



Senate

General Assembly

File No. 488

February Session, 2014

Substitute Senate Bill No. 460

Senate, April 10, 2014

The Committee on Public Health reported through SEN. GERRATANA of the 6th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING HOSPITAL CONVERSIONS AND OTHER MATTERS AFFECTING HOSPITALS.

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

1 Section 1. (NEW) (*Effective from passage*) (a) No nonprofit hospital
2 shall enter into an agreement to transfer a material amount of its assets
3 or operations or a change in control of operations to a person that is
4 organized or operated for profit, except as provided in subsection (b)
5 of this section.

6 (b) The provisions of this section shall not apply to (1) a for-profit
7 hospital that was operating in the state as such on May 12, 2004, or (2)
8 any agreement for which an application has been filed with the
9 Commissioner of Public Health and the Attorney General pursuant to
10 section 19a-486a of the general statutes, as amended by this act, prior
11 to October 1, 2014.

12 Sec. 2. Section 19a-486 of the general statutes is repealed and the
13 following is substituted in lieu thereof (*Effective from passage*):

14 For purposes of sections 19a-486 to 19a-486h, inclusive, as amended

15 by this act, and sections 1 and 9 to 13, inclusive, of this act:

16 (1) "Nonprofit hospital" means a nonprofit entity licensed as a
17 hospital pursuant to this chapter and any entity affiliated with such a
18 hospital through governance or membership, including, but not
19 limited to, a holding company or subsidiary.

20 (2) "Purchaser" means a person acquiring any assets of a nonprofit
21 hospital through a transfer.

22 (3) "Person" means any individual, firm, partnership, corporation,
23 limited liability company, association or other entity.

24 (4) "Transfer" means to sell, transfer, lease, exchange, option,
25 convey, give or otherwise dispose of or transfer control over,
26 including, but not limited to, transfer by way of merger or joint
27 venture not in the ordinary course of business.

28 (5) "Control" has the meaning assigned to it in section 36b-41.

29 (6) "Commissioner" means the Commissioner of Public Health or
30 the commissioner's designee.

31 (7) "Department" means the Department of Public Health.

32 (8) "Affected community" means a municipality where the hospital
33 is physically located or a municipality whose inhabitants are regularly
34 served by the hospital.

35 (9) "Community benefit" means the provision of hospital services
36 that meet the ongoing needs of the community for primary and
37 emergency care in a manner that enables members of the community
38 to maintain a relationship with a family member or other person who
39 is hospitalized or receiving hospital services and includes, but is not
40 limited to, uncompensated care.

41 (10) "Conversion" means any transfer by a person or persons of the
42 assets or operation of a hospital to another person, that results in (A) a
43 change in the ownership, control or possession of not less than twenty

44 per cent of (i) the voting rights or interests in a nonprofit hospital, or
45 (ii) the assets of a nonprofit hospital; (B) a person previously
46 unaffiliated with a nonprofit hospital possessing not less than ten per
47 cent of (i) the voting rights or interests in a nonprofit hospital, or (ii)
48 the assets of the nonprofit hospital; or (C) the removal, addition or
49 substitution of a person holding an ownership or membership interest
50 in a nonprofit hospital that results in a previously unaffiliated person
51 gaining or acquiring a controlling interest or controlling vote in a
52 nonprofit hospital.

53 (11) "Transacting party" means a person that is a party to a proposed
54 agreement for a conversion who submits an application to the
55 commissioner and the Attorney General pursuant to section 19a-486a,
56 as amended by this act, or section 10 of this act.

57 (12) "New hospital" means a hospital as it exists after the approval
58 of an agreement pursuant to section 19a-486b, as amended by this act,
59 or section 10 of this act and the completion of a conversion.

60 (13) "Uncompensated care" has the same meaning as in section 19a-
61 659.

62 Sec. 3. Section 19a-486a of the general statutes is repealed and the
63 following is substituted in lieu thereof (*Effective from passage*):

64 (a) No nonprofit hospital shall enter into an agreement to transfer a
65 material amount of its assets or operations or a change in control of
66 operations to a person that is organized or operated for profit: (1)
67 Unless an application was filed with the Attorney General and the
68 commissioner in accordance with the provisions of this section prior to
69 October 1, 2014; and (2) without first having received approval of the
70 agreement by the commissioner and the Attorney General pursuant to
71 sections 19a-486 to 19a-486h, inclusive, as amended by this act, and
72 pursuant to the Attorney General's authority under section 3-125. On
73 and after October 1, 2014, no nonprofit hospital shall enter into an
74 agreement to transfer a material amount of its assets or operations or a
75 change in control of operations to another nonprofit hospital without

76 first having received approval of the agreement by the commissioner
77 and the Attorney General pursuant to sections 19a-486 to 19a-486h,
78 inclusive, as amended by this act, and sections 9 to 13, inclusive, of this
79 act. Any such agreement without the approval required by sections
80 19a-486 to 19a-486h, inclusive, as amended by this act, or sections 9 to
81 13, inclusive, of this act shall be void.

82 (b) Prior to any transaction described in subsection (a) of this
83 section, the [nonprofit hospital and the purchaser] transacting parties
84 shall concurrently submit a certificate of need determination letter as
85 described in subsection (c) of section 19a-638 to the commissioner and
86 the Attorney General by serving it on them by certified mail, return
87 receipt requested, or delivering it by hand to each department or
88 office. The certificate of need determination letter shall contain: (1) The
89 name and address of the nonprofit hospital that is proposed to be
90 acquired; (2) the name and address of the purchaser; (3) a brief
91 description of the terms of the proposed agreement; and (4) the
92 estimated capital expenditure, cost or value associated with the
93 proposed agreement. The certificate of need determination letter shall
94 be subject to disclosure pursuant to section 1-210.

95 (c) The commissioner and the Attorney General shall review the
96 certificate of need determination letter. The Attorney General shall
97 determine whether the agreement requires approval pursuant to this
98 chapter. If such approval is required, the commissioner and the
99 Attorney General shall transmit to the [purchaser and the nonprofit
100 hospital] transacting parties an application form for approval pursuant
101 to this chapter or sections 9 to 13, inclusive, of this act, unless the
102 commissioner refuses to accept a filed or submitted certificate of need
103 determination letter.

104 [Such] (d) Except as provided in section 10 of this act, such
105 application form shall require the following information, as applicable:
106 (1) The name, [and] address and telephone number of the nonprofit
107 hospital that is proposed to be acquired; (2) the name, [and] address
108 and telephone number of the purchaser; (3) a description of the terms

109 of the proposed agreement; (4) copies of all contracts, agreements and
110 memoranda of understanding relating to the proposed agreement; (5)
111 a fairness evaluation by an independent person who is an expert in
112 such agreements, that includes an analysis of each of the criteria set
113 forth in section 19a-486c, as amended by this act; (6) documentation
114 that the nonprofit hospital that is proposed to be acquired exercised
115 the due diligence required by subdivision (2) of subsection (a) of
116 section 19a-486c, as amended by this act, including disclosure of the
117 terms of any other offers to transfer assets or operations or change
118 control of operations received by [the] such nonprofit hospital and the
119 reason for rejection of such offers; [and] (7) the name, address,
120 telephone number, occupation and tenure of each officer, member of
121 the board of directors, trustee, executive and senior manager during
122 the five-year period prior to the submission of the certificate of need
123 determination letter; (8) a list of all committees, subcommittees, task
124 forces or similar entities of the board of directors or trustees, including
125 a short description of the purpose of each committee, subcommittee,
126 task force or similar entity and the name, address, telephone number,
127 occupation and tenure of each member; (9) the agenda and minutes for
128 each meeting of the board of directors or trustees and any of its
129 committees, subcommittees, task forces or similar entities related to the
130 conversion, excluding those focused on peer review or concerning
131 confidential medical matters, that occurred in the five-year period
132 prior to the submission of the certificate of need determination letter
133 and, upon the request of the Attorney General or the commissioner,
134 any documents distributed at such meeting; (10) the articles of
135 incorporation and certificates of incorporation; (11) the bylaws and
136 organizational charts; (12) a description of the organizational structure
137 for existing transacting parties and each partner, affiliate, parent
138 subsidiary or related corporate entity in which the purchaser has a ten
139 per cent or greater ownership interest; (13) any current conflict of
140 interest statement, policies or procedures; (14) the names, addresses
141 and telephone numbers of professional consultants engaged in
142 connection with the proposed conversion; (15) copies of audited
143 income statements, balance sheets, other financial statements and

