Now & Next
Healthcare Alert

January 29, 2026

2026 starts with a flurry of state activity on private equity and healthcare

By Michele Masucci, Whitney Phelps, Jéna Grady, Alex Busto, Jennifer Greco, and Grace Connelly

State lawmakers are pushing to increase oversight of health care transactions in 2026. These initiatives have direct implications for private equity participation in health care.

What's the impact?

- Hawaii S.B. 3175 proposes to create a state oversight framework for significant healthcare transactions by requiring at least 180 days' advance notice and state agency or, in some cases, legislative approval. Indiana S.B. 219 proposes to enact its version of the Uniform Antitrust Pre-Merger Notification Act.
- Governor Kathy Hochul's proposed budget, S.B. 9007, would expand oversight of healthcare transactions through continued reporting requirements and external reviews.
- Pennsylvania H.B. 2115 proposes to establish a 120-day pre-merger notification requirement for certain healthcare transactions and contracting affiliations.
- Rhode Island H.B. 7172 proposes to require advance notice and

enhanced disclosure of material transactions involving significant equity investors.

- Vermont H. 583 proposes to prohibit certain healthcare entity financial transactions, including those involving debt that becomes the healthcare entity's obligation and those involving the issuance of dividends that become the obligation of the healthcare entity, potentially impacting private equity-backed deals. Transactions involving an entity with revenues, in and out-of-state, over $1 million need to be reported to the Green Mountain Care Board. Physician practice-MSO models would be restricted from interfering with provider's clinical judgment.
- Virginia H.B. 1458 proposes launching a study to develop recommendations on ownership transparency and the impact of private equity (PE) on healthcare policies, signaling potential 2027 legislative action.

Lawmakers across states have started 2026 with proposed legislation, commentary, and rule-making that would increase oversight of healthcare transactions. Hawaii, Indiana, New York, Pennsylvania, Rhode Island, Vermont, and Virginia have proposed tightening scrutiny of healthcare transactions, strengthen prohibitions against the corporate practice of medicine and constraining typical Professional Corporation-Managed Service Organization (PC-MSO) structures, expanding transparency, and enhancing antitrust enforcement. Here's what healthcare operations and investors need to know about these initiatives and their implications for private equity participation in healthcare.

Hawaii S.B. 3175

Hawaii recently proposed S.B. 3175, which would create a framework for state oversight of material healthcare mergers, acquisitions, and other consolidation transactions. Material healthcare transactions would include those that result in the change of control, governance, or material influence over a healthcare entity. Parties involved in material healthcare transactions would be required to submit notice to the state not less than 180 days before the effective date of the transaction.

S.B. 3175 further aims to target vertical consolidation in healthcare, requiring legislative approval of such consolidations. A "vertical consolidation" means a material healthcare transaction between entities operating at different levels of the healthcare supply chain, including, but not limited to, insurers and providers, hospitals and physician organizations, or entities that finance, manage, or deliver healthcare services. Transactions involving vertical consolidation would not be

able to take effect until approved by the legislature if they would result in (i) a combined entity controlling 25% or more of any relevant healthcare service market or insurance market within Hawaii, or (ii) price increases exceeding medical inflation benchmarks, premium growths exceeding state cost growth targets, or increased expenditures by the state.

Indiana S.B. 219

Indiana proposed legislation, S.B. 219, which would enact Indiana's version of the Uniform Antitrust Pre-Merger Notification Act, ensuring uniform treatment of pre-merger notice obligations tied to federal HSR filings. If enacted, it would apply to pre-merger notifications after June 30, 2026. The proposed law would require federal HSR (Hart-Scott-Rodino Act) filings to be filed with the Indiana Attorney General no later than one business day after federal filing if either (i) the person's principal place of business is in Indiana or (ii) the person or an entity it directly or indirectly controls has annual net sales of at least 20% of the current HSR filing threshold in the goods and services involved. Importantly, the proposed law does not limit or replace Indiana's separate healthcare entity transaction reporting legislation, and an Indiana healthcare entity that has already provided notice of a transaction under Indiana's healthcare transaction notification law is not required to file the HSR form under the proposed law, though it must comply with other requirements.

New York S.B. 9007

New York's FY 2027 proposed budget bill, S.B. 9007, proposes to expand New York's existing material transactions law to require ongoing post-close reporting on cost, quality, access, equity, competition, and external reviews for high-impact deals, alongside potential CON (Certificate of Need) streamlining.

Pennsylvania H.B. 2115

Pennsylvania's H.B. 2115 would require 120-day pre-merger notice (and concurrent HSR filings) by healthcare facilities, systems, and provider organizations to the Pennsylvania Attorney General for transactions that result in a material change. A "material change" includes a merger, acquisition, or contracting affiliation between two or more healthcare facilities, systems, or provider organizations that results in new common ownership. Contracting affiliations, for purposes of H.B. 2115, are arrangements that allow parties to jointly negotiate with insurers or third-party administrators over rates for professional medical services or allow parties to negotiate on behalf of another.

While there is no monetary threshold for in-state transactions, those involving a Pennsylvania entity and an out-of-state entity require notice if the out-of-state entity generates at least $10 million in healthcare services revenue from patients located in Pennsylvania.

