



Senate

General Assembly

File No. 684

January Session, 2009

Senate Bill No. 1100

Senate, April 16, 2009

The Committee on Judiciary reported through SEN. MCDONALD of the 27th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING MEDICAL GROUP CLINIC CORPORATIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2009*) As used in sections 1 to 6,
2 inclusive, of this act:

3 (1) "Health system" means a nonprofit entity consisting of a parent
4 corporation of one or more hospitals licensed pursuant to chapter 368v
5 of the general statutes, and affiliated through governance,
6 membership or some other means; and

7 (2) "Provider" means a physician licensed under chapter 370 of the
8 general statutes, a chiropractor licensed under chapter 372 of the
9 general statutes or a podiatrist licensed under chapter 375 of the
10 general statutes.

11 Sec. 2. (NEW) (*Effective July 1, 2009*) (a) Any health system may
12 organize and become a member of a medical group clinic corporation
13 for the purpose of practicing medicine and providing health care

14 services through employees or agents of such corporation who are
15 licensed pursuant to section 20-9 of the general statutes and through
16 other providers.

17 (b) Such medical group clinic corporation shall not operate for profit
18 and may operate at such locations as are designated by its members.

19 Sec. 3. (NEW) (*Effective July 1, 2009*) (a) Sections 1 to 6, inclusive, of
20 this act shall not apply to any corporation organized prior to July 1,
21 2009, for the purposes of practicing medicine and providing health
22 care services to the public under any other law specifically authorizing
23 the provision of such services by a corporation that was valid at the
24 time of such corporation's organization. Any such corporation may
25 bring itself within the provisions of sections 1 to 6, inclusive, of this act
26 by amending its certificate of incorporation in such manner as to be
27 consistent with the requirements of sections 1 to 6, inclusive, of this act
28 and by affirmatively stating in the amended certificate of incorporation
29 that the members or shareholders, as the case may be, have elected to
30 bring the corporation within the provisions of sections 1 to 6, inclusive,
31 of this act. To the extent that such corporation has a current provider
32 agreement with the Department of Social Services, the provider
33 agreement shall automatically transfer to the new corporation upon
34 the amendment to its certificate of incorporation.

35 (b) Any actions taken by a medical group clinic corporation formed
36 under chapter 594 of the general statutes, revision of 1958, revised to
37 1995, and in existence on September 30, 1995, and continuing to
38 operate as such a corporation from September 30, 1995, until July 1,
39 2009, are hereby validated, provided such corporation elects not later
40 than July 1, 2010, to bring itself within the provisions of sections 1 to 6,
41 inclusive, of this act in the manner described in subsection (a) of this
42 section.

43 Sec. 4. (NEW) (*Effective July 1, 2009*) No medical group clinic
44 corporation organized under sections 1 to 6, inclusive, of this act shall
45 engage in any business other than the rendering of health care services
46 for which it was specifically incorporated, except that nothing in

47 sections 1 to 6, inclusive, of this act or in any other provision of law
48 applicable to corporations shall be interpreted to prohibit such medical
49 group clinic corporation from investing its funds in real estate,
50 mortgages, stocks, bonds or any other type of investments, or from
51 owning real or personal property incident to the rendering of
52 professional services.

53 Sec. 5. (NEW) (*Effective July 1, 2009*) The corporate name of a
54 medical group clinic corporation organized under sections 1 to 6,
55 inclusive, of this act shall contain the words "corporation" or the
56 abbreviation "Inc." and shall also contain either a word or words
57 descriptive of the professional service to be rendered by the medical
58 group clinic corporation or shall include a reference to the name of the
59 member health system.

60 Sec. 6. (NEW) (*Effective July 1, 2009*) Chapter 602 of the general
61 statutes is applicable to a medical group clinic corporation organized
62 pursuant to sections 1 to 6, inclusive, of this act, except to the extent
63 that any of the provisions of sections 1 to 6, inclusive, of this act are
64 interpreted to be in conflict with the provisions of said chapter 602, in
65 which event the provisions of sections 1 to 6, inclusive, of this act shall
66 take precedence with respect to such medical group clinic corporation.
67 A medical group clinic corporation organized under sections 1 to 6,
68 inclusive, of this act may consolidate or merge only with another
69 medical group clinic corporation organized under sections 1 to 6,
70 inclusive, of this act or under chapter 594 of the general statutes,
71 revision of 1958, revised to 1995, that is validated pursuant to section 3
72 of this act, a professional corporation organized under chapter 594a of
73 the general statutes, a limited liability company organized under
74 chapter 613 of the general statutes or a partnership or limited liability
75 partnership organized under chapter 614 of the general statutes, if
76 such corporation, company or partnership is organized to render the
77 same specific professional services.