144 management letters issued during the five years prior to submission of
145 the certificate of need determination letter and, to the extent they have
146 been made public, audited interim financial statements and income
147 statements with a detailed description of the financing structure of the
148 proposed conversion including equity contribution, debt restructuring,
149 stock issuance, partnership interest, stock offerings and other
150 information of a similar nature; (16) a detailed description of real estate
151 issues including title reports for property owned and lease agreements
152 between the transacting parties and any entity owned or controlled by
153 the purchaser and any proposed sale or proposed leaseback that
154 concerns the proposed conversion; (17) a detailed description of any
155 proposed transaction concerning any equipment lease, insurance,
156 regulatory compliance, tax status, pending litigation or pending
157 regulatory citations, pension plan descriptions and employee benefits,
158 environmental reports, assessments and organizational goals; (18) a
159 copy of any report analyzing the proposed conversion during the five-
160 year period prior to submission of the certificate of need determination
161 letter, including, but not limited to, reports by appraisers, accountants,
162 investment bankers, actuaries and other experts; (19) a copy of any
163 opinion or memorandum addressing the state and federal tax
164 consequences of the proposed conversion prepared for a transacting
165 party by an attorney, accountant or other expert; (20) a description of
166 the manner in which the price was determined including the methods
167 of valuation and the data that was used, and the names and addresses
168 of any person who prepared such documents; (21) patient statistics for
169 the five-year period prior to the submission of the certificate of need
170 determination letter and patient projection for one year after the
171 submission of the certificate of need determination letter, including the
172 number of patient visits, admissions, emergency room visits, clinical
173 visits and visits to each hospital unit and admissions to in-hospital
174 nursing care or visits by affiliated home health care entities; (22) the
175 name and mailing address of each facility licensed in accordance with
176 chapter 368v in which a transacting party maintains an ownership
177 interest or controlling interest or operating authority; (23) a list and
178 description of any (A) pending or adjudicated citation, violation or

179 charge against a transacting party or any facility under the ownership
180 or control of a transacting party, or (B) any pending or adjudicated
181 investigation involving a transacting party that was brought by a
182 governmental agency or accrediting agency in the five-year period
183 prior to submission of the certificate of need determination letter and
184 the status or disposition of each investigation; (24) a list of costs for
185 uncompensated care provided by each facility owned or controlled by
186 a transacting party in the five-year period prior to the submission of
187 the certificate of need determination letter and a detailed description of
188 the manner in which the amount was calculated; (25) copies of all
189 documents relating to: (A) Identification of charitable assets; (B)
190 accounting of all charitable assets for the five-year period prior to the
191 submission of the certificate of need determination letter; and (C) the
192 distribution of charitable assets, including, but not limited to,
193 endowments and restricted, unrestricted and specific purpose funds as
194 each relates to the proposed transaction; (26) a description of
195 uncompensated care provided by the existing hospital for the five-year
196 period prior to submission of the certificate of need determination
197 letter including a dollar amount and a description of services provided
198 to patients; (27) a description of bad debt incurred by the transacting
199 party that is being purchased for the five-year period prior to the
200 submission of the certificate of need determination letter for which
201 payment was anticipated but not received; (28) a description of the
202 plan for the new hospital's provision of community benefit and
203 uncompensated care during the first five years of operation; (29) a
204 description of the new hospital's plan to monitor and value
205 uncompensated care and community benefits; (30) the names of
206 persons currently holding a position with a transacting party as an
207 officer, director, board member or senior manager, whether or not
208 such person is expected to maintain a position with the new hospital
209 and whether or not such person is expected to receive any salary,
210 severance stock offering or any financial gain, current or deferred, as a
211 result of, or in relation to, the proposed conversion; (31) copies of
212 capital and operating budgets or other financial projections for the new
213 hospital during the first five years of operation; (32) copies of plans

214 relating to staffing during the new hospital's first five years of
215 operation; (33) a list of medical services, hospital units and clinical and
216 administrative services to be maintained at the new hospital; (34) a
217 description of criteria established by the board of directors of the
218 nonprofit hospital that is proposed to be acquired to pursue a
219 proposed conversion; (35) copies of reports of any due diligence
220 review performed by a transacting party in relation to the proposed
221 conversion; (36) a description of any request for proposal issued by the
222 nonprofit hospital that is proposed to be acquired relating to pursuit of
223 any proposed conversion; (37) a copy of any report analyzing an
224 affiliation, merger or other similar transaction considered by a
225 transacting party during the five-year period prior to the submission of
226 the certificate of need determination letter, including, but not limited
227 to, any such report prepared by an appraiser, accountant, investment
228 banker, actuary or other expert; (38) a copy of a proposed contract or
229 description of a proposed contract or arrangement with a senior
230 manager, board member, officer or director of the existing hospital for
231 severance consulting services or covenant not-to-compete after
232 completion of the proposed conversion; (39) a copy or description of
233 any agreement or proposed agreement reflecting any current or future
234 employment or compensated relationship between the purchaser, or
235 any related entity, and any officer, director, board member or senior
236 manager of the nonprofit hospital that is proposed to be acquired, or
237 any related entity; (40) a copy or description of any agreement that has
238 been executed or that the transacting parties anticipate shall be
239 executed by any of the transacting parties in connection with the
240 proposed conversion; (41) a copy of any document or description of
241 any proposed plan for the creation of an entity for charitable assets,
242 including, but not limited to, endowments, restricted, unrestricted and
243 specific purpose funds, the proposed articles of incorporation, bylaws,
244 mission statement, program agenda, method of appointing board
245 members, qualifications of board members, duties of board members
246 and policies concerning conflicts of interest; (42) a description of any
247 unit and clinical, social, medical or other service that is anticipated to
248 be eliminated or significantly reduced at the new hospital; (43) a

249 description of staffing levels for each category of employees, including
250 full-time, part-time and contract employees who are employed by or
251 provide services to the nonprofit hospital that is proposed to be
252 acquired and a description of any anticipated change in current
253 staffing levels; (44) a copy of each current notice of a conflict of interest
254 form submitted to auditors for a transacting party in connection with
255 the preparation of financial statements in the one-year period prior to
256 submission of the certificate of need determination letter involving an
257 officer, member of the board of directors or trustees or senior manager,
258 including the medical director, of a transacting party, that shall be
259 submitted in a form acceptable to the Attorney General; (45) copies of
260 Internal Revenue Service Form 990 for any transacting party that is
261 required by federal law to file such form for the five-year period prior
262 to the submission of the certificate of need determination letter; and
263 (46) such other information as the commissioner or the Attorney
264 General deem necessary to their review pursuant to the provisions of
265 sections 19a-486 to 19a-486f, inclusive, as amended by this act, section
266 9 of this act and chapter 368z. The application shall be subject to
267 disclosure pursuant to section 1-210.

268 [(d) No] (e) Except as provided in section 10 of this act, not later
269 than sixty days after the date of mailing of the application form, the
270 nonprofit hospital that is proposed to be acquired and the purchaser
271 shall concurrently file an application with the commissioner and the
272 Attorney General containing all the required information. The
273 commissioner and the Attorney General shall review the application
274 and determine whether the application is complete. The commissioner
275 and the Attorney General shall, [no] not later than [twenty] sixty days
276 after the date of their receipt of the application, provide written notice
277 to the nonprofit hospital that is proposed to be acquired and the
278 purchaser of any deficiencies in the application. Such application shall
279 not be deemed complete until such deficiencies are corrected.

280 [(e) No] (f) Except as provided in section 10 of this act, not later than
281 twenty-five days after the date of their receipt of the completed
282 application under this section, the commissioner and the Attorney

283 General shall jointly publish a summary of such agreement in a
284 newspaper of general circulation where the nonprofit hospital that is
285 proposed to be acquired is located.

286 [(f)] (g) Any person may seek to intervene in the proceedings under
287 section 19a-486e, as amended by this act, in the same manner as
288 provided in section 4-177a.

289 Sec. 4. Section 19a-486b of the general statutes is repealed and the
290 following is substituted in lieu thereof (*Effective from passage*):

291 [Not] (a) Except as provided in section 10 of this act, not later than
292 one hundred twenty days after the date of receipt of the completed
293 application pursuant to [subsection (d) of] section 19a-486a, as
294 amended by this act, or section 9 of this act, the Attorney General and
295 the commissioner shall approve the application, with or without
296 modification, or deny the application. The commissioner shall also
297 determine, in accordance with the provisions of chapter 368z, whether
298 to approve, with or without modification, or deny the application for a
299 certificate of need that is part of the completed application.
300 Notwithstanding the provisions of section 19a-639a, the commissioner
301 shall complete the decision on the application for a certificate of need
302 within the same time period as the completed application. Such one-
303 hundred-twenty-day period may be extended by agreement of the
304 Attorney General, the commissioner [, the nonprofit hospital and the
305 purchaser] and the transacting parties. If the Attorney General initiates
306 a proceeding to enforce a subpoena pursuant to section 19a-486c, as
307 amended by this act, or 19a-486d, as amended by this act, the one-
308 hundred-twenty-day period shall be tolled until the final court
309 decision on the last pending enforcement proceeding, including any
310 appeal or time for the filing of such appeal. If, in the opinion of the
311 Attorney General, reasonable cause exists for such one-hundred-
312 twenty-day period to be extended, including, but not limited to, a
313 pending investigation by a federal agency involving a transacting
314 party, the Attorney General may extend such period. Unless the one-
315 hundred-twenty-day period is extended pursuant to this section, if the

316 commissioner and Attorney General fail to take action on an
317 agreement prior to the one hundred twenty-first day after the date of
318 the filing of the completed application, the application shall be deemed
319 approved.

