

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 2972

(SENATE AUTHORS: DIBBLE)

DATE

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03/24/2025

Introduction and first reading
Referred to Human Services

OFFICIAL STATUS

1.1

A bill for an act

1.2

relating to health care facilities; regulating private equity company acquisitions

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of nursing homes and assisted living facilities; requiring a study; appropriating

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money; amending Minnesota Statutes 2024, sections 144A.01, subdivision 4;

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144G.08, subdivision 15; proposing coding for new law in Minnesota Statutes,

1.6

chapter 145D.

1.7

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

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Section 1. Minnesota Statutes 2024, section 144A.01, subdivision 4, is amended to read:

1.9

Subd. 4. **Controlling person.** (a) "Controlling person" means an owner and the following

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individuals and entities, if applicable:

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(1) each officer of the organization, including the chief executive officer and the chief

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financial officer;

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(2) the nursing home administrator; ~~and~~

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(3) any managerial official; and

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(4) if no individual has at least a five percent ownership interest, every individual with

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an ownership interest in a privately held corporation, limited liability company, or other

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business entity, including a business entity that is publicly traded or nonpublicly traded,

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that collects capital investments from individuals or entities.

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(b) "Controlling person" also means any entity or natural person who has any direct or

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indirect ownership interest in:

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(1) any corporation, partnership or other business association which is a controlling

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person;

- 2.1 (2) the land on which a nursing home is located;
- 2.2 (3) the structure in which a nursing home is located;
- 2.3 (4) any entity with at least a five percent mortgage, contract for deed, deed of trust, or
- 2.4 other security interest in the land or structure comprising a nursing home; or
- 2.5 (5) any lease or sublease of the land, structure, or facilities comprising a nursing home.
- 2.6 (c) "Controlling person" does not include:
- 2.7 (1) a bank, savings bank, trust company, savings association, credit union, industrial
- 2.8 loan and thrift company, investment banking firm, or insurance company unless the entity
- 2.9 directly or through a subsidiary operates a nursing home;
- 2.10 (2) government and government-sponsored entities such as the United States Department
- 2.11 of Housing and Urban Development, Ginnie Mae, Fannie Mae, Freddie Mac, and the
- 2.12 Minnesota Housing Finance Agency which provide loans, financing, and insurance products
- 2.13 for housing sites;
- 2.14 (3) an individual who is a state or federal official, a state or federal employee, or a
- 2.15 member or employee of the governing body of a political subdivision of the state or federal
- 2.16 government that operates one or more nursing homes, unless the individual is also an officer,
- 2.17 owner, or managerial official of the nursing home, receives any remuneration from a nursing
- 2.18 home, or who is a controlling person not otherwise excluded in this subdivision;
- 2.19 (4) a natural person who is a member of a tax-exempt organization under section 290.05,
- 2.20 subdivision 2, unless the individual is also a controlling person not otherwise excluded in
- 2.21 this subdivision; and
- 2.22 (5) a natural person who owns less than five percent of the outstanding common shares
- 2.23 of a corporation:
- 2.24 (i) whose securities are exempt by virtue of section 80A.45, clause (6); or
- 2.25 (ii) whose transactions are exempt by virtue of section 80A.46, clause (7).

2.26 Sec. 2. Minnesota Statutes 2024, section 144G.08, subdivision 15, is amended to read:

2.27 Subd. 15. **Controlling individual.** (a) "Controlling individual" means an owner and the

2.28 following individuals and entities, if applicable:

2.29 (1) each officer of the organization, including the chief executive officer and chief

2.30 financial officer;

2.31 (2) each managerial official; ~~and~~

(3) any entity with at least a five percent mortgage, deed of trust, or other security interest in the facility; and

(4) if no individual has at least a five percent ownership interest, every individual with an ownership interest in a privately held corporation, limited liability company, or other business entity, including a business entity that is publicly traded or nonpublicly traded, that collects capital investments from individuals or entities.

(b) "Controlling individual" also means any entity or natural person who has any direct or indirect ownership interest in:

(1) any corporation, partnership, or other business association such as a limited liability company that is a controlling individual;

(2) the land on which an assisted living facility is located; or

(3) the structure in which an assisted living facility is located.

