one-fifth (21%) of healthcare bankruptcies involved private equity-owned companies," while "seven out of eight (88%) of the largest (liabilities over $500 million) bankruptcies … were at companies with a history of private equity ownership." In 2025, CT saw Prospect Medical Holdings go bankrupt. *A detailed discussion of Prospect Medical Holdings can be found in the testimony submitted online and linked above. Also discussed in-depth is private equity firm Leonard Green & Partners' representations to Congress and other stakeholders. The online testimony includes references to additional resources and reports.*

Nationwide, states are investigating and passing legislation addressing private equity's detrimental effects on healthcare. Connecticut must increase oversight of sale-leaseback agreements, strengthen laws against the corporate practice of medicine (CPOM), and prioritize the long-term health of its citizens.

Aashka Shah, MD, MPH, Resident Physician Internal Medicine, Yale School of Medicine/Yale New Haven Health, Supports with Recommendations:

Private equity is often destructive to hospitals and the communities in which they serve. SB-196 requires the hospital's governing body to agree to any sale-leaseback agreements and ensures the Attorney General is aware of the situation, giving the government the opportunity to intervene in a hospital facing looming bankruptcy.

Evidence shows that private equity acquisitions of hospitals harm them and their communities. Studies have noted a 25% increase in hospital-acquired conditions including falls and central-line infections; critical staffing shortages in Emergency Departments and Intensive Care Units; significantly lower quality-of-care ratings as related to "mortality, safety, readmission, patient experience, and timely and effective care;" and, involvement in 88% of the largest healthcare bankruptcies in 2024, by combining "asset-stripping, high-leverage buyouts, staff layoffs, roll-ups, and sale-leaseback agreements."

A lack of enforcement combined with legislative loopholes allow private equity firms to escape Corporate Practice of Medicine (CPOM) laws. While most states (CT included) have CPOM laws prohibiting corporate entities from practicing medicine, private equity firms continue to control the decision-making of healthcare providers through various loopholes like "friendly PC" models, which involve naming physicians as practice owners while the parent company controls the finances. This "control of clinical judgment has led to a direct rise in moral *[sic]* injury and burnout amongst clinicians." Providers often face retribution for raising concerns.

Recommendations:

(1) Define the term "controlling interest" more definitively (what percent stake is considered controlling to the organization/hospital).

(2) Enhance the review period for the Attorney General's office to be made aware of the sale-leaseback agreement by increasing the length of time versus allowing for pre-agreement review.

(3) Define more clearly what falls under a "joint venture" as private equity firms may be able to exploit this agreement.

Aliana Manji, Graduate Student, Yale School of Public Health, Supports with Recommendations:

SB-196 addresses two areas of national concern: sale-leaseback agreements and control over hospital governance. Sale-leaseback agreements often result in long-term financial burdens as hospitals convert assets into rental obligations; approximately 25% of hospitals acquired by Real Estate Investment Trusts (REITs) closed or filed bankruptcy versus 4% of comparable hospitals not acquired by private equity. Private equity firms prioritize rapid revenue growth and quick exits, often equating to increased charges, hospitals drowning in debt, and cutting costs, most commonly through staffing reductions.

In 2018, Prospect Medical Holdings borrowed $457 million to pay dividends to investors, and not for patient care, staffing, or capital improvements. The real property from Waterbury Hospital, Manchester Memorial Hospital, and Rockville General Hospital was sold in a $1.4 billion sale-lease back agreement. After quantifiable injury was inflicted on these hospitals' patient services and cuts were made without required state authorization, all three hospitals entered bankruptcy.

SB-196 also addresses clinical independence and the consequences of shifting decision-making authority from healthcare providers to those accountable to investors. Evidence shows: (1) a 25.4% increase in hospital-acquired conditions, (2) doubling of surgical site infections from 10.8 to 21.6 per 10,000 despite an 8.1% reduction in surgical volume, (3) an average increase of $407 in charges per inpatient day, and (4) worsening patient safety metrics including staffing reductions, longer wait times, and higher mortality rates.

Recommendations:

(1) Adopt a pre-approval framework akin to Massachusetts House Bill 5159, requiring advance notice of material changes, permitting a preliminary review, authorizing a full cost and market impact review, allowing regulators to request documents from providers and significant equity investors, and permitting post-transaction monitoring for up to five years to assess downstream effects.

(2) Remove the exemption for hospitals facing financial distress, instead requiring heightened scrutiny when a hospital is at its most vulnerable. At minimum, the state should require formal approval, full disclosure of lease terms, independent valuation, and a clear demonstration that the transaction is necessary to prevent closure and will not further destabilize the hospital.

(3) Define "controlling interest" to include direct or indirect equity interests above a specified threshold, as well as contractual rights that materially influence financial or operational decision-making. Refer to the Massachusetts Legislative website: https://malegislature.gov/Laws/SessionLaws/Acts/2024/Chapter343.