320 (b) The commissioner and the Attorney General may place any
321 conditions on the approval of an application that relate to the purposes
322 of sections 19a-486a to 19a-486h, inclusive, as amended by this act, or
323 sections 9 to 13, inclusive, of this act.

324 (c) After approval of an application pursuant to sections 19a-486a to
325 19a-486h, as amended by this act, and sections 9 to 13, inclusive, of this
326 act, the Attorney General may halt or place specific conditions on the
327 new hospital's sale, lease or acquisition of any real property if the real
328 property is sold for more than the purchase price, after deducting the
329 value of any capital improvements, or may require any moneys
330 resulting from a sale of such real property to be deposited in a
331 charitable trust closely related to the purpose of the nonprofit hospital
332 that was acquired. The Attorney General may recover any proceeds of
333 a previous sale or lease in which the new hospital's real property was
334 sold for more than the purchase price, after deducting the value of any
335 capital improvements, and may order the proceeds of the sale or lease
336 of the real property be used for capital improvements to the new
337 hospital or be deposited in a charitable trust closely related to the
338 purpose of the nonprofit hospital that was acquired.

339 Sec. 5. Section 19a-486c of the 2014 supplement to the general
340 statutes is repealed and the following is substituted in lieu thereof
341 (*Effective from passage*):

342 (a) [The] Except as provided in sections 9 and 10 of this act, the
343 Attorney General shall deny an application as not in the public interest
344 if the Attorney General determines that one or more of the following
345 conditions exist: (1) The transaction is prohibited by Connecticut
346 statutory or common law governing nonprofit entities, trusts or
347 charities; (2) the nonprofit hospital that is proposed to be acquired
348 failed to exercise due diligence in (A) deciding to transfer, (B) selecting

349 the purchaser, (C) obtaining a fairness evaluation from an independent
350 person expert in such agreements, or (D) negotiating the terms and
351 conditions of the transfer; (3) the nonprofit hospital that is proposed to
352 be acquired failed to disclose any conflict of interest, including, but not
353 limited to, conflicts of interest pertaining to board members, officers,
354 key employees and experts of the hospital, the purchaser or any other
355 [party to the transaction] transacting party; (4) the nonprofit hospital
356 that is proposed to be acquired will not receive fair market value for its
357 assets, which, for purposes of this subsection, means the most likely
358 price that the assets would bring in a sale in a competitive and open
359 market under all conditions requisite to a fair sale, with the buyer and
360 seller each acting prudently, knowledgeably and in their own best
361 interest, and with a reasonable time being allowed for exposure in the
362 open market; (5) the fair market value of the assets has been
363 manipulated by any person in a manner that causes the value of the
364 assets to decrease; (6) the financing of the transaction by the nonprofit
365 hospital that is proposed to be acquired will place [the] such nonprofit
366 hospital's assets at an unreasonable risk; (7) any management contract
367 contemplated under the transaction is not for reasonable fair value; (8)
368 a sum equal to the fair market value of [the] such nonprofit hospital's
369 assets (A) is not being transferred to one or more persons to be selected
370 by the superior court for the judicial district where [the] such nonprofit
371 hospital is located who are not affiliated through corporate structure,
372 governance or membership with either [the] such nonprofit hospital or
373 the purchaser, unless [the] such nonprofit hospital continues to operate
374 on a nonprofit basis after the transaction and such sum is transferred
375 to [the] such nonprofit hospital to provide health care services, and (B)
376 is not being used for one of the following purposes: (i) For appropriate
377 charitable health care purposes consistent with [the] such nonprofit
378 hospital's original purpose, (ii) for the support and promotion of health
379 care generally in the affected community, or (iii) with respect to any
380 assets held by [the] such nonprofit hospital that are subject to a use
381 restriction imposed by a donor, for a purpose consistent with the intent
382 of said donor; or (9) [the] such nonprofit hospital or the purchaser has
383 failed to provide the Attorney General with information and data

384 sufficient to evaluate the proposed agreement adequately, provided
385 the Attorney General has notified [the] such nonprofit hospital or the
386 purchaser of the inadequacy of the information or data and has
387 provided a reasonable opportunity to remedy such inadequacy.

388 (b) The Attorney General may, during the course of a review
389 required by section 19a-486b, as amended by this act, or sections 9 and
390 10 of this act: (1) Issue in writing and cause to be served upon any
391 person, by subpoena, a demand that such person appear before the
392 Attorney General and give testimony or produce documents as to any
393 matters relevant to the scope of the review; or (2) issue written
394 interrogatories, to be answered under oath, as to any matters relevant
395 to the scope of the review and prescribing a return date that would
396 allow a reasonable time to respond. If any person fails to comply with
397 the provisions of this subsection, the Attorney General may apply to
398 the superior court for the judicial district of Hartford seeking
399 enforcement of the subpoena. The superior court may, upon notice to
400 such person, issue and cause to be served an order requiring
401 compliance. Service of subpoenas ad testificandum, subpoenas duces
402 tecum, notices of deposition and written interrogatories as provided in
403 this subsection may be made by personal service at the usual place of
404 abode or by certified mail, return receipt requested, addressed to the
405 person to be served at such person's principal place of business within
406 or without this state or such person's residence.

407 (c) The Attorney General may contract with experts or consultants
408 to assist in reviewing the proposed agreement, including, but not
409 limited to, assistance in independently determining the fair market
410 value of the [nonprofit hospital's] assets of the nonprofit hospital that
411 is proposed to be acquired. The Attorney General may appoint, or
412 contract with, another person to conduct the review required by this
413 section and make recommendations to the Attorney General. The
414 Attorney General shall submit any bills for such contracts to the
415 purchaser. The purchaser shall pay such bills not later than thirty days
416 after receipt. Such bills shall not exceed five hundred thousand dollars.

417 Sec. 6. Section 19a-486e of the general statutes is repealed and the
418 following is substituted in lieu thereof (*Effective from passage*):

419 Prior to making any decision to approve, with or without
420 modification, or deny any application filed pursuant to subsection (d)
421 of section 19a-486a, as amended by this act, or section 9 or 10 of this
422 act, the Attorney General and the commissioner shall jointly conduct
423 one or more public hearings, one of which shall be in the [primary
424 service area] affected community of the nonprofit hospital that is
425 proposed to be acquired. At least fourteen days before conducting the
426 public hearing, the Attorney General and the commissioner shall
427 provide notice of the time and place of the hearing through publication
428 in one or more newspapers of general circulation in the affected
429 community.

430 Sec. 7. Section 19a-486f of the general statutes is repealed and the
431 following is substituted in lieu thereof (*Effective from passage*):

432 If the commissioner or the Attorney General denies an application
433 filed pursuant to subsection (d) of section 19a-486a, as amended by this
434 act, or section 9 or 10 of this act or approves it with modification, the
435 nonprofit hospital that is proposed to be acquired or the purchaser
436 may appeal such decision in the same manner as provided in section 4-
437 183, provided that nothing in sections 19a-486 to 19a-486f, inclusive, as
438 amended by this act, or sections 9 to 13, inclusive, of this act shall be
439 construed to apply the provisions of chapter 54 to the proceedings of
440 the Attorney General.

441 Sec. 8. Section 19a-486g of the general statutes is repealed and the
442 following is substituted in lieu thereof (*Effective from passage*):

443 The Commissioner of Public Health shall refuse to issue a license to
444 [, or if issued shall suspend or revoke the license of,] a hospital if the
445 commissioner finds, after a hearing and opportunity to be heard, that:

446 (1) There was a transaction described in section 19a-486a, as
447 amended by this act, or section 9 or 10 of this act that occurred without

448 the approval of the commissioner, if such approval was required by
449 sections 19a-486 to 19a-486h, inclusive, [;] as amended by this act,
450 section 1 or sections 9 to 13, inclusive, of this act; or

451 (2) There was a transaction described in section 19a-486a, as
452 amended by this act, or section 9 or 10 of this act without the approval
453 of the Attorney General, if such approval was required by sections 19a-
454 486 to 19a-486h, inclusive, as amended by this act, or sections 9 to 13 of
455 this act, inclusive, of this act and the Attorney General certifies to the
456 Commissioner of Public Health that such transaction involved a
457 material amount of [the] a nonprofit hospital's assets or operations or a
458 change in control of operations. [; or]

459 [(3) The hospital is not complying with the terms of an agreement
460 approved by the Attorney General and commissioner pursuant to
461 sections 19a-486 to 19a-486h, inclusive.]