~~(b)~~ (c) Controlling individual does not include:

(1) a bank, savings bank, trust company, savings association, credit union, industrial loan and thrift company, investment banking firm, or insurance company unless the entity operates a program directly or through a subsidiary;

(2) government and government-sponsored entities such as the U.S. Department of Housing and Urban Development, Ginnie Mae, Fannie Mae, Freddie Mac, and the Minnesota Housing Finance Agency which provide loans, financing, and insurance products for housing sites;

(3) an individual who is a state or federal official, a state or federal employee, or a member or employee of the governing body of a political subdivision of the state or federal government that operates one or more facilities, unless the individual is also an officer, owner, or managerial official of the facility, receives remuneration from the facility, or owns any of the beneficial interests not excluded in this subdivision;

(4) an individual who owns less than five percent of the outstanding common shares of a corporation:

(i) whose securities are exempt under section 80A.45, clause (6); or

(ii) whose transactions are exempt under section 80A.46, clause (2);

(5) an individual who is a member of an organization exempt from taxation under section 290.05, unless the individual is also an officer, owner, or managerial official of the license or owns any of the beneficial interests not excluded in this subdivision. This clause does

not exclude from the definition of controlling individual an organization that is exempt from taxation; or

(6) an employee stock ownership plan trust, or a participant or board member of an employee stock ownership plan, unless the participant or board member is a controlling individual.

Sec. 3. **[145D.40] DEFINITIONS.**

Subdivision 1. **Application.** For purposes of sections 145D.40 to 145D.44, the following terms have the meanings given.

Subd. 2. **Assisted living facility.** "Assisted living facility" has the meaning given in section 144G.08, subdivision 7. Assisted living facility includes an assisted living facility with dementia care as defined in section 144G.08, subdivision 8.

Subd. 3. **Health care professional.** "Health care professional" means an individual who is licensed or registered by the state to provide health care services within the professional's scope of practice and in accordance with state law.

Subd. 4. **Nursing home.** "Nursing home" means a facility licensed as a nursing home under chapter 144A.

Subd. 5. **Ownership or control.** "Ownership or control" means the assumption of governance or the acquisition of an ownership interest or direct or indirect control by a private equity company over the operations of a nursing home or an assisted living facility through any means, including but not limited to a purchase, lease, transfer, exchange, option, conveyance, creation of a joint venture, or other manner of acquisition of assets, governance, an ownership interest, or direct or indirect control of a nursing home or an assisted living facility.

Subd. 6. **Private equity company or company.** "Private equity company" or "company" means a publicly traded or nonpublicly traded entity that collects capital investments from individuals or entities. Private equity company includes but is not limited to:

(1) a hedge fund;

(2) an individual or investment partnership that operates a private equity fund to acquire ownership or control of business entities;

(3) a venture capital fund as defined in Code of Federal Regulations, title 17, section 275.203(l)-1;

(4) a sovereign wealth fund; and

(5) any affiliated company or person that directly or through an affiliate acts as a control person.

Subd. 7. **Real estate investment trust.** "Real estate investment trust" has the meaning given in United States Code, title 26, section 856.

Sec. 4. [145D.41] NOTICE, INFORMATION, AND AFFIDAVIT REQUIRED.

Subdivision 1. **Notice and information.** (a) At least 120 days prior to the transfer of ownership or control of a nursing home or assisted living facility to a private equity company, the nursing home or assisted living facility must provide written notice to the attorney general, the commissioner of health, and the commissioner of human services of its intent to transfer ownership or control to a private equity company.

(b) Together with the notice, the private equity company seeking to acquire ownership or control of the nursing home or assisted living facility must provide the following information to the attorney general:

(1) the names of each individual with an interest in the company and the percentage of interest each individual holds in the company;

(2) a complete and detailed description of the company's corporate structure;

(3) the names of each individual holding an interest in, and the percentage of interest held in, any affiliate, subsidiary, or otherwise related entity that the company has a contract to provide goods or services for the operation or maintenance of the nursing home or assisted living facility or has a contract for goods and services to be provided to residents, including any real estate investment trusts if permitted under section 145D.44, subdivision 1;

(4) for the previous five years, any filings required to be made to any federal or state agency;

(5) the company's current balance sheet;

(6) all application materials required under section 144A.03 or 144G.12, as applicable;

(7) a description of the condition of the buildings the company seeks to acquire or manage, identifying any cooling problems, electric medical devices present, recent exterior additions and replacements, external building conditions, recent flush toilet breakdowns, foreclosure status in the last 12 months, heat risk, heating problems, indoor air quality, recent interior additions and replacements, and mold, as those terms are defined and described in Appendix A of the American Housing Survey for the United States: 2023;

(8) an affidavit and evidence as required under subdivision 2; and

6.1 (9) other information required by the attorney general.