(4) Pair required annual attestations from hospitals with defined consequences for inaccurate attestations. Integrate compliance into licensure and broader regulatory review. Provide the Commissioner with explicit audit authority, the power to require disclosure of ownership and financial arrangements, and the ability to impose civil penalties or conditional licensure for non-compliance.

(5) Clarify what constitutes a permissible joint venture and require disclosure of the venture's ownership structure, governance arrangements, and any direct or indirect equity interests.

Connecticut State Medical Society (CSMS), Supports with Commentary:

The CSMS, physicians, and resident physicians are concerned about the consequences of financial decisions taking precedence over patient and hospital workforce care. SB-196 "must address the real-world consequences now facing Connecticut physicians and residents."

In light of the Prospect Medical bankruptcy, an unspecified number of physicians were unknowingly practicing without malpractice coverage at Waterbury Hospital because Prospect failed to pay for contractually required medical malpractice coverage. Two legal claims have already been filed, with the potential for more since the statute of limitations has

not run. This unfair position was thrust upon physicians – who stayed at the hospital during the Prospect purchase (approved by CT) – to ensure patients received care and now find themselves personally exposed. SB-196 needs "to include explicit protections for employed physicians and resident physicians … ensure that malpractice coverage is continuously maintained and that clinicians are protected from lapses in coverage."

NATURE AND SOURCES OF OPPOSITION:

Ed Hawthorne, President, Connecticut AFL-CIO, Opposes:

SB-196 does not protect patient care, clinical decisions of health care providers, or ensure that these institutions are accountable to our communities, instead "allow[ing] predatory private equity entities to enter into harmful financial arrangements with hospitals with little or no meaningful oversight." The transactions strip hospitals of assets and prioritize profits over patients, with "devastating consequences, including the closure of hospitals, the erosion of patient care standards, and the exploitation of frontline health care workers." Wall Street-style financial tactics drive up costs, reduce competition, and strip essential services; Windham, John Memorial, Rockville, and Sharon hospitals have cut Intensive Care Units, Labor and Delivery Units, and other life-saving care.

Sale-leaseback agreements are the payday loan equivalent for hospitals, creating an inescapable downward spiral of debt. While "private equity investment in any healthcare facility should be banned altogether," at minimum, there must be a rigorous Certificate of Need (CON) process. The CT ALF-CIO supports "legislation that prohibits private equity and real estate investment trusts from acquiring or exerting control over health care institutions."

Dave Hannon, President CHCA District 1199, NUHHCE, AFSCME, AFL-CIO, Opposes:

Mr. Hannon is unequivocal that SB-196 will "actively make things worse for Connecticut's hospitals, healthcare workers, and patients. It should not pass in any form."

This bill "provides short-term liquidity in exchange for locking the borrower into unsustainable long-term obligations." This happens by providing the hospital with a one-time cash infusion while "[t]he new owner gets a guaranteed, escalating revenue stream backed by an essential public service that cannot simply close its doors and walk away." With its most valuable asset (its own property) gone, it sinks under its own operating costs, conditions continue deteriorating, and eventual bankruptcy occurs. Because SB-196 carves sale-leasebacks out of the CON process, there is no state oversight at a moment when it is needed most.

The threshold requirement that a hospital be "experiencing financial distress" is a very low barrier to overcome, one that many hospitals could meet at any time. Instead of requiring a bond default, this bill broadens the provision beyond genuine emergencies. Private equity is often the source of financial distress by loading debt onto the operating entity, extracting management fees, deferring capital maintenance, reducing staff to dangerous levels, and entering above-market, related-party transactions with affiliated vendors. SB-196 rewards the bad actor who creates distress by allowing the real estate sell-off outside of CON review.

The attestation requirement "is a compliance exercise that sophisticated financial actors will navigate without difficulty." Private equity is trending toward joint venture investments, which is not reflected in the "controlling interest" standard. Private equity can exercise influence

through board seats, management agreements, and contractual approval rights over budgets, capital expenditures, and executive hiring, all while owning 49% of a hospital. The clinical interference attestation serves no realistic purpose since no private equity company would admit to violating CPOM laws. It's nothing more than "a restatement of an existing prohibition, without any new mechanism to detect or enforce violations." Private equity interferes with clinical decisions by "implementing utilization management protocols, tying compensation to productivity metrics, imposing pre-authorization systems, setting staffing ratios that make thorough care physically impossible, and restricting supply purchasing to limit available equipment and medications." DPH is already unable to fulfill its existing obligations.

Passing SB-196 will lead to "years during which private equity will continue to operate without meaningful constraint, now with the additional benefit of a state-authorized, CON-exempt sale-leaseback mechanism." The only solution is to prohibit sale-leaseback transactions: "There is no set of guardrails that makes it safe to give private equity a statutory pathway to separate hospital operations from hospital real estate outside the CON process. The financial engineering is too sophisticated and too adaptable for any set of legislative conditions to anticipate and prevent."