78 Sec. 7. Section 33-182i of the general statutes is repealed and the
79 following is substituted in lieu thereof (*Effective July 1, 2009*):

80 Chapter 601 is applicable to a corporation organized pursuant to
 81 this chapter except to the extent that any of the provisions of this
 82 chapter are interpreted to be in conflict with the provisions of chapter
 83 601, in which event the provisions of this chapter shall take precedence
 84 with respect to a corporation organized pursuant to the provisions of
 85 this chapter. A professional corporation organized under this chapter
 86 may consolidate or merge only with another professional corporation
 87 organized under this chapter, a limited liability company organized
 88 under chapter 613, [or] a partnership or limited liability partnership
 89 organized under chapter 614 or a medical group clinic corporation
 90 organized under sections 1 to 6, inclusive of this act, if such
 91 corporation, company, [or] partnership or medical group clinic
 92 corporation is organized to render the same specific professional
 93 service. A merger or consolidation of any professional corporation
 94 organized under this chapter with any foreign corporation, foreign
 95 limited liability company, foreign partnership or foreign limited
 96 liability partnership is prohibited.

97 Sec. 8. Section 19a-630a of the general statutes is repealed and the
 98 following is substituted in lieu thereof (*Effective July 1, 2009*):

99 As used in sections 19a-638 to 19-639c, inclusive, "affiliate" means a
 100 person, entity or organization controlling, controlled by or under
 101 common control with another person, entity or organization. In
 102 addition to other means of being controlled, a person is deemed
 103 controlled by another person if the other person, or one of that other
 104 person's affiliates, officers or management employees, acting in such
 105 capacity, acts as a general partner of a general or limited partnership or
 106 manager of a limited liability company. "Affiliate" does not include a
 107 medical group clinic corporation organized under sections 1 to 6,
 108 inclusive of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2009	New section
Sec. 2	July 1, 2009	New section

Sec. 3	<i>July 1, 2009</i>	New section
Sec. 4	<i>July 1, 2009</i>	New section
Sec. 5	<i>July 1, 2009</i>	New section
Sec. 6	<i>July 1, 2009</i>	New section
Sec. 7	<i>July 1, 2009</i>	33-182i
Sec. 8	<i>July 1, 2009</i>	19a-630a

JUD *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

This bill authorizes certain non-profit health care services entities to provide care and does not result in a fiscal impact.

The Out Years

None

Sources: 3/20/09 Public Hearing Testimony

OLR Bill Analysis**SB 1100*****AN ACT CONCERNING MEDICAL GROUP CLINIC CORPORATIONS.*****SUMMARY:**

This bill authorizes any health system to organize and become a member of a medical group clinic corporation to practice medicine and provide health care services through employees or agents licensed to do so by Connecticut and through other providers. Under the bill, a health system is a nonprofit entity consisting of a parent corporation of one or more Connecticut licensed hospitals affiliated in some way.

The bill (1) allows mergers and consolidations of medical group clinic corporations under certain circumstances, (2) validates actions taken by certain medical group clinic corporations formed under prior law that choose to bring themselves within the bill's provisions by July 1, 2010, (3) establishes certain requirements regarding what must appear in the corporation's name, and (4) makes certain conforming changes to other laws.

EFFECTIVE DATE: July 1, 2009

§ 2 — MEDICAL GROUP CLINIC CORPORATION

The bill authorizes any health system to organize and become a member of a medical group clinic corporation to practice medicine and provide health care services through employees or agents who are licensed to do so by Connecticut and through other providers. Under the bill, a "provider" is a physician, chiropractor, or podiatrist licensed by Connecticut. The bill requires that a medical group clinic corporation be a nonprofit entity. It allows the clinic to operate at whatever locations its members select.

§ 3 — CORPORATIONS CREATED BEFORE THE BILL BECOMES LAW***Bill Does not Automatically Apply***

The bill specifies that it does not automatically apply to any corporation organized before July 1, 2009, the bill's effective date, for the purposes of practicing medicine and providing health care services to the public under any other law specifically authorizing the provision of such services by a corporation that was valid when the corporation was organized.

Corporations Organized Before July 1, 2009 May Choose to Be Covered by the Bill

The bill allows corporations organized before July 1, 2009 to bring themselves within the bill's provisions by (1) amending their certificates of incorporation in such manner to be consistent with the bill and (2) affirmatively stating in the amended certificate that the members or shareholders, as the case may be, have elected to bring the corporation within the bill's provisions. Any provider agreement with the Department of Social Services automatically transfers to the new corporation when the corporation amends its certificate of incorporation.

Validation of Actions Taken by Certain Existing Corporations

The bill validates any actions taken by a medical group clinic corporation (1) formed under the medical group corporation laws, (2) in existence on September 30, 1995, and (3) continuing to operate as such a corporation from that date until July 1, 2009, if it elects by July 1, 2010, to bring itself within the bill's provisions in the manner the bill prescribes (see BACKGROUND).

