

Legislature Passes Major Health Care Oversight Legislation, Regulates Private Equity

Bill helps close gaps that caused the Steward Health Care collapse

BOSTON (12/30/2024)—Today, the Massachusetts Legislature passed [legislation](#) that will close loopholes in the health care market regulatory process exposed by the collapse of Steward Health Care, increase financial transparency by gathering more information regarding hospital finances, and assist in maintaining a more stable and sustainable health care system.

“This bill is a continuation of the Commonwealth’s long-standing effort to ensure that everyone in Massachusetts has access to quality, affordable health care,” said **House Speaker Ronald J. Mariano (D-Quincy)**. “I want to thank Chairman Lawn for working diligently to get this legislation over the finish line, a process that included the incorporation of input from dozens of stakeholders and outside experts, and I want to thank all my colleagues in the House and our partners in the Senate for recognizing the need for this legislation amid a number of daunting challenges facing the Commonwealth’s health care system.”

“Massachusetts is a health care leader globally because we take seriously our responsibility to invest in our health ecosystem and protect providers and patients,” said **Senate President Karen E. Spilka (D-Ashland)**. “As we stare down a health care system plagued by high costs and the fallout from private equity mismanagement, we are doubling down on our responsibility to our residents by safeguarding patients, expanding access to care, and holding private equity accountable. I’m grateful to the unmatched work of Senator Friedman, the work of my colleagues, the countless advocates who have contributed their voices to this legislation, and our partners in the House for making this legislation a reality.”

“I want to extend my deepest gratitude to all the members of the conference committee and my Senate Co-Chair, Senator Cindy Friedman, who worked tirelessly to get results for the people of Massachusetts. This legislation looks to the past, present, and future of health care in the Commonwealth,” said **Representative John J. Lawn, Jr. (D-Watertown), House Chair of the Joint Committee on Health Care Financing**. “This bill closes loopholes and shines a light on blind spots that allowed Steward to exploit Massachusetts patients for profit, enhances transparency in hospital finances, and will promote a more stable and sustainable healthcare system by requiring disclosure of parent company, private equity, and for-profit involvement.”

“This bill makes important changes to how our state tracks hospital and medical providers in Massachusetts to ensure that residents have the care they need within reach,” said **Senator Cindy F. Friedman (D-Arlington), Senate Chair of the Joint Committee on Health Care Financing**. “Of specific importance and in response to statewide primary care access issues, the bill directs a new task force to study and make recommendations to improve primary care accessibility, delivery and financial stability. We know that the presence of for-profit entities in the provision of medical care has exacerbated the issue of delivering safe, patient-centered care, and unfortunately, no single action can close every loophole that bad actors will abuse to line their pockets. To that end, I am committed to working with my House Co-Chair, Representative John Lawn, to build on this bill in the next legislative session to continue to empower our state regulators as the full scope of private equity interests in health care continues to unfold, and make certain that the capacity of our oversight will prevent another crisis like the one caused by Steward Health Care.”

“As someone who represents communities within the Merrimack Valley that were impacted by Steward’s closure, I am grateful that this historic legislation was passed by the Legislature,” said **Representative Frank A. Moran (D-Lawrence), Second Assistant Majority Leader and a member of the conference committee**. “This legislation will transform healthcare in the Commonwealth, better protect patient care, and enact the necessary protections to ensure that another Steward Health Care situation is never allowed to happen again in our state. I would like to thank Speaker Mariano for his steadfast leadership in making this generational piece of legislation a priority this session.”

“This bill strengthens state oversight of our healthcare system and charts a course forward to further develop a system that prioritizes patient outcomes, not shareholder profits,” said **Senator John J. Cronin (D-Fitchburg), a member of the Conference Committee**.

“The crisis and long-term impacts to the health care system that Steward Health Care caused through financial greed and negligence has led to the important reforms in this legislation that will strengthen oversight of the Commonwealth’s health

care system, helping to prevent future crises and ensure Massachusetts residents have access to high-quality care,” said **Representative Hannah Kane (R-Shrewsbury)**, a member of the conference committee.

Strengthening Oversight

The bill makes important updates to the Commonwealth’s laws governing the oversight of hospital systems and provider organizations so the gaps exploited by Steward Health Care cannot be exploited again. Oversight measures include:

- Bolstering the reporting authority of the Center for Health Analysis and Information (CHIA) and scope of the oversight of the Health Policy Commission (HPC) by adding reporting requirements for hospitals and registered provider organizations (RPOs), including significant equity investors. Audited financial statement reporting is mandated for out-of-state operators of a hospital or RPO parent company, private equity investors, and management services organizations (MSOs).
- Enhancing penalties for not complying with CHIA data reporting requirements, including increasing and removing the cap on financial penalties.
- Requiring CHIA to notify HPC and the Department of Public Health (DPH) of failure to report, which will be considered during a review by the HPC in the Cost and Market Impact Review (CMIR) process and by DPH when considering a Determination of Need (DON) application or when reviewing licensure and suitability.
- Expanding DPH authority over the Board of Registration in Medicine to improve oversight and align Board activities with broader state market oversight goals.
- Requiring DPH to hold a public hearing prior to hospital and essential service closures, and authorizing DPH to seek an impact analysis of a hospital closure of any essential health service from HPC.

