



Minnesota Hospital Association

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Dear Chair Stephenson and members of the Commerce Finance & Policy Committee,

On behalf of the Minnesota Hospital Association (MHA) and our statewide membership, we would like to respectfully raise our questions and concerns regarding the administrative review and approval processes for health care transactions outlined in HF402 (Liebling) as amended.

As we reflect on Minnesota's pandemic experience since the first confirmed COVID-19 case in March 2020, we have seen the sacrifices that health care organizations made to follow their primary mission of serving patients and communities. We are incredibly proud of the public-private partnership with various state agencies as hospitals and health systems embraced innovation and continuously adjusted our organizational services to serve Minnesotans when and where they needed care. Trust in science and trust in the high-quality care that hospitals and health systems in Minnesota provided - from the public and from lawmakers - allowed us to go further and reach unprecedented heights of care and service. Is this bill a signal that something has suddenly changed in that level of trust in our health care organizations, and if so, we respectfully ask why that is? Given our current challenges, our hospitals and health systems need more flexibility and support from the legislature, not less.

MHA believes that the current robust review and oversight processes and procedures in place for health care entity transactions have been working very effectively as we look back over the past many years. As you know, these include federal and state antitrust laws, authorities provided to the Minnesota Attorney General, the robust licensing laws, and the transparent public interest review processes enforced by the Minnesota Department of Health. These significant regulatory procedures have ensured appropriate oversight of health care entity transactions and allowed health care entities in Minnesota, including our state's hospitals and health systems, to meet the needs of their patients, families, and communities while making necessary organizational changes in order to fulfill their mission. We question the need for this extensive additional oversight given the current robust processes already in place and working well.

MHA has questions regarding many of the new administrative oversight procedures outlined in this bill such as the criteria, authority, and the transaction fee. The procedures outlined in HF402 are so broad as to potentially inundate MDH and the Attorney General's office with frequent organizational changes that must now be approved. For example:

- HF 402 would require MDH and the Attorney General to approve any financial transaction in which a hospital is granting a "security interest". The review of any transaction in which a "security interest" is involved could easily include bond financing or even simple bank loans. While we believe this is outside the author's intention, such review of routine financing and investment vehicles does little to serve the public interest identified in the bill and it highlights the overly broad nature of the proposal in its current form.
- MHA also has concerns with ambiguity in the bill as to the standards to be used by MDH in evaluating a potential transaction. Without specifying those criteria or requiring the commissioner to establish them via notice and comment rulemaking governed by Chapter 14, the proposal effectively gives MDH carte blanche to approve, deny, or impose conditions on any health care transaction with no advance notice to hospitals, health systems, or other health care entities as to what those criteria might be.
- In addition, the 180-day review timeline is wholly inconsistent with customary process for administering many of the transactions potentially subject to the proposed review. This will create unnecessary delays and increase costs, potentially impacting care of patients and communities in Minnesota.

Finally, and most importantly, health care delivery has always been ever-changing as hospitals and health systems continually adapt their services and care delivery to innovate and meet patient needs and the changing needs of their communities. It is important to note that denying a health care entity transaction could result in essential health care services being totally eliminated from a community in our state. Adaptability and flexibility are hallmark characteristics of health care organizations, and these have become of utmost importance as hospitals and health care systems try to survive the long-lasting effects of the devastating global pandemic and continue to follow their mission of serving all individuals, families and communities despite historic workforce shortages and financial shortfalls. Given these current historic challenges, MHA is concerned that HF402 will limit the ability of our state's hospitals and health systems to make the timely and nimble organizational adjustments needed to stay viable in order to serve their patients and communities. Minnesota's hospitals and health systems desperately need

support from the legislature in order to perform their duty as every community's ultimate safety net - they need more flexibility and not less.

We look forward to working with committee members to find answers to these important questions and work towards keeping Minnesota as one of the best states in the country in which to receive and provide health care.

Sincerely,



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