§ 4 — POWERS AND LIMITATIONS OF MEDICAL GROUP CLINIC CORPORATIONS

The bill prohibits a medical group clinic corporation organized under the bill's provisions from engaging in any business other than the rendering of health care services for which it was specifically incorporated. The bill specifies that it does not prohibit a medical

group clinic corporation from investing its funds in real estate, mortgages, stocks, bonds or any other type of investments, or from owning real or personal property incident to the rendering of professional services.

§ 5 — CORPORATE NAME

The bill requires corporate names of a medical group clinic corporation organized under the bill to contain the words “corporation” or the abbreviation “Inc.” The corporate name must also (1) contain a word or word describing the professional service the corporation will render or (2) include a reference to the name of the member health system.

§ 6 — NON-STOCK CORPORATION LAW

The bill specifies that the non-stock corporation law applies to a medical group clinic corporation organized under the bill. But any of the bill’s provisions that conflict with the non-stock corporation law are controlling.

§§ 6 & 7 — MERGER AND CONSOLIDATION

The bill allows a medical group clinic corporation organized under its provisions to consolidate or merge only with a:

1. medical group clinic corporation organized under the bill’s, provisions;
2. a medical group clinic corporation under chapter 594 that chooses to come within the bill’s provisions;
3. a professional services corporation organized under chapter 594a of the general statutes (see BACKGROUND);
4. a limited liability company, a partnership, or limited liability partnership organized under state law, if it is organized to render the same specific professional services.

The bill allows a professional corporation organized under Chapter 601 to merge with a medical group clinic corporation organized under

the bill, if it is organized to render the same specific professional service.

§ 8 —AFFILIATE UNDER CERTIFICATE OF NEED LAWS

The bill specifies that the term “affiliate,” as used in the laws relating to the certificate of need laws, does not include a medical group clinic corporation organized under the bill. The law defines the word “affiliate” as a person, entity, or organization controlling, controlled by, or under common control with another person, entity, or organization. In addition to other means of being controlled, a person is deemed controlled by another person if the other person, or one of other person’s affiliates, officers, or management employees, acting in such capacity, acts as a general partner of a general or limited partnership or manager of a limited liability company.

BACKGROUND

Chapter 594 Medical Group Clinic Corporations

Chapter 594 of the general statutes was repealed in 1995. This chapter authorized three or more licensed health care professionals to form a non-stock corporation to own, operate, and maintain a clinic to (1) study, diagnose, and treat illnesses and injuries by licensed persons and (2) promote medical, surgical, and scientific research and learning. The law specified that medical or surgical treatment, consultation, or advice could be given only by employees licensed to do so under state law.

The law allowed such corporations to operate for profit and to distribute its income to its members, directors, or officers in any way provided in its certificate of incorporation (CGS § 33-180, revised to 1995). It prohibited such corporations from operating without first having received a certificate of registration from the Connecticut Medical examining board (CGS § 33-181, revised to 1995).

Professional Corporation

A “professional corporation” means a corporation, organized under Chapter 594a for the sole and specific purpose of rendering

professional service and which has as its shareholders only individuals licensed or otherwise legally authorized to render the same professional service as the corporation.

It also means a corporation organized under this chapter for the sole and specific purpose of rendering professional services by any of the following and has as its shareholders only individuals who themselves are licensed or otherwise legally authorized to render one of the professional services for which the corporation was specifically incorporated:

1. members of two or more of the following professions: psychology, marital and family therapy, social work, nursing, professional counseling and psychiatry;
2. physicians specializing in ophthalmology and optometrists;
3. physicians and physician assistants or advanced practice registered nurses, or both; or
4. physicians and chiropractors (CGS §33-182a(b)).

Certificate of Need (CON)

CON authorization is required from the Office of Health Care Advocate (OHCA) when a health care facility proposes to buy medical equipment, introduce an additional function or service, reduce or terminate services, or change ownership or control. Connecticut health care facilities, including ambulatory care centers and outpatient behavioral health programs, also must obtain a CON before developing, expanding, or closing certain services and spending more than \$3 million on a capital project. Additionally, any person is required to obtain a CON if he or she proposes to acquire major medical equipment with a capital cost of over \$3 million.

CON approval, regardless of cost, is required for anyone acquiring, purchasing, or accepting donation of a CT scanner, PET scanner, PET/CT scanner, MRI, cineangiography equipment, a new linear

accelerator, or similar equipment using new technology that is being introduced to the state.

COMMITTEE ACTION

Judiciary Committee

Joint Favorable

Yea 41 Nay 0 (03/27/2009)