Recommendations:

1. Ban sale-leaseback transactions involving Connecticut hospital real estate, or at minimum, full subjection of all such transactions to the CON process with enhanced scrutiny of the acquiring entity's ownership structure, the lease terms, and the long-term impact on hospital financial viability.
2. Restrict private equity ownership and control of Connecticut hospitals, modeled on legislation introduced or advanced in California, Oregon, Minnesota, and other states, with definitions of "control" that capture joint venture structures, management agreements, and debt-based covenants — not just majority equity.
3. Increase DPH funding for enforcement, so that existing regulatory authority can be exercised. Our union has documented specific funding gaps and enforcement failures that make current oversight inadequate regardless of what additional statutory requirements are enacted; and,
4. Impose transparency requirements for all related-party transactions, management fees, and ownership structures in Connecticut hospitals, with independent audit authority and meaningful penalties for nondisclosure.

Zak Leavy, Deputy Director, AFSCME Council 4, Opposes:

SB-196 allows hospitals to bypass the CON process and avoid state review by claiming "financial distress," which is expansive and loosely defined. SB-196 also creates a dangerous loophole, "open[ing] the door for private equity to influence or control a REIT that acquires the hospital's main campus." Transparency and accountability require full state oversight and a strict CON process.

John Brady, RN, Executive Vice President, AFT Connecticut, Opposes as Written:

Sale-leaseback agreements achieve short-term liquidity (stock dividends and bonuses) by trapping hospitals in unsustainable debt. SB-196 fails to adequately define debt service

payments, leaving open the possibility that something as simple as falling behind on vender payments could trigger “financial distress.” The legislature should prohibit sale-leaseback transactions by CT hospitals. SB-196 fails to establish any enforcement mechanism for its attempt to limit corporate control over healthcare operations. A simple attestation that the private equity firm does not influence clinical decisions suffices to satisfy Corporate Practice of Medicine laws, even though it’s widely known that the opposite occurs with regularity. Connecticut must “take a strong stand in regulating corporate greed in healthcare.”

Bill Garrity, RN, President, University Health Professionals, AFT Local 3837, Opposes as Written:

Every private equity firm nightmare seems to start with the exact scenario proposed by SB-196, a hospital experiencing financial distress entering into a sale-leaseback agreement. Private equity firms should be entirely prohibited from transacting with healthcare: “Healthcare workers deserve better, our residents deserve better, the state of Connecticut deserves better. Private Equity is not the solution.”

Liz Dupont-Diehl, Associate Director, CT Citizen Action Group, Opposes as Written:

SB-196 is insufficient to guard against the private equity playbook, which pits short-term profit against accessible and affordable healthcare. Maine, because of a year-long study on transactions that impact healthcare services, “is hearing testimony on bills that would prohibit sale-leaseback agreements, prohibit any transaction involving a health care entity in which the ratio of debt to equity is greater than 50%, and establish a Regulatory Review & Approval Process for PE Transactions.” CCAG urges reexamination of SB-196.

Cameron Arterton, Deputy EVP, Policy and Public Affairs, and Steven Lowery, SVP, Government Relations, National Association of Real Estate Investment Trusts (NAREIT), Oppose:

NAREIT opposes SB-196 because it arbitrarily bans sale-leaseback agreements with publicly traded REITs, which are regulated by public disclosure requirements from the Securities and Exchange Commission (SEC), but allows for such agreements with capital from private landlords, investment funds, LLCs, and other private investment vehicles. SB-196 “is misaligned with its goals of preventing harm to [facilities’] operations and patients.”

Sale-leaseback transactions allow healthcare centers to utilize their real estate as a source of capital with the goal of reinvesting funds back into high-quality patient care and increased staffing. REITs provide funding for healthcare operators who cannot secure funding elsewhere. Public REITs only account for 3-6% of the commercial real estate landscape for hospital ownership, with the remaining owners including sovereign wealth funds, private funds, and other institutional investors. A REIT is a revokable, elective tax classification. REITs are organized as corporations, partnerships, LLCs, and trusts, which are subject to specific rules and a revokable tax status. SB-196 misses “most current health care property owners and it arbitrarily focuses on a revokable tax filing criteria that is designed to encourage long term ownership and transparency.”

Public healthcare REITs are transparent and stable, file periodic and other current reports with the SEC, have their “financial statements audited by registered public accounting firms overseen by the Public Company Accounting Oversight Board, and their reporting is subject

to the substantive, reporting, audit, and certification requirements of the Sarbanes Oxley Act." This information about private owners is not normally available. REITs are required to hold property long-term, making real-estate focused partners with incentives to maintain thriving, healthy tenants.

Rev. Ernestine Holloway, Meriden, CT, Opposes:

Rev. Holloway argues that hospitals should be returned to the people, run by the church, and have no profit motives. Hospitals and healthcare should be run by Christian charity. Rev. Holloway went on a hunger strike at Middlesex hospital due to poor treatment.

Reported by: Rebecca Hyland **Date: March 9, 2026**