

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 2939

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Introduction and first reading
Referred to Health and Human Services

OFFICIAL STATUS

- 1.1 A bill for an act
- 1.2 relating to health; requiring health care entities to report information on ownership
- 1.3 or control to the commissioner of health; requiring annual public reports; providing
- 1.4 for enforcement; authorizing penalties; appropriating money; amending Minnesota
- 1.5 Statutes 2024, section 144.99, subdivision 1; proposing coding for new law as
- 1.6 Minnesota Statutes, chapter 145E.
- 1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.8 Section 1. Minnesota Statutes 2024, section 144.99, subdivision 1, is amended to read:
- 1.9 Subdivision 1. **Remedies available.** The provisions of chapters 103I, 145E, and 157
- 1.10 and sections 115.71 to 115.77; 144.12, subdivision 1, paragraphs (1), (2), (5), (6), (10), (12),
- 1.11 (13), (14), and (15); 144.1201 to 144.1204; 144.121; 144.1215; 144.1222; 144.35; 144.381
- 1.12 to 144.385; 144.411 to 144.417; 144.495; 144.71 to 144.74; 144.9501 to 144.9512; 144.97
- 1.13 to 144.98; 144.992; 326.70 to 326.785; 327.10 to 327.131; and 327.14 to 327.28 and all
- 1.14 rules, orders, stipulation agreements, settlements, compliance agreements, licenses,
- 1.15 registrations, certificates, and permits adopted or issued by the department or under any
- 1.16 other law now in force or later enacted for the preservation of public health may, in addition
- 1.17 to provisions in other statutes, be enforced under this section.
- 1.18 Sec. 2. **[145E.01] DEFINITIONS.**
- 1.19 Subdivision 1. **Application.** For purposes of this chapter, the following terms have the
- 1.20 meanings given.
- 1.21 Subd. 2. **Affiliate.** "Affiliate" means:
- 1.22 (1) a person that directly, or indirectly through one or more intermediaries, controls, is
- 1.23 controlled by, or is under common control with another person;

(2) a person whose business is operated under a lease, management, or operating agreement by another entity or a person substantially all of whose property is operated under a management or operating agreement with that other entity;

(3) an entity that operates the business or substantially all the property of another entity under a lease, management, or operating agreement; or

(4) any out-of-state operations and corporate affiliates of a person or entity described in clause (1), (2), or (3), including significant equity investors, health care real estate investment trusts, and management services organizations.

Subd. 3. **Commissioner.** "Commissioner" means the commissioner of health.

Subd. 4. **Control.** "Control," including the terms "controlling," "controlled by," and "under common control with," has the meaning given in section 145D.01, subdivision 1, paragraph (d), except that:

(1) control is presumed to exist if any person, directly or indirectly, (i) owns, controls, holds with the power to vote, or holds proxies representing ten percent or more of the voting securities of any other person, or (ii) constitutes ten percent or more of the membership of an entity formed under chapter 317A; and

(2) the commissioner may determine that control exists in fact, notwithstanding the absence of a presumption to that effect.

Subd. 5. **Group practice.** "Group practice" means two or more health professionals legally organized in a partnership; professional corporation; limited liability company; medical foundation as defined in section 145D.01, subdivision 1, paragraph (i); nonprofit corporation; faculty practice plan; or other similar entity:

(1) in which each health professional who is a member of the group provides services that a health care professional routinely provides, including but not limited to health care, consultation, diagnosis, and treatment, through the joint use of shared office space, facilities, equipment, or personnel;

(2) for which substantially all services of the health professionals who are group members are provided through the group and are billed in the name of the group practice and amounts so received are treated as receipts of the group; or

(3) in which the overhead expenses of and the income from the group are distributed in accordance with methods previously determined by members of the group.

An entity that otherwise meets the definition of group practice in this subdivision shall be considered a group practice even if its shareholders, partners, members, or owners include a professional corporation, limited liability company, or other entity in which any beneficial owner is a health professional and that is formed to render professional services.

Subd. 6. **Health care entity.** "Health care entity" means a health care facility, health care provider, health insurer, pharmacy benefit manager, or provider organization.

Subd. 7. **Health care facility.** "Health care facility" means a hospital, boarding care home, outpatient surgical center, or supervised living facility licensed under sections 144.50 to 144.56; a hospital system; a diagnostic imaging facility licensed under sections 144.50 to 144.56 or accredited according to section 144.1225, subdivision 2; a birth center licensed under section 144.615; a nursing home licensed under chapter 144A; a laboratory that tests samples obtained from human sources; or a health clinic.

Subd. 8. **Health care provider.** "Health care provider" means a person, corporation, partnership, governmental unit, group practice, or other entity authorized under state law to provide health care services to individuals in Minnesota.

Subd. 9. **Health insurer.** "Health insurer" means an insurance company licensed under chapter 60A to offer, sell, or issue a policy of accident and sickness insurance as defined in section 62A.01; a nonprofit health service plan corporation operating under chapter 62C; or a health maintenance organization operating under chapter 62D.

