



# Rhode Island Health Care Association

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## **S3025 – Financial Transparency Bill**

### **Position: Oppose**

My name is John E. Gage, President and CEO of the Rhode Island Health Care Association (RIHCA). Our membership represents approximately 80 percent of the nursing facility sector in Rhode Island, and this testimony is submitted on their behalf.

While RIHCA does not object to the general goals of disclosure and transparency reflected in this legislation, we believe S3025 is largely duplicative of extensive federal and state reporting requirements that already govern the nursing home sector.

Nursing facilities are among the most heavily regulated providers in the healthcare system and are already subject to multiple layers of oversight requiring detailed disclosure of ownership and financial relationships.

At the state level, any entity seeking to own or operate a nursing facility must comply with the statutory Change in Effective Control (CEC) process, administered by the Rhode Island Department of Health and reviewed by the Health Services Council. This process requires comprehensive disclosure of ownership structures, management agreements, and related-party transactions. It is both rigorous and time-intensive, with recent applications taking one to two years to complete. Additionally, the Department must review and approve management agreements and significant operational changes.

Further, all business entities must register with the Rhode Island Secretary of State, which includes ownership disclosures and ongoing reporting obligations.

At the federal level, facilities must comply with Change in Ownership (CHOW) requirements to maintain Medicare certification, which imposes additional disclosure standards. More recently, new federal transparency regulations took effect on January 1, 2024, requiring expanded reporting of ownership interests and related entities. Implementation of these requirements is currently underway.

Rhode Island has also already acted in this area. In 2022, the General Assembly enacted the “Transparency of Ownership in Healthcare Facilities Act,” adding yet another layer of ownership disclosure requirements. These provisions have only recently been implemented.

Given this existing framework, S3025 would impose an additional, redundant layer of regulation on an already highly regulated sector. Adding duplicative reporting requirements on top of recently enacted state and federal mandates will not improve transparency or resident care.

Proponents of this legislation have suggested that additional measures are necessary due to allegations that nursing home operators are “funneling” funds through related entities. In some

*“Setting the Pace in Nursing Home Care”*

A non-profit organization of proprietary and non-proprietary long term health care facilities dedicated to improving health care of the convalescent and chronically ill of all ages. An equal opportunity employer.

cases, these claims mischaracterize legitimate, Department-approved management arrangements by conflating contractual management fees with profit. This narrative is misleading and diverts attention from the real and pressing challenges facing Rhode Island's nursing facilities, including:

- Chronic Medicaid underfunding
- Persistent workforce shortages
- Significant inflation in energy, food, medical supplies, and other operating costs

The bill also proposes to limit equity distributions to 3 percent of a facility's annual revenue without prior approval from the Department of Health. Such a restriction would significantly discourage investment in Rhode Island's long-term care sector.

It is also important to highlight the broader financial context in which nursing facilities operate. The State of Rhode Island currently imposes a provider tax of approximately 5.5 percent on patient service revenue. There is clear irony in proposing to limit owner distributions to 3 percent while the State itself collects a significantly higher percentage off the top of facility revenue. This dynamic further underscores the financial pressure placed on providers and raises serious concerns about the message this policy sends to current and prospective investors.

Investors could achieve similar or better returns through low-risk financial instruments without assuming the substantial financial and operational risks associated with operating a nursing facility.

At a time when Rhode Island should be encouraging investment to stabilize and modernize its long-term care infrastructure, this provision would have the opposite effect and further strain an already fragile system.

Finally, the bill authorizes civil penalties of up to \$1 million or more for disclosure violations. These penalties are excessive and disproportionate, particularly given the extensive reporting systems already in place.

For all these reasons, RIHCA respectfully and strongly opposes S3025.

Thank you for the opportunity to provide testimony.

Sincerely,

A handwritten signature in blue ink, appearing to read "John E. Gage", with a long horizontal flourish extending to the right.

John E. Gage, MBA, NHA  
President & CEO  
Rhode Island Health Care Association