6.2 Subd. 2. **Affidavit and evidence.** In addition to the notice required under subdivision
6.3 1, a private equity company seeking to acquire ownership or control of a nursing home or
6.4 assisted living facility must submit to the attorney general an affidavit and evidence sufficient
6.5 to demonstrate that:

6.6 (1) the private equity company has the financial, managerial, and operational ability to
6.7 operate or manage the nursing home or assisted living facility consistent with the
6.8 requirements of (i) for a nursing home, sections 144A.01 to 144A.1888, chapter 256R, and
6.9 Minnesota Rules, chapter 4658; or (ii) for an assisted living facility, chapter 144G and
6.10 Minnesota Rules, chapter 4659;

6.11 (2) neither the private equity company nor any of its owners, managerial officials, or
6.12 managers have committed a crime listed in, or been found civilly liable for an offense listed
6.13 in section 144A.03, subdivision 1, clause (13), or 144G.12, subdivision 1, clause (13), as
6.14 applicable;

6.15 (3) in the preceding ten years, there have been no judgments and no filed, pending, or
6.16 completed public or private litigations, tax liens, written complaints, administrative actions,
6.17 or investigations by a government agency against the private equity company or any of its
6.18 owners, managerial officials, or managers;

6.19 (4) in the preceding ten years, the company has not defaulted in the payment of money
6.20 collected for others and has not discharged debts through bankruptcy proceedings;

6.21 (5) the private equity company will invest sufficient capital in the nursing home or
6.22 assisted living facility to maintain or improve the facility's infrastructure and staffing;

6.23 (6)(i) housing costs or costs for services in a nursing home or assisted living facility in
6.24 the United States over which the private equity company acquired ownership or control
6.25 have not increased by more than the increase in the Consumer Price Index for all urban
6.26 consumers published by the federal Bureau of Labor Statistics for the 12 months preceding
6.27 the month in which the increase became effective; or (ii) if housing costs or costs for services
6.28 in the nursing home or assisted living facility increased by more than the increase in the
6.29 Consumer Price Index as described in item (i), the increase was justified;

6.30 (7) within five years after acquiring ownership or control of any other nursing home or
6.31 assisted living facility in the United States, the private equity company did not sell or
6.32 otherwise transfer ownership or control of the nursing home or assisted living facility to
6.33 another person; and

(8) after acquiring ownership or control of another nursing home in the United States, that nursing home, with respect to the Centers for Medicare and Medicaid Services rating system:

(i) maintained or improved the nursing home's rating if upon acquisition of ownership or control the rating was three or more stars; or

(ii) improved the nursing home's rating to at least three stars if upon acquisition of ownership or control the rating was one or two stars.

Sec. 5. **[145D.42] ATTORNEY GENERAL APPROVAL.**

Subdivision 1. **Approval required.** A private equity company is prohibited from acquiring ownership or control of a nursing home or assisted living facility unless, after consultation with the commissioners of health and human services, the attorney general approves the acquisition. In order to approve the acquisition, the attorney general must find that the transfer:

(1) will not result in an adverse impact on the health, safety, and well-being of the residents of the nursing home or assisted living facility;

(2) will not lead to unaffordable increases in resident housing costs;

(3) will not lead to a reduction in the quality of services provided to the residents;

(4) will not lead to reduced maintenance or a deterioration in the operations and infrastructure of the nursing home or assisted living facility;

(5) will not lead to staffing cuts unrelated to a reduction in the resident population or reductions in staffing ratios; and

(6) for a nursing home:

(i) will lead to an improvement in the Centers for Medicare and Medicaid Services rating if the nursing home's current rating is one or two stars; or

(ii) will not lead to a decline in the Centers for Medicare and Medicaid Services rating if the nursing home's current rating is at least three stars.

Subd. 2. **Timeline for approval or denial.** (a) Except as provided in paragraph (b), if the attorney general does not approve or deny the acquisition of ownership or control within 120 days after receiving the notice, information, affidavit, and evidence required under section 145D.41, the attorney general is deemed to have approved the acquisition and the acquisition may occur.

