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THE MARYLAND HOUSE OF DELEGATES
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Testimony in Support of HB 944

Maryland Health Care Commission - Certificates of Need and Material Change Transactions

Good afternoon, Chair Bagnall and honorable members of the committee. Thank you for this opportunity to present HB 944 – **Maryland Health Care Commission - Certificates of Need and Material Change Transactions**. This legislation is about protecting Maryland patients, workers, and communities from the harmful effects of unchecked health care consolidation. It creates a targeted, time-limited public interest review for large health care transactions (mergers, acquisitions, joint ventures, contracts transferring control) that involve at least \$10 million in assets or revenue. Its goal is not to block investment but to protect patients, workers, and communities from the harms of unchecked consolidation — especially private equity deals that often raise costs, worsen care, reduce staffing, and prioritize short-term profit extraction.

Across the country and here in Maryland, consolidation — especially through private equity — has been shown to raise costs, increase unnecessary utilization, and strain clinical decision-making, without improving quality. While transactions to merge and acquire health care facilities can allow for a facility to receive the capital it needs to improve its delivery of services, there is growing evidence that these transactions and deals can have the opposite effect. That is not better care, and it is not for the good of our communities.

Nationally, and here in Maryland, we have seen that in many cases, these transactions, and deals restructure health care organizations to focus on extracting more money so they can be sold for profit. It can mean reduced staffing, services that get contracted out with little attention to quality and safety, no oversight, and costs that balloon because there is no competition left in the area, so we are stuck with higher doctors' and insurance bills.

So here is our challenge as policy makers--how do we know whether a transaction, a deal, a merger, or a buyout, is going to make care better when we go for a visit? And how do we know when it would make it worse?

The Maryland Health Care Commission has done some analysis of this already and they have some interesting findings.

1. The number of independently owned medical groups is decreasing significantly.

- In Anne Arundel County, for example, less than half of our medical groups are independently owned – they are mostly owned by corporations and integrated networks. That is not necessarily bad, but we see that some types of corporate owners regularly increase charges and prices for patients.
- For certain types of services, it is even more pronounced – for both Anne Arundel and nearby Prince George’s County, for example, over 75% of dermatologists, and around 50% of ophthalmologists are private equity owned.

2. There is a negative impact on health care and cost.

- When we get that spot checked for skin cancer, or we need cataract surgery, we’re more likely to be advised to authorize high profit procedures that we really do not need, visits might get shorter with more return follow-ups to charge more copays, or we might have longer waits or less attentive care in the doctor’s office.
- The quality of the care we get could go down. The doctors and nurses we trust may have less control over the clinical decisions they make for us. We may face safety risks because there are fewer staff on site. And we may end up paying a lot more but getting a lot less.

Medical groups, outpatient surgery centers, and independent physicians are seeing the same trends across all of Maryland: the number of independent providers is going down and the influence that corporations have over our health care practices is going up.

We have already recognized this challenge – and the danger – for nursing homes.

Genesis health care, for example, with nursing homes in Maryland and other states, faces over two hundred malpractice, wrongful death, and injury lawsuits. When it filed for bankruptcy last year it carried more than \$2 billion in debt, with \$259 million tied up in patients’ legal claims. Through the bankruptcy process, it became apparent that private equity owners had extracted value from the company with sale and lease-back deals and layered debt, while the company struggled to keep operating and staffing levels and patient care declined.

We now have oversight over these major nursing home transactions in Maryland, through a review process led by the Maryland Health Care Commission that parallels this legislation. And we have the regulatory tools we need to protect Marylanders against these financial moves that undermine long-term care delivery in nursing homes going forward.

Nursing homes were one of the earliest targets for private equity investments in health care. And we can use them as a bell-weather for safety and quality concerns in other health care settings.

The decline in quality measures, increase in mortality, hospitalizations, and ED visits, reductions in staffing, and financial siphoning we see in nursing homes is a pattern we are starting to see in other settings – home health, hospice, private practices like urology and dermatology. These are areas where private equity investment in Maryland is already reaching and exceeding the trends we see across the nation.

We cannot risk these declines in safety and quality disrupting the rest of our health care system. Right now, Maryland, like most states, does not have a consistent, statewide process to evaluate major health care transactions.

They often happen outside of public view, even when they reshape our local health care markets. Some states have started to tackle this challenge. California, New York, Connecticut, Iowa, Wisconsin, Washington, Massachusetts, and a handful of others have introduced, and in some cases, passed, legislation for a public interest review process. Leaders like the National Academy for State Health Policy have given us some good models.

We need that same oversight across other affected health care settings. HB 944 would create a targeted, streamlined oversight process for large health care transactions.

This type of change would be things like mergers, acquisitions, joint ventures, management services organizations, or contracts that transfer control of a health care entity with at least \$10 million in assets or revenue. Our goal with this bill is not to block transactions. It is to identify and address the subset of these types of transactions that pose public health risk.

The Maryland Health Care Commission is the entity we would entrust with this critical oversight. They already have experience overseeing nursing home acquisitions, including approving, conditioning, or denying deals when necessary. This means that the MHCC has existing expertise and infrastructure to do this work. There would be no new agency, no unnecessary bureaucracy.

The Process

1. Ninety (90) days before any large qualifying transaction, the parties must provide public notice, based on a template MHCC will provide, so that we have transparency and awareness about these planned changes.
2. Based on defined, discrete criteria, MHCC may decide that a specific, particular transaction poses a risk to public health and safety – that it might consolidate a health care market, drive up prices, negatively affect our stretched health care workforce, or

lead to declines in access, quality, and safety for our communities. We do not expect that is not going to happen most of the time. Public notice will be submitted, and transactions will proceed.

3. In the unique instances where a transaction may present the highest risk to our health and safety, MHCC would conduct a public interest review that would last no more than 60 days. It would focus on those factors that matter most to the health and safety of Marylanders – affordability, quality, equity, staffing, access, and the types of services delivered. This lets MHCC review and then approve, condition, or deny a transaction – only when necessary – to ensure health and safety of Marylanders is preserved.

We have had a lot of discussion already on this bill across different stakeholders and partners in our health care system, and there is broad support for the goals we are trying to achieve. There are, however, some considerations that have been brought up about some specific aspects of this legislation and I would like to address some of them here today.

One is that this bill is broad, that it will catch too many transactions, and that it needs to be studied before we settle on a solution.

- MHCC has studied this for three years. Appropriate oversight is not another study. We have identified the problem. We have studied the risks.

Second, we have heard from some entity types who believe they should be specifically exempt from providing public notice and potential review as an acquiring party.

- In general, the value of public transparency applies to every partner in our health care system. When an acquiring entity wants to be excluded from public view, demands their transactions be unmonitored and unchecked, that is a red flag. This bill allows MHCC to screen for risk, and — only when necessary — permits a focused, 60-day public-interest review on affordability, quality, access, staffing, and equity. This is not an anti-investment bill. It is pro-transparency and pro-public safety. Responsible buyers welcome clear rules and predictable review; bad actors exploit secrecy.

This new process does not stop investment. It ensures investment is aligned with the public interest, and with the review we already have in place for similar nursing home transactions. It ensures that the good actors benefit from a clear, predictable, expeditious, low-burden, and fair process. And that the bad actors might be deterred from transactions that raise prices, reduce access, or compromise patient safety.

At its core, this legislation ensures that when major health care deals reshape our health care system, Marylanders — not just investors — come first.

Thank you for your consideration and I respectfully request a favorable report.