Subd. 10. **Health professional.** "Health professional" means an individual regulated by a health-related licensing board as defined in section 214.01, subdivision 2, excluding the Board of Veterinary Medicine, or by the commissioner of health under chapter 148 or 153A.

Subd. 11. **Management services organization.** "Management services organization" means any entity that contracts with a health care provider or provider organization to perform management or administrative services that relate to, support, or facilitate the provision of health care services.

Subd. 12. **Ownership or investment interest.** "Ownership or investment interest" means:

(1) direct or indirect possession of equity in capital, stock, or profits totaling more than five percent of an entity;

(2) interest held by an investor or group of investors who engage in the raising or returning of capital and who invest, develop, or dispose of specified assets; or

(3) interest held by a pool of funds by investors, including a pool of funds managed or controlled by private limited partnerships, if those investors or the management of that pool or private limited partnership employs investment strategies of any kind to earn a return on that pool of funds.

Subd. 13. **Pharmacy benefit manager.** "Pharmacy benefit manager" has the meaning given in section 62W.02, subdivision 15.

Subd. 14. **Private equity fund.** "Private equity fund" means a publicly traded or nonpublicly traded company that collects capital investments from individuals or entities.

Subd. 15. **Provider organization.** "Provider organization" means a corporation, partnership, business trust, association, or organized group of persons, whether incorporated or not, that is in the business of health care delivery or management services and that represents one or more health care providers in contracting with health insurers for payment for health care services. Provider organization includes but is not limited to a physician organization, a physician-hospital organization, an independent practice association, a provider network, an accountable care organization, a management services organization, or any other organization that contracts with health insurers for payment for health care services.

Subd. 16. **Significant equity investor.** "Significant equity investor" means:

(1) a private equity fund with a direct or indirect ownership or investment interest in a health care entity;

(2) an investor, group of investors, or other entity with direct or indirect possession of equity in the capital, stock, or profits totaling more than ten percent of a health care provider or provider organization; or

(3) a private equity fund, investor, group of investors, or other entity with a direct or indirect controlling interest in a health care entity or that operates the business or substantially all the property of a health care entity under a lease, management, or operating agreement.

Subd. 17. **Transaction.** "Transaction" has the meaning given in section 145D.01, subdivision 1, paragraph (j), except that:

(1) the health care entity involved in the transaction must have average revenue of at least \$10,000,000 per year; or

(2) the transaction must result in a health care entity that is projected to have average revenue of at least \$10,000,000 per year once the health care entity is operating at full capacity.

Sec. 3. **[145E.05] REPORTING REQUIRED; OWNERSHIP AND CONTROL OF HEALTH CARE ENTITY.**

Subdivision 1. Information that must be reported. (a) Except as specified in subdivision 2, a health care entity must report to the commissioner the following information regarding the health care entity in a form and manner specified by the commissioner:

(1) legal name;

(2) business address;

(3) locations of operations;

(4) business identification numbers, including the following as applicable: taxpayer identification number, national provider identifier, employer identification number, CMS certification number, National Association of Insurance Commissioners identification number, and personal identification number or pharmacy benefit manager license number associated with a license issued by the commissioner of commerce;

(5) the name and contact information for a representative of the health care entity;

(6) the name, business address, and business identification numbers listed in clause (4) for each person that, with respect to the health care entity, has an ownership or investment interest, has a controlling interest, is a management services organization, or is a significant equity investor;

(7) a current organizational chart showing the business structure of the health care entity, including:

(i) any entities listed in clause (6);

(ii) affiliates, including entities that control or are under common control with the health care entity; and

(iii) subsidiaries;

(8) for a health care entity that is a provider organization or a health care facility:

(i) the affiliated health care providers identified by name, license type, specialty, national provider identifier, and other applicable identification numbers listed in clause (4); the address of the principal practice location; and whether the health care provider is employed by or under contract with the health care entity; and

(ii) the name and address of affiliated health care facilities by license number, license type, and capacity in each major service area;

(9) the name of; national provider identifier of, if applicable; and compensation paid to each member of the governing board, board of directors, or similar governance body for:

(i) the health care entity;

(ii) any entity that is owned or controlled by, affiliated with, or under common control with the health care entity; and

(iii) any entity listed in clause (6); and

(10) the most recent financial reports of the health care entity and any ownership and control entities, including audited financial statements, cost reports, annual costs, annual receipts, realized capital gains and losses, accumulated surplus, and accumulated reserves.

(b) The information in paragraph (a) must be reported to the commissioner:

(1) by March 1, 2026, and each March 1 thereafter for the previous calendar year; and

(2) upon the completion of a transaction involving the health care entity on or after January 1, 2026, except that a health care entity required to report on a transaction under section 145D.01 or 145D.02 is not required to also report on the transaction under this subdivision.