462 Sec. 9. (NEW) (*Effective October 1, 2014*) (a) The Attorney General
463 and the Commissioner of Public Health shall process an application for
464 conversion where all of the transacting parties are nonprofit hospitals
465 in accordance with the provisions of this section, sections 19a-486a to
466 19a-486h, inclusive, of the general statutes, as amended by this act,
467 and, as applicable, section 10 of this act.

468 (b) The Attorney General may consider the following criteria in
469 making a determination on an application for conversion involving
470 only transacting parties that are nonprofit hospitals: (1) Whether the
471 proposed conversion will harm the public's interest in trust property
472 given, devised or bequeathed to the transacting parties for charitable,
473 educational or religious purposes located or administered in the state;
474 (2) whether any trustee of any charitable trust located or administered
475 in the state is likely to be deemed to have exercised reasonable care,
476 diligence and prudence in performing as a fiduciary in connection
477 with the proposed conversion; (3) whether the transacting parties
478 established appropriate criteria in deciding to pursue a conversion in
479 relation to carrying out their missions and purposes; (4) whether the
480 transacting parties considered the proposed conversion as the only

481 alternative or as the best alternative in carrying out their missions and
482 purposes; (5) whether any conflict of interest exists concerning the
483 proposed conversion relative to members of the transacting parties,
484 boards of directors, officers, directors, senior managers, experts or
485 consultants engaged in connection with the proposed conversion,
486 including, but not limited to, attorneys, accountants, investment
487 bankers, actuaries, health care experts or industry analysts; (6) whether
488 individuals described in subdivision (5) of this subsection were
489 provided with contracts or consulting agreements or arrangements
490 that included pecuniary rewards based in whole, or in part, on the
491 contingency of the completion of the conversion; (7) whether the
492 transacting parties exercised due care in engaging consultants with the
493 appropriate level of independence, education and experience in similar
494 conversions; (8) whether the transacting parties exercised due care in
495 accepting assumptions and conclusions provided by consultants
496 engaged to assist in the proposed conversion; (9) whether the
497 transacting parties' officers, directors, board members or senior
498 managers are expected to receive future contracts; (10) whether any
499 member of the transacting parties' boards of directors are expected to
500 retain any authority in the new hospital; (11) whether the members of
501 the transacting parties' boards of directors accepted fair consideration
502 and value for any management contract made part of the proposed
503 conversion; (12) whether any of the transacting parties' individual
504 officers, directors, board members or senior managers engaged legal
505 counsel to consider their individual rights or duties in acting in their
506 capacity as a fiduciary in connection with the proposed conversion;
507 (13) whether the proposed conversion is likely to result in an
508 abandonment of a transacting party's original purposes or whether the
509 new hospital is expected to depart from the traditional purposes and
510 missions of a transacting party such that a cy pres proceeding is likely
511 to be necessary; (14) whether the proposed conversion is based upon
512 the appropriate and reasonable fair market value; (15) whether the
513 proposed conversion is based upon appropriate valuation methods,
514 including, but not limited to, market approach, third-party report or
515 fairness opinion; (16) whether the conversion is proper under state

516 laws and regulations concerning nonprofit status; (17) whether the
517 conversion is proper under applicable state tax code provisions; (18)
518 whether the proposed conversion jeopardizes the tax status of a
519 transacting party; (19) whether the persons who represent a
520 transacting party in negotiations avoided conflicts of interest; (20)
521 whether the transacting parties' officers, board members, directors or
522 senior managers deliberately acted or failed to act in a manner that
523 impacted negatively on the value or purchase price; and (21) whether
524 the transacting parties are in compliance with state laws and
525 regulations concerning charitable trusts.

526 (c) The commissioner shall consider the following criteria in making
527 a determination on an application for conversion involving only
528 transacting parties that are nonprofit hospitals: (1) Whether the
529 character, commitment, competence and standing in the communities
530 served by the transacting parties are satisfactory; (2) whether sufficient
531 safeguards are included to ensure the affected community has
532 continued access to affordable health care; (3) whether the transacting
533 parties have provided satisfactory evidence that the new hospital will
534 provide health care and appropriate access with respect to
535 traditionally underserved populations in the community it will serve;
536 (4) whether procedures or safeguards are likely to ensure ownership
537 interests will not be used as incentives for hospital employees or
538 physicians to refer patients to the hospital; (5) whether the transacting
539 parties have made a commitment to ensure the continuation of
540 collective bargaining rights, if applicable, and retention of the
541 workforce; (6) whether the transacting parties have appropriately
542 accounted for employment needs at the new hospital and addressed
543 workforce retraining that may be needed as a result of any proposed
544 restructuring; and (7) whether the conversion demonstrates that the
545 public interest is likely to be served considering the essential medical
546 services necessary to provide safe and adequate treatment, appropriate
547 access to health care and balanced health care delivery to residents of
548 the state.

549 Sec. 10. (NEW) (*Effective October 1, 2014*) (a) An application for

550 conversion that meets the requirements of this subsection shall be
551 reviewed by the Attorney General and the Commissioner of Public
552 Health using an expedited review process. Such application shall
553 involve: (1) Two or more hospitals that are not in common control with
554 another hospital; (2) one hospital not under common control with
555 another hospital and a hospital or hospital system parent corporation;
556 or (3) two affiliated hospitals, the conversion of which has been
557 previously approved and another hospital or hospital system parent
558 corporation. Additionally: (A) Each transacting party shall be a
559 nonprofit Connecticut corporation that has directly or indirectly
560 continuously operated one or more hospitals licensed in the state for a
561 period of three years; and (B) the nonprofit hospital that is proposed to
562 be acquired shall operate a distressed hospital in the state facing
563 significant financial hardship that may impair its ability to continue to
564 operate effectively without the proposed conversion and has been
565 determined to be distressed by the commissioner based upon
566 consideration of any of the following criteria: (i) Such hospital has
567 operated at a loss for the two most recent fiscal years; (ii) such hospital
568 has less than fifty days of cash-on-hand; (iii) such hospital's current
569 asset-to-liability ratio is less than one and one-half; (iv) such hospital's
570 long-term debt to capitalization is greater than seventy-five per cent;
571 (v) such hospital has an inpatient occupancy rate of less than fifty per
572 cent; or (vi) such hospital is or is likely to be classified as below
573 investment grade by a major rating agency.

574 (b) Prior to any transaction described in subsection (a) of this
575 section, the transacting parties shall concurrently submit a certificate of
576 need determination letter as described in subsection (c) of section 19a-
577 638 of the general statutes to the commissioner and the Attorney
578 General by serving it on them by certified mail, return receipt
579 requested, or delivering it by hand to each department or office. The
580 certificate of need determination letter shall contain: (1) The name and
581 address of the nonprofit hospital that is proposed to be acquired; (2)
582 the name and address of the purchaser; (3) a brief description of the
583 terms of the proposed agreement; and (4) the estimated capital
584 expenditure, cost or value associated with the proposed agreement.

585 The certificate of need determination letter shall be subject to
586 disclosure pursuant to section 1-210 of the general statutes.

587 (c) The commissioner and the Attorney General shall review the
588 certificate of need determination letter. The Attorney General shall
589 determine whether the agreement requires approval pursuant to this
590 section. If such approval is required, the commissioner and the
591 Attorney General shall transmit to the transacting parties an
592 application form for approval pursuant to this section, unless the
593 commissioner refuses to accept a filed or submitted certificate of need
594 determination letter.

595 (d) The transacting parties that meet the requirements for expedited
596 review in accordance with subsection (a) of this section shall submit an
597 application to the commissioner and the Attorney General along with
598 the following information: (1) A detailed summary of the proposed
599 conversion; (2) the charter, articles of incorporation or certificate of
600 incorporation for each transacting party and its affiliated hospitals,
601 including any attachments to such documents; (3) the bylaws and
602 organizational charts for each transacting party and its affiliated
603 hospitals; (4) a description of the organizational structure for each
604 transacting party and each partner, affiliate, parent, subsidiary or
605 related legal entity in which a transacting party has a ten per cent or
606 greater ownership interest or control; (5) all documents, including
607 reports, meeting minutes and documents used for presentations, that
608 are relevant to each transacting party's board of directors' decision to
609 propose the conversion; (6) a description of each transacting party's
610 conflict-of-interest policies and procedures; (7) copies of each of the
611 transacting party's audited income statements, balance sheets and
612 other financial statements for the three-year period prior to submission
613 of the certificate of need determination letter and audited interim
614 financial statements and income statement with detailed descriptions
615 of the financing structure of the proposed conversion, including equity
616 contribution, debt restructuring, stock issuance and partnership
617 interests; (8) a copy of each report analyzing the proposed conversion,
618 including, but not limited to, any such report by any appraiser,

619 accountant, investment banker, actuary or other expert, during the
620 three-year period prior to the submission of the certificate of need
621 determination letter; (9) a copy of each current conflict of interest form
622 submitted to auditors for a transacting party in connection with the
623 preparation of financial statements in the one-year period prior to
624 submission of the certificate of need determination letter involving an
625 officer, member of the board of directors or trustees or senior manager,
626 including the medical director, of a transacting party, that shall be
627 submitted in a form acceptable to the commissioner and the Attorney
628 General; (10) a copy of each document related to a transacting party's
629 (A) identification of current charitable assets, (B) accounting of
630 charitable assets for the three-year period prior to submission of the
631 certificate of need determination letter, and (C) distribution of
632 charitable assets, including, but not limited to, endowments and
633 restricted, unrestricted and specific purpose funds as each relates to
634 the proposed conversion for the three-year period prior to submission
635 of the certificate of need determination letter; (11) a description of the
636 transacting parties' plan as to the manner in which any affiliated
637 hospitals intend to provide consolidated health care services during
638 the first three years after the conversion; (12) a description of hospital
639 units and services that the transacting parties expect will be eliminated
640 or significantly reduced during the first three years after the
641 conversion; and (13) a description of anticipated staffing levels for each
642 category of employee during the first three years after the conversion.