The bill expands the Attorney General’s authority to monitor health care trends and enforce the [False Claims Act](#) by allowing the office to seek information from significant equity investors, real estate investment trusts (REITs), and MSOs, and to hold entities with an ownership or controlling interest in a provider organization liable if they are aware of false claims submitted to the government.

The bill makes significant reforms to prevent acute care hospitals from selling land to REITs. When Steward Health Care sold hospital properties to Medical Properties Trust (MPT) in 2016 for \$1.25 billion, the hospital network agreed to lease back their former properties from MPT for exorbitant rents, siphoning away necessary resources and depriving the hospital operations and patients of needed investments. The legislation prohibits the future leasing of an acute hospital’s main campus from REITs. It requires increased disclosure of other lease arrangements as part of the licensure process with DPH.

In October 2023, a new mother tragically died at a Steward hospital after medical equipment that could have saved her life was repossessed because Steward couldn’t pay its bills. To prevent a similar tragedy, the legislation requires creditors, vendors, and hospitals to notify the state 60 days before any possible repossession of medical or surgical equipment, and makes any incident like this a reportable event to the state, similar to reporting of medical and drug errors. To improve patient safety, the bill also expands the Betsy Lehman Center’s medical error and patient safety data collection and reporting authority and modernizes the state’s Standard Quality Measure Set to improve provider reporting on patient care.

Increasing Financial Transparency & Addressing the Rising Cost of Health Care

To address the rising cost of health care in Massachusetts, the bill reforms the HPC and expands the HPC cost trends examination while also raising expectations on providers to meet the Commonwealth’s cost containment goals. Provisions to combat the rising costs of health care include:

- Reconstituting the membership requirements for the HPC to include more current, relevant experience and insight into the trajectory of the healthcare market.
- Broadening the scope of HPC’s annual cost trends hearings and report to capture significant equity investors, health care REITs, MSOs, pharmaceutical manufacturing companies and pharmacy benefit managers (PBMs), MassHealth, the Division of Insurance (DOI), the Health Connector, and to request testimony from the Centers for Medicare and Medicaid Services.
- Expanding the HPC cost trends examination to include the new data collected by CHIA through the RPO process, and require submissions from significant equity investors, health care REITs, and MSOs.

- Requiring that expansions in capacity, transactions involving equity investor ownership, significant asset and real estate transfers, and for-profit conversions be added to the material change notice process.
- Requiring the submission of information including capital structure, general financial condition, ownership and management structure, and audited financial statements in transactions that involve a significant equity investor.
- Authorizing the HPC to examine the size and market share of any corporate affiliates or significant equity investors of the provider or provider organization, the inventory of health care resources maintained by the DPH, and any related data or reports from the office of health resource planning as part of a CMIR.
- Requiring that any final CMIR report issued by HPC must be referred to DPH for consideration during any pending determinations of need involving the provider or provider organization.

This bill broadens CHIA's duty to monitor acute hospitals' financial conditions by requiring them to file margins, investments, and information on any relationships with significant equity investors, health care REITs, and MSOs. It also codifies DPH regulation to pause the DON timeline for an independent cost analysis (ICA), CMIR, and performance improvement plan and authorizes DPH to choose the entity conducting the ICA from a list of three entities submitted by the applicant.

Stability and Sustainability

The bill moves state health resource planning to the HPC by establishing a new Office of Health Resource Planning to produce a state health plan as a forecast of anticipated demand, production, supply and distribution of health care resources on a state-wide and regional basis. The office will also conduct focused assessments of supply, distribution and capacity in relation to projected need of health care services.

The bill directs DOI to consider affordability when reviewing rates, while adhering to principles of actuarial soundness and solvency. It also creates a Primary Care Task Force to make recommendations to improve primary care access, delivery, and financial stability. The task force comprises 25 members and is chaired by the HPC and Executive Office of Health and Human Services (EOHHS). The task force's recommendations will include defining primary care services, creating standardized data reporting, establishing a primary care spending target for public and private health care payers, assessing impacts of health plan design on health equity, and devising ways to increase the primary care workforce and improve employment conditions. The state will publish relevant data on a primary care dashboard maintained by CHIA and Massachusetts Health Quality Partners.

Having passed both chambers of the Legislature, the bill now goes to the Governor for her signature.

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