(b) If the attorney general determines that the notice, information, affidavit, or evidence provided to the attorney general under section 145D.41 is incomplete or if the attorney general requests additional information from the private equity company, the attorney general may extend the consideration period for an additional 60 days and require the nursing home, assisted living facility, or private equity firm to provide the missing information. If the attorney general does not approve or deny the acquisition of ownership or control within the extended time period, the attorney general is deemed to have approved the acquisition and the acquisition may occur.

Subd. 3. **Additional requirements.** In addition to the requirements under this section for approval of the acquisition, the attorney general may impose other requirements deemed necessary to protect facility residents or protect the public interest.

Subd. 4. **Conditional approval.** (a) The attorney general may waive the notice period in section 145D.41, subdivision 1, and issue an immediate, conditional approval of an acquisition of ownership or control if:

(1) the health, safety, and well-being of the nursing home's or assisted living facility's residents are in immediate jeopardy if the acquisition of ownership or control is not immediately effectuated; or

(2) the nursing home or assisted living facility demonstrates a substantial likelihood that, absent a waiver of the notice period, the facility will have to file for bankruptcy under chapter 11 of the Bankruptcy Act, United States Code, title 11, sections 1101 et seq., or that the facility is at imminent risk of liquidation under chapter 7 of the Bankruptcy Act, United States Code, title 11, sections 701 et seq.

(b) Within 90 days after issuing a conditional approval under this subdivision, the attorney general must determine whether to permanently approve the acquisition or withdraw approval for the acquisition. If approval is withdrawn for acquisition of ownership or control of a nursing home, the commissioner of health must appoint a receiver for the nursing home in accordance with sections 144A.15 and 256R.52. If approval is withdrawn for acquisition of ownership or control of an assisted living facility, the attorney general must appoint a receiver for the assisted living facility and apply to the district court in the county in which the assisted living facility is located for confirmation of the appointment. The district court has exclusive jurisdiction in all matters related to the receivership. If a private receiver is appointed, chapter 576 applies.

Subd. 5. **Appeals.** Within 30 days after receiving notice of the denial, a private equity company that is denied approval to acquire ownership or control of a nursing home or

assisted living facility may file an appeal with the Office of Administrative Hearings. Upon receiving an appeal under this subdivision, the Office of Administrative Hearings must, at the discretion of the chief administrative law judge, conduct a hearing or refer the matter for a contested case proceeding under chapter 14.

Sec. 6. **[145D.43] PROHIBITED PRACTICES.**

A private equity company that acquires ownership or control of a nursing home or assisted living facility is prohibited from:

(1) interfering with the professional judgment of a health care professional providing care in the nursing home or assisted living facility or with a health care professional's diagnosis or treatment of residents in the nursing home or assisted living facility;

(2) providing unequal treatment with regard to charges for housing or services based on whether the resident pays for housing or services with private funds or through a public program; or

(3) engaging in any act, practice, or course of business that would strip an asset from an acquired nursing home or assisted living facility or that would otherwise undermine the quality of, safety of, or access to care and services provided by the nursing home or assisted living facility.

Sec. 7. **[145D.44] REQUIREMENTS FOLLOWING ACQUISITION OF OWNERSHIP OR CONTROL.**

Subdivision 1. **Limitation on the use of real estate investment trust.** An arrangement between a real estate investment trust and a private equity company that acquired ownership or control of a nursing home or assisted living facility that is related to the acquired nursing home or assisted living facility must be approved by the attorney general before the arrangement is entered into. In order for the arrangement to be approved, the private equity company must demonstrate to the attorney general that:

(1) any increase in housing costs to residents does not exceed the average increase in market rent for residential multifamily properties in the market area in which the nursing home or assisted living facility is located; and

(2) the arrangement does not cause hardship to residents of the nursing home or assisted living facility or impair the residents' ability to afford housing.

Subd. 2. **Spending on direct care.** A private equity company with ownership or control of a nursing home or assisted living facility must spend at least 75 percent of the funds

received by the nursing home or assisted living facility from public programs and state appropriations on the direct care of residents.

Subd. 3. Severance pay; employee layoffs. (a) A private equity company with ownership or control of a nursing home or assisted living facility must offer severance pay of no less than four weeks' salary for each year of employment at the nursing home or assisted living facility to all nursing home or assisted living facility employees who are laid off.