643 (e) (1) In reviewing an application under an expedited review, as
644 described in this section, the commissioner and the Attorney General
645 shall consider the criteria described in section 9 of this act.

646 (2) Not later than twenty business days after acceptance of an
647 application under the provisions of this section, the commissioner and
648 the Attorney General shall notify the public of submission of the
649 application and present members of the public an opportunity to
650 comment on the application.

651 (3) The commissioner and the Attorney General shall render a

652 decision on such application not later than ninety days after acceptance
653 of the application.

654 (f) The Attorney General shall review an application for conversion
655 submitted under this section to determine its impact upon the
656 charitable assets of each transacting party and may review any other
657 aspect of such application as the Attorney General deems appropriate.
658 The Attorney General shall conduct such review concurrently with the
659 commissioner's review of such application. The Attorney General shall
660 be entitled to costs incurred for such review in accordance with section
661 19a-486c of the general statutes, as amended by this act, and subsection
662 (g) of this section.

663 (g) The costs payable to the Attorney General and the commissioner
664 by the transacting parties for expedited review of an application for
665 conversion under this section shall not exceed twenty-five thousand
666 dollars for each one hundred million dollars of total net patient
667 services revenue of the transacting parties in the most recent fiscal year
668 for which audited financial statements are available.

669 Sec. 11. (NEW) (*Effective October 1, 2014*) Not later than sixty days
670 after the approval of a conversion pursuant to sections 19a-486a to 19a-
671 486h, inclusive, of the general statutes, as amended by this act, in
672 which the purchaser is a for-profit hospital, such purchaser shall
673 provide funds, in an amount determined by the Commissioner of
674 Public Health, for the hiring of an independent health care access
675 monitor for the new hospital. The independent health care access
676 monitor shall, for a period of five years after completion of the
677 conversion: (1) Meet with representatives of the new hospital and
678 members of the community served by the new hospital not less than
679 quarterly; (2) report to the Attorney General and the commissioner not
680 less than quarterly concerning (A) the new hospital's compliance with
681 applicable state laws and regulations, (B) community benefits
682 provided by the new hospital, (C) uncompensated care provided by
683 the new hospital, (D) identification of any sale, lease or acquisition of
684 real property by the new hospital, and (E) a description of efforts the

685 new hospital has taken to comply with any conditions of the approval
686 of the application for conversion; and (3) report to the Attorney
687 General any reasonable belief that the new hospital has breached, or
688 intends to breach, a condition of the approval of the application for
689 conversion.

690 Sec. 12. (NEW) (*Effective October 1, 2014*) When a for-profit
691 corporation and a nonprofit hospital are transacting parties to a
692 conversion that is approved by the Attorney General and the
693 Commissioner of Public Health pursuant to sections 19a-486a to 19a-
694 486h, inclusive, of the general statutes, as amended by this act, and the
695 Attorney General and the commissioner approve the conversion
696 during a municipality's assessment year, the purchaser that is a for-
697 profit corporation shall reimburse the municipality in which the new
698 hospital is located for grants in lieu of taxes, as provided in section 12-
699 20a of the general statutes that the municipality would have received
700 for real property formerly owned by the nonprofit hospital except for
701 such conversion for the portion of the year that the hospital conversion
702 has been completed.

703 Sec. 13. (NEW) (*Effective October 1, 2014*) The Commissioner of
704 Public Health, in consultation with the Attorney General, may adopt
705 regulations, in accordance with the provisions of chapter 54 of the
706 general statutes, to carry out the purposes of sections 19a-486a to 19a-
707 486h, inclusive, of the general statutes, as amended by this act, section
708 1 and sections 9 to 12, inclusive, of this act.

709 Sec. 14. Subsection (a) of section 19a-638 of the 2014 supplement to
710 the general statutes is repealed and the following is substituted in lieu
711 thereof (*Effective October 1, 2014*):

712 (a) A certificate of need issued by the office shall be required for:

713 (1) The establishment of a new health care facility;

714 (2) A transfer of ownership of a health care facility;

715 (3) The establishment of a freestanding emergency department;

716 (4) The termination of inpatient or outpatient services offered by a
717 hospital, including, but not limited to, the termination by a short-term
718 acute care general hospital or children's hospital of inpatient and
719 outpatient mental health and substance abuse services;

720 (5) The establishment of an outpatient surgical facility, as defined in
721 section 19a-493b, or as established by a short-term acute care general
722 hospital;

723 (6) The termination of surgical services by an outpatient surgical
724 facility, as defined in section 19a-493b, or a facility that provides
725 outpatient surgical services as part of the outpatient surgery
726 department of a short-term acute care general hospital, provided
727 termination of outpatient surgical services due to (A) insufficient
728 patient volume, or (B) the termination of any subspecialty surgical
729 service, shall not require certificate of need approval;

730 (7) The termination of an emergency department by a short-term
731 acute care general hospital;

732 (8) The establishment of cardiac services, including inpatient and
733 outpatient cardiac catheterization, interventional cardiology and
734 cardiovascular surgery;

735 (9) The acquisition of computed tomography scanners, magnetic
736 resonance imaging scanners, positron emission tomography scanners
737 or positron emission tomography-computed tomography scanners, by
738 any person, physician, provider, short-term acute care general hospital
739 or children's hospital, except as provided for in subdivision (22) of
740 subsection (b) of this section;

741 (10) The acquisition of nonhospital based linear accelerators;

742 (11) An increase in the licensed bed capacity of a health care facility;

743 (12) The acquisition of equipment utilizing technology that has not
744 previously been utilized in the state;

745 (13) An increase of two or more operating rooms within any three-
746 year period, commencing on and after October 1, 2010, by an
747 outpatient surgical facility, as defined in section 19a-493b, or by a
748 short-term acute care general hospital; [and]

749 (14) The termination of inpatient or outpatient services offered by a
750 hospital or other facility or institution operated by the state that
751 provides services that are eligible for reimbursement under Title XVIII
752 or XIX of the federal Social Security Act, 42 USC 301, as amended; and

753 (15) The termination of inpatient or outpatient reproductive services
754 offered by a hospital operated in the state.

755 Sec. 15. Section 19a-644 of the general statutes is repealed and the
756 following is substituted in lieu thereof (*Effective October 1, 2014*):

757 (a) On or before February twenty-eighth annually, for the fiscal year
758 ending on September thirtieth of the immediately preceding year, each
759 short-term acute care general or children's hospital shall report to the
760 office with respect to its operations in such fiscal year, in such form as
761 the office may by regulation require. Such report shall include: (1)
762 Salaries and fringe benefits for the ten highest paid positions; (2) the
763 name of each joint venture, partnership, subsidiary and corporation
764 related to the hospital; and (3) the salaries paid to hospital employees
765 by each such joint venture, partnership, subsidiary and related
766 corporation and by the hospital to the employees of related
767 corporations.

768 (b) The Department of Public Health shall adopt regulations in
769 accordance with chapter 54 to provide for the collection of data and
770 information in addition to the annual report required in subsection (a)
771 of this section. Such regulations shall provide for the submission of
772 information about the operations of the following entities: Persons or
773 parent corporations that own or control the health care facility,
774 institution or provider; corporations, including limited liability
775 corporations, in which the health care facility, institution, provider, its
776 parent, any type of affiliate or any combination thereof, owns more

777 than an aggregate of fifty per cent of the stock or, in the case of
778 nonstock corporations, is the sole member; and any partnerships in
779 which the person, health care facility, institution, provider, its parent
780 or an affiliate or any combination thereof, or any combination of health
781 care providers or related persons, owns a greater than fifty per cent
782 interest. For purposes of this section, "affiliate" means any person that
783 directly or indirectly through one or more intermediaries, controls or is
784 controlled by or is under common control with any health care facility,
785 institution, provider or person that is regulated in any way under this
786 chapter. A person is deemed controlled by another person if the other
787 person, or one of that other person's affiliates, officers, agents or
788 management employees, acts as a general partner or manager of the
789 person in question.