Subd. 2. **Exemptions.** (a) Except as provided in paragraph (b), the following health care entities are exempt from reporting according to subdivision 1:

(1) a health care entity that is an independent provider organization, without an ownership or control entity, consisting of two or fewer physicians; and

(2) a health care provider or provider organization that is owned or controlled by another health care entity, if:

(i) the health care provider or provider organization is shown on the organization chart submitted by the controlling health care entity under subdivision 1, paragraph (a), clause (7); and

(ii) the controlling health care entity reports the information required under subdivision 1 on behalf of the health care provider or provider organization.

A health care facility is not exempt under this clause from reporting according to subdivision 1.

(b) A health care entity that satisfies the criteria in paragraph (a), clause (1), must report according to subdivision 1 upon the completion of a transaction involving the health care entity.

7.1 Subd. 3. **Consolidation of reporting requirements.** The commissioner, in consultation
7.2 with other relevant state agencies, may consolidate reporting requirements under this section
7.3 with reporting requirements in other laws to minimize or prevent duplicative reporting
7.4 requirements for health care entities.

7.5 Sec. 4. **[145E.06] PUBLICATION OF INFORMATION ON OWNERSHIP OR**
7.6 **CONTROL.**

7.7 Subdivision 1. **Public report.** (a) By June 1, 2027, and each June 1 thereafter, the
7.8 commissioner must publish on the Department of Health website a report containing the
7.9 following information for the most recent reporting period:

7.10 (1) the number of health care entities that reported in the most recent reporting period,
7.11 disaggregated by the business structure of each health care entity;

7.12 (2) the names, addresses, and business structures of entities with an ownership or
7.13 controlling interest in each health care entity;

7.14 (3) for each health care entity, any change in its ownership or control;

7.15 (4) any change in a health care entity's tax identification number;

7.16 (5) as applicable, the name, address, tax identification number, and business structure
7.17 of other affiliates under common control with the health care entity, subsidiaries of the
7.18 health care entity, and management services organizations under contract with the health
7.19 care entity; and

7.20 (6) an analysis of trends in horizontal and vertical consolidation among health care
7.21 entities, disaggregated by business structure and provider type.

7.22 (b) A health care entity must not classify the information listed in paragraph (a) as
7.23 confidential, proprietary, or trade secret.

7.24 Subd. 2. **Data practices.** (a) Except as provided in paragraph (b), information reported
7.25 to the commissioner under section 145E.05 is public and must not be classified as
7.26 confidential, proprietary, or trade secret.

7.27 (b) An individual health professional's taxpayer identification number that is also the
7.28 health professional's Social Security number is private data on individuals according to
7.29 section 13.355.

7.30 Subd. 3. **Data sharing.** The commissioner may share an individual health professional's
7.31 taxpayer identification number that is also the health professional's Social Security number
7.32 with the attorney general, other state agencies, and health-related licensing boards to minimize

or prevent duplicative reporting requirements for health care entities or to facilitate oversight of health care entities and enforcement activities.

Sec. 5. **[145E.07] REGULATORY AUTHORITY.**

Subdivision 1. **Rulemaking.** The commissioner may adopt rules to implement this chapter. The commissioner may, by rule, establish the format of reports required under this chapter and specify additional data that health care entities must report to the commissioner in order to promote the public's interest in monitoring the financial conditions, organizational structure, business practices, and market share of health care entities.

Subd. 2. **Fee.** A health care entity must submit to the commissioner, with its report required under section 145E.05, an annual fee of \$..... to defray a portion of the commissioner's costs in implementing this chapter. Fees collected under this subdivision must be deposited in the state treasury and credited to the state government special revenue fund.

Sec. 6. **[145E.08] ENFORCEMENT.**

Subdivision 1. **Audits and inspections.** (a) The commissioner may audit and inspect the records of a health care entity that is required to report under section 145E.05 if the health care entity fails to submit a report or if the commissioner questions the accuracy or completeness of a health care entity's report.

(b) On an annual basis, the commissioner must conduct audits of a random sample of health care entities required to report under section 145E.05 to verify compliance with section 145E.05 and to verify the accuracy and completeness of reports submitted under section 145E.05.

Subd. 2. **Penalties.** (a) If a health care entity fails to submit a complete report under section 145E.05 or submits a report containing false information, the commissioner may assess a civil penalty as follows:

(1) for a health care entity that: (i) is an independent health care provider or provider organization; (ii) does not have any third-party ownership or control entities; and (iii) has either ten or fewer physicians or less than \$10,000,000 in annual revenue, the penalty must not exceed \$50,000 for each report not provided or each report that contains false information; and

(2) for all other health care entities, the penalty must not exceed \$500,000 for each report not provided or each report that contains false information.

9.1 (b) Sections 144.989 to 144.993 apply to enforcement actions under this subdivision.

9.2 Sec. 7. **APPROPRIATIONS.**

9.3 \$..... in fiscal year 2026 and \$..... in fiscal year 2027 are appropriated from the general

9.4 fund to the commissioner of health for purposes of Minnesota Statutes, chapter 145E.