



## 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 contained in this bill, we believe the proposal is largely duplicative of numerous existing federal and state reporting requirements that already govern the nursing home sector.

Currently, there are multiple layers of regulatory oversight that require disclosure of ownership and financial relationships when an entity seeks to purchase or operate a nursing facility or when significant operational changes occur.

Any entity that owns or operates a nursing facility must register each business entity with the Rhode Island Secretary of State, which includes disclosure of ownership information along with other required filings.

In addition, there are extensive disclosure requirements required to obtain approval to own or operate a nursing facility through the statutory Change in Effective Control (CEC) process. This process is administered by the Rhode Island Department of Health (RIDOH) and reviewed by the Health Services Council. The CEC application requires substantial disclosure of ownership structures, management relationships, and related-party entities conducting business with the facility.

Final approval or denial of a CEC application rests with the RIDOH Director, and the process itself is already lengthy and rigorous. For example, the recent CEC reviews have taken one to two full years to complete. Additionally, RIDOH must review and approve any new management agreements, substantive changes to existing management contracts and/or sale of real estate.

At the federal level, nursing facilities must also comply with Change in Ownership (CHOW) requirements in order to maintain Medicare certification, which includes further ownership and disclosure obligations.

In addition, the Rhode Island General Assembly enacted the “Transparency of Ownership in Healthcare Facilities Act” in 2022, sponsored by Senator Goodwin and Representative Speakman. This law established additional ownership disclosure requirements and was only recently implemented by RIDOH.

*“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.

Similarly, the Biden Administration implemented new federal transparency rules requiring disclosure of ownership interests and related entities associated with nursing facility operators. These rules took effect on January 1, 2024. After several administrative delays, this process is currently under way Federally.

Given these existing requirements, S3025 would simply add yet another layer of duplicative regulation on an already heavily regulated sector. Stacking additional legislative mandates on top of recently enacted state laws, federal transparency regulations, and existing licensure requirements will not improve resident care.

Advocates for this legislation have suggested that additional transparency is needed because nursing home operators are allegedly “funneling millions of dollars through shell companies and related entities” to the detriment of resident care. In some cases, these claims mischaracterize legitimate and RIDOH-approved management agreements, conflating management fees paid under approved contracts with “profit.” This framing is misleading and distracts from the real challenges facing Rhode Island nursing facilities, including:

- Chronic Medicaid underfunding
- A persistent workforce shortage
- 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 approval from the RIDOH Director. Such a restriction would significantly discourage investment in Rhode Island’s nursing home sector. Investors could earn a comparable or greater return through low-risk financial instruments such as certificates of deposit without assuming the significant financial and operational risks associated with operating long-term care facilities.

At a time when Rhode Island needs greater investment to stabilize and modernize its long-term care infrastructure, imposing such restrictions could further undermine the financial viability of the sector.

Finally, the bill proposes civil penalties of up to \$1 million or more for failure to disclose ownership information, which we believe are excessive and disproportionate given the already extensive disclosure systems in place.

For these reasons, RIHCA respectfully opposes S3025.

Thank you for the opportunity to provide testimony.

Sincerely,

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