(b) Paragraph (a) does not apply if the layoff is related to a reduction in the number of residents at the nursing home or assisted living facility.

Subd. 4. Reports required. A private equity company with ownership or control of a nursing home or assisted living facility must submit reports to the attorney general and the commissioners of health and human services on:

(1) the private equity company's current financial status;

(2) impacts and outcomes of the private equity company's ownership or control on the quality of resident care, resident safety, and the ability of residents to afford housing and care;

(3) impacts of the private equity company's ownership or control on the number of staff serving facility residents, the types of staff serving facility residents, and compensation paid to staff serving facility residents;

(4) any filings the private equity company must make to any federal agency;

(5) the private equity company's annual balance sheet;

(6) the total dollar amount of all fees and expenses collected by the private equity company and related parties, categorized by fee type and purpose;

(7) any management services agreements or sales and leaseback arrangements between the private equity company and any affiliated or nonaffiliated companies, and an itemization by category and amount of the fees paid under the agreement or arrangement;

(8) any services procured by the private equity company from any other entity owned by or affiliated with the private equity company;

(9) all political spending by the private equity company, including contributions and lobbying spending to members of or candidates for the Minnesota legislature and the United States Congress with respect to health care issues;

(10) the number of nursing home or assisted living facility staff by position; information on staff retention; changes, if any, in staff salaries by position; and staffing ratios; and

11.1 (11) the total number of nursing homes and assisted living facilities in the United States
11.2 owned or controlled by the private equity company and the location of each facility.

11.3 A report must be submitted 13 months after the private equity company acquires ownership
11.4 or control of a nursing home or assisted living facility and every 12 months thereafter while
11.5 the private equity company has ownership or control of the nursing home or assisted living
11.6 facility.

11.7 **Sec. 8. ATTORNEY GENERAL INVESTIGATION.**

11.8 (a) For purposes of this section, "private equity company" has the meaning given in
11.9 Minnesota Statutes, section 145D.40, subdivision 6.

11.10 (b) The attorney general must investigate the impacts on the state, nursing home residents,
11.11 and assisted living facility residents of the acquisition of ownership or control by private
11.12 equity companies of nursing homes and assisted living facilities. In the investigation, the
11.13 attorney general must:

11.14 (1) conduct interviews with nursing home residents, assisted living facility residents,
11.15 and families of these residents;

11.16 (2) identify the number of acquisitions that have occurred in the past ten years, the private
11.17 equity companies that acquired ownership or control of a nursing home or assisted living
11.18 facility during this time period, and the principals of each of these private equity companies;
11.19 and

11.20 (3) evaluate the impact of the acquisitions on:

11.21 (i) costs of housing and services at acquired nursing homes and assisted living facilities;

11.22 (ii) quality of care provided at acquired nursing homes and assisted living facilities;

11.23 (iii) staffing levels of acquired nursing homes and assisted living facilities, including
11.24 staff additions and staff layoffs, and any resulting changes to resident health, safety, and
11.25 well-being, and to the quality of care provided to residents;

11.26 (iv) maintenance, physical condition, resiliency, energy efficiency, and other indicators
11.27 of a sound building infrastructure of the properties acquired or leased by private equity
11.28 companies as part of their acquisitions of nursing homes and assisted living facilities;

11.29 (v) capital improvements made to acquired nursing homes and assisted living facilities;

11.30 (vi) the financial health of acquired nursing homes and assisted living facilities;

12.1 (vii) the percentage of revenue acquired nursing homes and assisted living facilities
12.2 spent on marketing and advertising; and

12.3 (viii) the percentage of revenue acquired nursing homes and assisted living facilities
12.4 spent on direct care.

12.5 (c) The attorney general must report the findings of this investigation to the chairs and
12.6 ranking minority members of the legislative committees with jurisdiction over health care
12.7 by February 15, 2026.

12.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

12.9 Sec. 9. **APPROPRIATION; INVESTIGATION OF IMPACTS OF PRIVATE**
12.10 **EQUITY FIRM ACQUISITIONS OF NURSING HOMES AND ASSISTED LIVING**
12.11 **FACILITIES.**

12.12 \$..... in fiscal year 2026 is appropriated from the general fund to the attorney general
12.13 for an investigation into the impacts on residents and the state of private equity firm
12.14 acquisitions of nursing homes and assisted living facilities.