

Massachusetts Expands Healthcare Material Change Law, Adds Private Equity in Scope

January 13, 2025 – Dorsey Health Law

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On January 8, 2025, the governor of Massachusetts signed into law [H.5159](#), *An Act enhancing the market review process* (the “Act”). Among various other healthcare market oversight enhancements, the Act expands the authority of the Massachusetts Attorney General, Center for Health Information and Analysis (“CHIA”), and Health Policy Commission (“HPC”) to review and gather data regarding private equity investment into healthcare providers and healthcare management companies. This law will be effective on April 8, 2025 (90 days following the governor’s signature).

For more than a decade, Massachusetts has required certain healthcare providers and provider organizations to submit notifications to applicable commonwealth regulators 60 days in advance of material change transactions. These material change notices (“MCN”) trigger a 30-day preliminary market review, the result of which may be a more extensive cost and market impact review (“CMIR”). Under the Act, this notification requirement and review process has been expanded to include material change transactions involving “significant equity investors”. The following definitions are critical in understanding the scope of this expansion:

- “Significant Equity Investor” is defined as “(i) any private equity company with a financial interest in a provider, provider organization or management services organization; or (ii) an investor, group of investors or other entity with a direct or indirect possession of equity in the capital, stock or profits totaling more than 10 per cent of a provider, provider organization or management services organization; provided, however, that “significant equity investor” shall not include venture capital firms exclusively funding startups or other early-stage businesses.”
- “Private Equity Company” is defined as “any company that collects capital investments from individuals or entities and purchases, as a parent company or through another entity that the company completely or partially owns or controls, a direct or indirect ownership share of a provider, provider organization or management services organization; provided, however, that “private equity company” shall not include venture capital firms exclusively funding startups or other early-stage

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businesses.”

- “Management Services Organization” is defined as “a corporation that provides management or administrative services to a provider or provider organization for compensation.”

Notably, transactions involving a Significant Equity Investor that result in a change of ownership or control of a provider or provider organization must now be reported to the applicable Massachusetts oversight authorities. However, private equity investment solely in a Management Services Organization may not need to be reported under the Act if the



Management Services Organization does not also meet the definition of a “provider organization” (e.g., the Management Services Organization does not represent providers in contracting with carriers) and the transaction does not otherwise result in any change of ownership or control of a provider. So, while the Act adds a broad definition for Management Services Organizations, it appears to do so primarily to bolster the added definition for Significant Equity Investor. In the absence of clarifying guidance from the applicable Massachusetts oversight authorities, the Act does not seem to materially expand on the circumstances in which notification of a transaction involving only a Management Services Organization would need to be reported in Massachusetts.

Further, the Act expands on the applicable regulatory authorities’ rights to gather data, including post-closing data, to assess impacts of any reportable material change in a couple of important ways. First, for material change transactions involving a Significant Equity Investor, regulators may require the Significant Equity Investor to submit information regarding its capital structure, general financial condition, ownership and management structure, and audited financial statements as part of the notice. Second, regulators may require providers and provider organizations to submit data and information necessary to assess the post-transaction impacts of a material change for a period of 5 years following completion of the reported change, greatly extending the amount of time that transacting parties in the healthcare industry remain under the microscope in Massachusetts.

Every transaction is different. Therefore, each healthcare industry transaction involving a state with a healthcare transaction notification law, of which there are increasingly many, should be reviewed for any necessary notification requirements. These laws can impose significant reporting obligations and materially impact transaction timelines. Reach out to the authors of this post or your regular Dorsey attorney should you have any questions.