790 (c) Each [nonprofit] short-term acute care general or children's
791 hospital shall include in the annual report required pursuant to
792 subsection (a) of this section a report of all transfers of assets, transfers
793 of operations or changes of control involving its clinical or nonclinical
794 services or functions from [such] the hospital to a person or entity
795 organized or operated for profit.

796 (d) The office shall require each hospital licensed by the Department
797 of Public Health, that is not subject to the provisions of subsection (a)
798 of this section, to report to said office on its operations in the preceding
799 fiscal year by filing copies of the hospital's audited financial
800 statements. Such report shall be due at the office on or before the close
801 of business on the last business day of the fifth month following the
802 month in which a hospital's fiscal year ends.

803 Sec. 16. (*Effective July 1, 2014*) (a) For the purposes described in
804 subsection (b) of this section, the State Bond Commission shall have
805 the power from time to time to authorize the issuance of bonds of the
806 state in one or more series and in principal amounts not exceeding in
807 the aggregate ____ dollars.

808 (b) The proceeds of the sale of said bonds, to the extent of the
809 amount stated in subsection (a) of this section, shall be used by the

810 Department of Public Health for the purpose of grants-in-aid to
811 nonprofit hospitals for capital improvements.

812 (c) All provisions of section 3-20 of the general statutes, or the
813 exercise of any right or power granted thereby, which are not
814 inconsistent with the provisions of this section are hereby adopted and
815 shall apply to all bonds authorized by the State Bond Commission
816 pursuant to this section, and temporary notes in anticipation of the
817 money to be derived from the sale of any such bonds so authorized
818 may be issued in accordance with said section 3-20 and from time to
819 time renewed. Such bonds shall mature at such time or times not
820 exceeding twenty years from their respective dates as may be provided
821 in or pursuant to the resolution or resolutions of the State Bond
822 Commission authorizing such bonds. None of said bonds shall be
823 authorized except upon a finding by the State Bond Commission that
824 there has been filed with it a request for such authorization which is
825 signed by or on behalf of the Secretary of the Office of Policy and
826 Management and states such terms and conditions as said commission,
827 in its discretion, may require. Said bonds issued pursuant to this
828 section shall be general obligations of the state and the full faith and
829 credit of the state of Connecticut are pledged for the payment of the
830 principal of and interest on said bonds as the same become due, and
831 accordingly and as part of the contract of the state with the holders of
832 said bonds, appropriation of all amounts necessary for punctual
833 payment of such principal and interest is hereby made, and the State
834 Treasurer shall pay such principal and interest as the same become
835 due.

836 Sec. 17. (*Effective from passage*) The Commissioners of Public Health
837 and Social Services shall jointly review regulations of the Departments
838 of Public Health and Social Services relating to hospitals to determine
839 whether any such regulations should be amended or repealed to
840 ensure that the profitability of such hospitals does not outweigh
841 patient health and safety. Said commissioners shall, not later than July
842 1, 2015, jointly report, in accordance with section 11-4a of the general
843 statutes, to the joint standing committees of the General Assembly

844 having cognizance of matters relating to public health and human
845 services concerning the results of such review.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	19a-486
Sec. 3	<i>from passage</i>	19a-486a
Sec. 4	<i>from passage</i>	19a-486b
Sec. 5	<i>from passage</i>	19a-486c
Sec. 6	<i>from passage</i>	19a-486e
Sec. 7	<i>from passage</i>	19a-486f
Sec. 8	<i>from passage</i>	19a-486g
Sec. 9	<i>October 1, 2014</i>	New section
Sec. 10	<i>October 1, 2014</i>	New section
Sec. 11	<i>October 1, 2014</i>	New section
Sec. 12	<i>October 1, 2014</i>	New section
Sec. 13	<i>October 1, 2014</i>	New section
Sec. 14	<i>October 1, 2014</i>	19a-638(a)
Sec. 15	<i>October 1, 2014</i>	19a-644
Sec. 16	<i>July 1, 2014</i>	New section
Sec. 17	<i>from passage</i>	New section

Statement of Legislative Commissioners:

The effective date of section 2 was changed from "October 1, 2014" to "from passage" for internal consistency; in section 2(10), the phrase "or persons" was deleted, for internal consistency; in section 4(a), the phrase "which shall include" was changed to "including, but not limited to," for conformity with the drafting conventions of the general statutes; in section 9(b), the word "applicants" was changed to "transacting parties", for consistency; in section 10(c), the phrase "pursuant to this chapter" was changed to "pursuant to this section", for accuracy, and the phrase "pursuant to this chapter or sections 9 to 13, inclusive, of this act" was changed to "pursuant to this section", for accuracy.

PH *Joint Favorable Subst.*

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:

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Public Health, Dept.	GF - Revenue Gain	2,000	None
State Comptroller - Fringe Benefits ¹	GF - Cost	79,506	83,083
Public Health, Dept.	GF - Cost	223,913	227,632

Municipal Impact: None

Explanation

The bill results in net state cost of \$301,419 in FY 15 and a state cost of \$310,715 in FY 16 associated with the expanded requirements for nonprofit hospitals to transfer ownership or control to for-profit entities (applications must be on file before 10/1/14) and the expansion of requirements for certain non-profit hospital agreements, which must be analyzed by the Department of Public Health's Office of Health Care Access (OHCA). It is anticipated that four non-profit to profit hospital conversion Certificate of Need (CON) applications may be filed before 10/1/14 (there is currently one under review) and that approximately four CONs associated with non-profit agreements will occur in FY 16 and annually thereafter. As the bill is anticipated to increase the non-profit to profit hospital CON applications in FY 15 (as applications filed after 10/1/14 will not be accepted), associated revenue of \$2,000 is anticipated (this reflects four CONs with a fee of \$500 for each). No additional revenue is anticipated in FY 16.

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.66% of payroll in FY 15 and FY 16.

As the bill requires a significant expansion of information that OHCA must analyze, the cost to OCHA reflects the addition of two full-time Associate Research Analysts and one full-time Office Assistant, equipment expenses in FY 15 (computers) and other on-going expenses all totaling \$223,913 in FY 15 and \$227,632 in FY 16. Associated State Comptroller – Fringe Benefits costs for these positions are \$79,506 in FY 15 and \$83,083 in FY 16.

Current hospital conversion law requires Office of the Attorney General (OAG) approval for a nonprofit hospital’s sale or transfer to a for-profit entity. This bill extends OAG approval to hospital conversions in which all parties are nonprofit. The bill has no fiscal impact on OAG because CGS Sec. 19a-486c allows OAG to hire consultants and experts to evaluate conversion proposals and bill hospital purchasers for these costs in an amount not to exceed \$500,000 per application. The bill does not change other statutory responsibilities, such as giving OAG discretion to determine that the conversion process doesn’t apply to transactions that fall below the threshold amount of assets.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 460*****AN ACT CONCERNING HOSPITAL CONVERSIONS AND OTHER MATTERS AFFECTING HOSPITALS.*****SUMMARY:**

This bill generally bars applications for nonprofit hospitals to transfer ownership or control to for-profit entities, starting October 1, 2014. It expands requirements for the public health (DPH) commissioner's and attorney general's review and approval of such transactions for applications filed before then.

Starting October 1, 2014, it also extends approval requirements to hospital transfers where all parties are nonprofits, under a generally similar process. It creates an expedited process for nonprofit-only transfers if the hospital seeking to sell itself is in financial distress and certain other criteria are met.

Among the changes affecting applications filed before October 1, 2014 to transfer to a for-profit entity, the bill (1) specifies the threshold change in ownership or control that requires approval; (2) considerably expands the information the parties must submit with the application; (3) requires the purchaser to pay for an independent health care access monitor to oversee the new hospital for five years; and (4) requires the purchaser to reimburse the municipality where the hospital is located for grants in lieu of taxes that the town would have received had the conversion not occurred.

It allows the commissioner, in consultation with the attorney general, to adopt regulations to carry out the purposes of the bill and existing law regarding hospital conversions of all types (§ 13).

The bill makes other changes affecting hospitals. It:

1. specifically requires a certificate of need (CON) for hospitals seeking to terminate inpatient or outpatient reproductive services (§ 14);
2. extends to for-profit hospitals a current reporting requirement for nonprofits regarding transfers to for-profit entities (§ 15);
3. authorizes state general obligations bonds, in an unspecified amount, for DPH to provide grants for nonprofit hospitals' capital improvements (§ 16); and
4. requires the DPH and social services (DSS) commissioners to review and report on their agencies' hospital regulations (§ 17).

The bill also makes minor, technical, and conforming changes.

EFFECTIVE DATE: Upon passage, except for (1) the bonding authorization, which is effective July 1, 2014, and (2) the provisions on an independent monitor, grants in lieu of taxes, authority for the DPH commissioner to adopt regulations, nonprofit-only conversions, CON for hospital reproductive services, and for-profit hospital reporting, which are effective October 1, 2014.

