



## Rhode Island Health Care Association

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### H5426 – Financial Transparency Bill

Position: Oppose

My name is John Gage, President of the Rhode Island Health Care Association (RIHCA). Our membership represents eighty (80%) of the nursing facility profession in RI, and this testimony is submitted on their behalf.

While RIHCA has no issues with the general disclosure and transparency provisions of this bill, we do find it to be duplicative of a myriad of other existing reporting requirements. There are currently multiple layers of rules and regulations, both Federal and State, that require disclosure of ownership when a new entity is buying or operating a nursing facility or when any substantive changes are made.

Any entity that chooses to own and/or operate a nursing facility must register each business entity with the Secretary of State. This includes disclosure of ownership requirements among other requirements.

There are also highly onerous disclosure requirements to apply to own or operate a RI nursing facility and be approved through submission of an extensive application as part of the “Change in Effective Control” (CEC) process established in statute, facilitated by RIDOH and reviewed by the Health Services Council. This application includes extensive ownership and management information as well as the mandatory disclosure of any related entities that are doing business with the facility itself. The ultimate determination to approve or deny the CEC is made by the RIDOH Director. The recent CECs for Bannister Center and Oak Hill Center took two full years to be reviewed and approved. In addition, RIDOH reviews and approves (or denies) new management contracts and any substantive changes thereto.

There are also similar Federal requirements related to Change in Ownership (CHOW) to obtain Medicare certification.

Back in RI, just in 2022, the general assembly passed, and the Governor signed Sen. Goodwin’s bill and its companion bills introduced in the House by Rep. Speakman – “The Transparency of Ownership in Healthcare Facilities Act”

*“Setting the Pace in Nursing Home Care”*

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establishing disclosure requirements. This statute was just recently implemented by RIDOH late last Fall.

Federally, the Biden administration added new transparency rules including disclosure of ownership of any owner, operator, or any related entities. Again, this rule was just implemented on January 1, 2024.

H5426 would simply layer more duplicative requirements onto the nursing home sector. Stacking new legislative requirements atop existing recent state legislation, existing state and federal rules and regulations, and existing Medicare and Medicaid licensure application requirements will do absolutely nothing to improve resident care.

Advocates allege that this additional legislation is necessary because nursing home operators are “funneling millions of dollars through shell companies and related entities to the detriment of resident care.” One example, they conflate management fees paid to a RIDOH-approved management company, in accordance with the terms of a RIDOH-approved management agreement as “Profit.” This is disingenuous and a distraction from the real underlying problems currently facing RI nursing homes – chronic underfunding, a lingering workforce crisis, skyrocketing inflation on energy, food, medical supplies, etc.

H5426 also proposes to limit distribution of any equity to 3% of a facility’s annual revenue without the approval of the RIDOH Director. This is simply Un-American. Why would anyone choose to invest in a nursing home in Rhode Island if their profit cannot exceed 3%. They could make more than that by putting their investment in a Certificate of Deposit with no risk whatsoever. This bill will impose additional overly burdensome accounting expenses on an already strained healthcare sector and replicate existing safeguards related to disclosure and transparency. In addition, the bill threatens to impose fines of \$1 million or more for failure to disclose ownership information which is draconian in nature and excessive.

For these reasons, RIHCA opposes this bill.



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President & CEO