H.B. 2115 would allow the Pennsylvania Attorney General to bring civil actions against a party in violation of the law to seek injunctive relief and pursue civil penalties of at least $100,000 per violation.

Rhode Island H.B. 7172

Proposed Rhode Island H.B. 7172 would establish notice requirements for "covered care entities" that are involved in a "material change," which includes healthcare transactions resulting in a change of ownership or control or involving a significant equity investor that affects ownership, governance, or control of a covered care entity, provider organization, or management services organization (MSO). "Covered care entities" include healthcare facilities and providers, behavioral health organizations, residential facilities, programs or providers, group homes, and residential treatment facilities.

A party to a material change involving a covered care entity would be required to file written notice with the Rhode Island Department of Health and the Rhode Island Attorney General not less than sixty (60) days prior to the effective date of the material change. Consistent with the trend of enhancing oversight of PE in healthcare, "significant equity investors" would be required to make enhanced disclosures. "Significant equity investors" are (i) PE companies with a direct or indirect ownership interest in a covered care entity, provider organization, or MSO; or (ii) investors or groups of investors that hold, directly or indirectly, 10% or more of the equity, profits, or governance rights by a covered care entity, provider organization, or MSO.

Vermont H. 583

Vermont recently introduced H. 583, a proposed bill that would prohibit specified healthcare transactions, bar corporate practice of medicine (CPOM) and interference with the clinical judgment of providers, and require healthcare entities to provide notice to the Green Mountain Care Board upon the finalization of any material change transaction.

PROHIBITED TRANSACTIONS

Prohibited transactions under the proposed law include:

- Giving a party ownership of the core business operations of an essential community provider, as defined in 45 C.F.R. § 156.235(c)
- Acquiring a healthcare entity through the use of debt that will become an obligation of one or more of the healthcare entities that are party to the transaction
- Issuing dividends or other shareholder returns financed by debt that will become an obligation of one or more of the healthcare entities that are party to the transaction
- Contracting with an affiliated entity for less than fair market value for the services rendered or

products delivered

- Not accepting or placing limits on caring for patients covered by Medicaid, original Medicare, or Medicare Advantage

CORPORATE PRACTICE OF MEDICINE AND CLINICAL INDEPENDENCE

H.583 would codify a CPOM prohibition and impose strict guardrails on MSOs and arrangements between practices and hospitals, such as joint ventures and accountable care organizations. Specifically, the proposed law would prohibit:

- Straw ownership—the owners of medical practices would be required to be present in the state and substantially engaged in delivering care or managing the practice
- Dual ownership—physician owners would be precluded from owning or controlling less than a majority ownership in an MSO
- Stock restriction agreements
- Certain restrictive covenants—including nondisclosure and nondisparagement agreements and noncompetes in certain circumstances, such as when the licensee is a shareholder or member of the other person or otherwise owns or controls an ownership or membership interest that is equivalent to 25% or more of the entire ownership or membership interest that exists in the other person
- Marketing of the medical practice by the MSO
- Relinquishing control over a medical practice's administrative, business, or clinical operations that may affect clinical decision-making or the nature of the quality of care and would expressly prohibit certain conduct (e.g., hiring and firing of physicians or advanced practice registered nurses, splitting revenues from fees with non-physicians, and hospital control over licensees' schedules, etc.)

NOTICE OF MATERIAL CHANGE AND BIENNIAL REPORTING

H. 583 would also require prior notice of "material change transactions" (e.g., mergers, acquisitions, affiliations, MSO formations, and significant real estate deals) of at least $1 million to the Vermont Attorney General and Green Mountain Care Board. Further, the proposed law would mandate biennial public reporting requirements by healthcare entities on ownership, control, and financials to the Vermont Attorney General and Green Mountain Care Board.

Virginia HB 1458

Virginia HB 1458 directs a stakeholder work group to study PE's impact on healthcare and evaluate ownership transparency requirements in Virginia, in other states, and federally to

determine the risks and benefits of greater facility ownership transparency requirements. Policy recommendations are due by November 1, 2026.

Proactive compliance for health care transactions

The proposed laws align with actions by other states seeking to regulate healthcare transactions and the business practices of healthcare entities to minimize financial incentives that interfere with providers' clinical decision-making and to protect against anticompetitive effects that impact costs. Healthcare entities must evaluate potential transactions for prohibited structures. Additionally, entities should consider early compliance planning for upcoming transactions that require pre-closing notice and review. Nixon Peabody will continue to monitor these bills and other proposed state laws that look to require notice or approval of private healthcare transactions.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

Michele A. Masucci
516.832.7573
mmasucci@nixonpeabody.com

Whitney Phelps
518.427.2659
wphelps@nixonpeabody.com

Jéna M. Grady
212.940.3114
jgrady@nixonpeabody.com

Alexandra Busto
213.629.6146
abusto@nixonpeabody.com

Jennifer Greco
516.832.7641
jgreco@nixonpeabody.com

Grace Connelly
312.977.9292
gconnelly@nixonpeabody.com