§ 1 — BAN ON HOSPITALS CONVERTING TO FOR-PROFIT FOR APPLICATIONS FILED ON OR AFTER OCTOBER 1, 2014

By law, a nonprofit hospital needs approval of the attorney general and DPH commissioner to transfer a material amount of its assets or operations or to change the control of its operations to a for-profit entity. Any such agreement without their approval is void. Neither current law nor the bill define "material amount" and it is not clear whether all such transactions constitute "conversions," as defined by the bill (see below).

The bill allows applications filed before October 1, 2014 to proceed, subject to new requirements set forth below. But it otherwise bans nonprofit hospitals from entering such agreements with for-profit entities.

The bill also specifies that the ban does not apply to any for-profit hospital operating in Connecticut on May 12, 2004 (i.e., Sharon Hospital).

§ 2 — DEFINITION OF CONVERSION

While transactions involving the sale of a nonprofit hospital to a for-profit entity are often referred to as hospital conversions, the term “conversion” does not appear in the current statutes governing these transactions. The bill adds a definition of “conversion,” although it retains existing language regarding when these statutes apply (the transfers described above).

Under the bill, a “conversion” is any transfer of a nonprofit hospital’s assets or operations that results in:

1. a 20% or greater change in the ownership, control, or possession of the hospital’s (a) voting rights or interests or (b) assets;
2. a person previously unaffiliated with the hospital possessing 10% or more of the hospital’s (a) voting rights or interests or (b) assets; or
3. the removal, addition, or substitution of a person holding an ownership or membership interest in the hospital, and a previously unaffiliated person gaining or acquiring a controlling interest or controlling vote in the hospital.

CONVERSION TO FOR-PROFIT HOSPITAL FOR APPLICATIONS FILED BEFORE OCTOBER 1, 2014

The bill changes several aspects of the approval process for nonprofit hospitals seeking to transfer to for-profit entities. The new requirements apply to conversions where all parties are nonprofit except as noted below in the discussions of §§ 9 and 10.

§§ 2 & 3 — *Required Information in Application*

By law, prior to such a transaction, the parties must concurrently submit a CON determination letter, with specified information, to the

commissioner and attorney general. The commissioner and attorney general must review the letter, with the attorney general determining whether the proposed agreement requires approval under the nonprofit conversion law. If it does, they must give the parties an application for the transaction's approval, unless the commissioner refuses to accept the letter. Both the CON determination letter and the application are subject to disclosure under the Freedom of Information Act (FOIA).

The bill adds many items to the information the transacting parties must include in the application. It specifies that the current and newly required items are required as applicable; some of the new provisions do not specify whether the required information applies to the prospective purchaser, the hospital to be acquired, or both. Some of the provisions specifically refer to the new hospital, which the bill defines as the hospital as it exists after the approval of the agreement and the completion of the conversion.

Tables 1 through 4 below describe the required information, divided into general categories for ease of reference. Unless otherwise specified, references in the tables to the "five-year period" refer to the five years before the parties submitted the CON determination letter to the commissioner and attorney general.

By law, in addition to the items listed below, the application must include other information the attorney general or commissioner deem necessary to conduct their review under the nonprofit conversion law and the CON law.

Table 1: Contact Information and Other Corporate or Organizational Information, for Parties or Affiliated Entities

<i>Current Law</i>
Both parties' names and addresses
<i>Additions Under the Bill</i>
Both parties' telephone numbers
Name, address, telephone number, occupation, and tenure of officers, board members, trustees, executives, and senior managers during the five-year period

List of committees, subcommittees, task forces, or similar entities of the board of directors or trustees, including a short description of their purpose and their members' names, addresses, telephone numbers, occupations, and tenures
Articles and certificates of incorporation
Bylaws and organizational charts
Description of the organizational structure for each party and any partners, affiliates, "parent subsidiaries," or related corporate entities in which the purchaser has at least a 10% ownership interest
Current conflict of interest statements, policies, or procedures
Names and addresses of licensed health care facilities in which each party maintains an ownership or controlling interest or operating authority
Names of each party's current officers, directors, board members, or senior managers, whether or not they are expected to (1) maintain a position with the new hospital or (2) receive a salary; severance stock offering; or any financial gain, current or deferred, as a result of, or relating to, the proposed conversion
Copies of current notices of conflict of interest forms the parties submitted to auditors in connection with preparing financial statements in the one-year period before they submitted the CON determination letter, involving their officers;, members of their board of directors or trustees; or senior managers, including medical directors (these must be submitted in a form acceptable to the attorney general)

Table 2: Documents Concerning the Proposed Conversion and Related Financial and Other Information

<i>Current Law</i>
Description of proposed agreement terms
Copies of all contracts, agreements, and memoranda of understanding relating to the proposed agreement
Fairness evaluation by an independent expert that includes an analysis of the criteria established by law for the attorney general's approval of the agreement
Documentation that the hospital being acquired exercised due diligence in deciding to transfer; selecting the purchaser; obtaining the fairness evaluation; and negotiating the terms and conditions of the transfer, including disclosing the terms of any other offers the hospital rejected and why it rejected these offers
<i>Additions Under the Bill</i>
Agendas and minutes for meetings of the board of directors or trustees and their committees, subcommittees, task forces, or similar entities related to the conversion, excluding those on peer review or confidential medical matters, for the five-year period, and at the attorney general's or commissioner's request, any documents distributed at these meetings
Names, addresses, and telephone numbers of professional consultants engaged in connection with the proposed conversion

Copies of audited income statements, balance sheets, other financial statements, and management letters issued during the five-year period, and to the extent they have been made public, audited interim financial and income statements with a detailed description of the proposed conversion's financing structure, including equity contribution, debt restructuring, stock issuance, partnership interest, stock offerings, and similar information
Detailed description of real estate issues, including title reports for owned property, lease agreements between the parties and any entity the purchaser owns or controls, and any proposed sale or leaseback concerning the proposed conversion
Detailed description of any proposed transaction concerning equipment leases, insurance, regulatory compliance, tax status, pending litigation or regulatory citations, pension plan descriptions and employee benefits, environmental reports, assessments, and organizational goals
Copies of any reports analyzing the proposed conversion by appraisers, accountants, investment bankers, actuaries, or other experts, prepared during the five-year period
Copies of any opinions or memoranda prepared for a party by attorneys, accountants, or other experts, addressing the proposed conversion's tax consequences
Description of how the price was determined including the valuation methods and data used and names and addresses of those who prepared these documents
Copies of all documents relating to identification of charitable assets; accounting of these assets for the five-year period; and their distribution, including endowments and restricted, unrestricted, and specific purpose funds as they relate to the proposed transaction
Description of the criteria the acquired hospital's board of directors used to pursue a conversion
Copies of any due diligence review reports performed by a party relating to the proposed conversion
Description of any requests for proposals issued by the acquired hospital in pursuit of a proposed conversion
Copies of any reports analyzing an affiliation, merger, or similar transaction a party considered during the five-year period, including those prepared by appraisers, accountants, investment bankers, actuaries, or other experts
Copies of any proposed contracts or descriptions of proposed contracts or arrangements with the "existing hospital's" senior managers, board members, officers, or directors for "severance consulting services" or covenants not-to-compete after completing the conversion
Copies or descriptions of any agreements or proposed agreements on current or future employment or compensated relationships between the purchaser or related entities and any officers, directors, board members, or senior managers of the acquiree hospital or related entities
Copies or descriptions of any agreements that each party has executed or anticipates executing in connection with the proposed conversion

Table 3: Information on Patient Statistics, Government Investigations, Uncompensated Care, Hospital Staffing, Health Care Services, and Related Topics

Additions Under the Bill

Patient statistics for the five-year period and patient projections for one year after submitting the CON determination letter, including patient visits, admissions, emergency room visits, clinical visits, visits to each hospital unit, admissions to in-hospital nursing care, and visits by affiliated home health care entities
List and description of any pending or adjudicated (1) citations, violations, or charges against a party or a facility a party owns or controls or (2) investigations involving a party brought by a governmental or accrediting agency in the five-year period, and each investigation's status or disposition
List of costs for uncompensated care (see definition below) provided by facilities owned or controlled by a party in the five-year period and a detailed description of how the amount was calculated
Description of uncompensated care provided by the existing hospital for the five-year period, including the dollar amount and services provided
Description of bad debt incurred by the acquiree hospital for the five-year period, for which payment was anticipated but not received
Description of the plan for the new hospital's provision of community benefit (see definition below) and uncompensated care during its first five years of operation
Description of the new hospital's plan to monitor and value uncompensated care and community benefits
Copies of staffing plans for the new hospital's first five years of operation
List of hospital units and medical, clinical, and administrative services to be maintained at the new hospital
Description of any unit and clinical, social, medical, or other service anticipated to be eliminated or significantly reduced at the new hospital
Description of (1) staffing levels for each employee category, including full-time, part-time, and contract employees employed by or providing services to the acquiree hospital and (2) anticipated changes in current staffing levels

Table 4: Other Financial Information

<i>Additions Under the Bill</i>
Copies of capital and operating budgets or other financial projections for the new hospital's first five years of operation
Copies of documents or descriptions of any proposed plans to create an entity for charitable assets, including endowments; restricted, unrestricted, and specific purpose funds; articles of incorporation; bylaws; mission statements; program agendas; board members' appointment methods, qualifications, and duties; and conflict of interest policies
Copies of Internal Revenue Service Form 990 (the tax return form for organizations exempt from income tax) for the five-year period, for any party required by federal law to file this form

As noted in Table 3 above, the bill requires the parties to report certain information concerning community benefits and uncompensated care. It defines "community benefit" as the provision

of hospital services meeting the community's ongoing needs for primary and emergency care in a manner enabling community members to maintain relationships with family members or others hospitalized or receiving hospital services. The definition includes uncompensated care.

