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CT's New Change in Ownership Process Will Impact the Timing of Transactions

Broadened Scope of Required DPH Approval

Effective as of October 1, 2023, Connecticut implemented a regulatory update to the approval process for changes in ownership and beneficial ownership of licensed healthcare facilities, including hospitals, behavioral health facilities, outpatient surgical centers, nursing homes, assisted living services agencies and home health agencies. Public Act 23-122 (the **Act**) replaced Section 19a-493 of the Connecticut General Statutes governing the approval process for changes in ownership of licensed healthcare entities. The new language broadens the circumstances that require notice and approval by the Department of Public Health (**DPH**) and lengthens the time of the approval process. The Act removes the exemption for certain transfers of ownership to relatives. As of October 1, any change in ownership or beneficial ownership of a facility or institution resulting in the transfer to an owner or a beneficial owner "related by blood or marriage" will be subject to prior approval by DPH. For the purposes of the Act, related by blood or marriage means a parent, spouse, child, brother, sister, aunt, uncle, niece or nephew. **Approval Application Requirements** The Act also changes the way notice is provided to DPH and requires that the proposed new owner, or the current owner in the case of a change in beneficial ownership, submit an application with the appropriate documentation. The notice to DPH and the application must be filed at least 120 days prior to the effective date of the proposed transfer. The required information and documentation in the application includes the following:

- A cover letter identifying the facility or institution.
- A description of the proposed transaction.
- The name of each proposed new owner or beneficial owner.
- An organizational chart of the current owner and the new owner, including parent businesses and wholly owned subsidiaries.
- A copy of the agreement of sale or other transfer of ownership interests and, if applicable, any lease or management agreements.
- The name of and documentation for any licensed healthcare facility owned, operated or managed by each proposed new owner in the United States during the preceding five years.

Notice and Application Process Once received, the application for a change in ownership will be reviewed by DPH. The commissioner of DPH may schedule an inspection to ensure that all the requirements of Chapter 368v governing healthcare institutions have been met. When evaluating an application, DPH will consider whether each proposed new owner or beneficial owner demonstrates character and competence and quality of care, and whether there is evidence of acceptable past and current compliance with state and federal requirements for each facility owned, operated or managed by said owner. The approval requirements above do not apply when the proposed change of ownership or beneficial ownership is 10 percent or less of the ownership of a licensed outpatient surgical facility and such change results in a transfer to a physician. However, the facility must provide sufficient information to DPH about the change in ownership so that it can update the facility's license information. No expedited process is available under the Act. **Key Takeaways**

- Changes in ownership and beneficial ownership of a licensed healthcare facility require approval even where the transfer is to a relative.
- Application documents include a description of the transaction, copies of the definitive agreements, ownership and license history, and any organizational charts.
- Notice and the application with supporting documentation must be submitted at least 120 days in advance of the proposed change in ownership.

Day Pitney's Healthcare, Life Sciences and Technology practice group can assist you in all matters concerning healthcare facilities and institutions, changes in ownership or compliance with healthcare regulations. Please reach out if you have any questions.

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