The bill incorporates the current definition of "uncompensated care" from the statutes on DPH's Office of Health Care Access (OHCA). Those statutes define uncompensated care as the total amount of charity care and bad debts determined by using the hospital's published charges and consistent with the hospital's charity care and bad debt policies on file with OHCA. (It is unclear how this definition applies to parties who are not currently operating hospitals in the state and thus not required to file these policies.)

§ 3 — Notice of Deficiencies

The bill increases, from 20 to 60 days, the time the commissioner and attorney general have after receiving the application to provide written notice to the parties of any deficiencies. By law, the application is not deemed complete until these deficiencies are fixed.

§ 4 — Good Cause Extension for Decision on Application

By law, the attorney general and commissioner must make a decision on a completed application within 120 days of receiving it, unless the period is extended. The application is deemed approved if the commissioner and the attorney general do not issue a decision within the 120-day period, unless extended.

The bill allows the attorney general to extend the 120-day period if he determines there is reasonable cause to do so, including a pending federal investigation involving a transacting party.

Under existing law, the period can be extended if the attorney general, commissioner, and parties all agree. The deadline is tolled (delayed) for legal action taken by the attorney general to enforce a subpoena.

§ 4 — Conditions on Approval

The bill specifically allows the commissioner and attorney general, when approving an application, to place any conditions on their approval that relate to the purposes of the conversion law.

It allows the attorney general, after an application is approved, to halt or place specific conditions on the new hospital's sale, lease, or acquisition of real property if it is sold for more than its purchase price, after deducting the value of capital improvements. He also can require any moneys resulting from the sale to be deposited in a charitable trust closely related to the acquired hospital's purpose.

The bill also gives the attorney general authority to recover the proceeds of previous sales or leases involving property sold under these conditions. (It is unclear if this refers to transactions occurring before the conversion's approval.) It allows him to order the proceeds of the sale or lease to be (1) used for capital improvements to the new hospital or (2) deposited in a charitable trust closely related to the acquired hospital's purpose.

§§ 2, 5, 6 — Affected Community

Three provisions of the current conversion law refer to "affected community" but do not define that term. These include the following:

1. The attorney general must disapprove an application as not in the public interest if he makes certain determinations, including that a sum equal to the fair market value of the hospital's assets is not being used for any of specified purposes. One such permissible purpose is support and promotion of health care generally in the affected community.
2. The commissioner must disapprove an application unless she finds, among other things, that the affected community will be assured of continued access to affordable health care (CGS § 19a-486d).
3. The attorney general and commissioner must provide notice of

the required public hearing at least 14 days before by publication in one or more general circulation newspapers in the affected community.

The bill defines “affected community” as a municipality (1) where the hospital is located or (2) whose inhabitants are regularly served by the hospital.

Current law requires at least one public hearing regarding the proposal to be held in the nonprofit hospital’s primary service area. The bill instead requires one in its affected community.

§ 8 — DPH License Authority

The bill narrows the DPH commissioner’s authority to take licensing actions against a hospital regarding unlawful transactions governed by the conversion law.

Currently, she can refuse to license a hospital or, if already licensed, suspend or revoke its license, if she finds after a hearing and an opportunity to be heard that:

1. the transaction occurred without the commissioner’s approval, if required;
2. the transaction occurred without the attorney general’s approval, if required, and he certifies to the commissioner that the transaction involved a material amount of the hospital’s assets or operations or a change in control of operations; or
3. the hospital is not complying with the terms of an agreement approved by the attorney general and the commissioner pursuant to the conversion law.

The bill removes the commissioner’s authority to suspend or revoke an already-issued license under these circumstances. It also removes her authority to take licensing action for noncompliance with the terms of an agreement approved by her and the attorney general.

§ 11 — Independent Monitor

The bill requires the for-profit purchaser, within 60 days after the conversion's approval, to provide funds for an independent health care access monitor for the new hospital. The DPH commissioner determines the amount.

Under the bill, the monitor must do the following, for five years after the conversion:

1. meet with hospital representatives and members of the community served by the hospital, at least quarterly;
2. report to the attorney general and commissioner, at least quarterly, on (a) the hospital's compliance with applicable state laws and regulations, (b) the hospital's provision of community benefits and uncompensated care, (c) any real property sales, leases, or acquisitions by the hospital, and (d) a description of the hospital's efforts to comply with any conditions of the application's approval; and
3. report to the attorney general any reasonable belief that the hospital has breached, or intends to breach, a condition of the approval.

§ 12 — Reimbursement for Grants In Lieu of Taxes

Under the bill, when a conversion is approved during the assessment year for the municipality where the new hospital is located, the for-profit purchaser must reimburse the municipality for grants in lieu of taxes the town would have received for real property formerly owned by the nonprofit hospital, had the conversion not occurred. The reimbursement must cover the portion of the year after which the conversion was completed.

CONVERSIONS INVOLVING ONLY NONPROFITS

The current conversion law only applies to transactions involving a nonprofit hospital's sale or transfer to a for-profit entity. On and after October 1, 2014, hospital conversions in which all parties are

nonprofits also need approval from the attorney general and commissioner. The bill creates two processes for nonprofit-only conversions: (1) a standard process and (2) an expedited process if the hospital to be acquired is in financial distress and certain conditions are met.

Under the bill, parties seeking a standard nonprofit-only conversion (but not an expedited conversion) must submit the same application as for conversions to for-profit.

Certain steps in the process for nonprofit-only conversions differ from conversions involving for-profit purchasers. These differences are explained below. The differences that apply to both the standard and expedited nonprofit-only processes are explained first, followed by the differences that only apply to the expedited process.

§ 9 — Factors in Attorney General’s Determination

Under existing law and the bill, for hospital conversions involving for-profit purchasers, the attorney general must disapprove the application as not in the public interest if he makes any of specified determinations. For conversions involving only nonprofits (both standard and expedited), the bill instead specifies several factors that he may consider. Those factors are described in Table 5.

Table 5: Factors for Attorney General’s Consideration of Nonprofit-only Conversions

Whether the proposed conversion will harm the public's interest in trust property given, devised, or bequeathed to the parties for charitable, educational, or religious purposes located or administered in the state
Whether trustees of charitable trusts located or administered in the state are likely to be deemed to have exercised reasonable care, diligence, and prudence in performing as fiduciaries in connection with the proposed conversion
Whether the parties established appropriate criteria in deciding to pursue a conversion, in relation to their missions and purposes
Whether the parties considered the proposed conversion as the only, or the best, alternative in carrying out their missions and purposes
Whether there are conflicts of interest concerning the proposed conversion regarding the parties' members, boards of directors, officers, directors, or senior managers, or experts or consultants engaged in connection with the proposal

Whether the individuals described above were given contracts or consulting agreements or arrangements with pecuniary rewards based in whole or part on the contingency of completing the conversion
Whether the parties exercised due care in engaging consultants with appropriate independence, education, and experience in similar conversions
Whether the parties exercised due care in accepting assumptions and conclusions provided by consultants assisting in the proposed conversion
Whether the parties' officers, directors, board members, or senior managers are expected to receive future contracts
Whether the parties' board members are expected to retain authority in the new hospital
Whether the parties' board members accepted fair consideration and value for any management contract that was part of the proposed conversion
Whether the parties' officers, directors, board members, or senior managers engaged legal counsel to consider their individual rights or duties in acting in their fiduciary capacity in connection with the proposed conversion
Whether the proposed conversion is likely to result in a party abandoning its original purposes or whether the new hospital is expected to depart from a party's traditional purposes and missions such that a cy pres proceeding will likely be needed (under the "cy pres" doctrine, when an original charitable purpose becomes impossible or impractical to fulfill, the court substitutes charitable purposes that are as close as possible to the original)
Whether the proposed conversion is based upon appropriate and reasonable fair market value
Whether the proposed conversion is based upon appropriate valuation methods, including market approach, third-party reports, or fairness opinions
Whether the conversion is proper under state laws and regulations on nonprofit status
Whether the conversion is proper under state tax law
Whether the proposed conversion jeopardizes a party's tax status
Whether the parties' negotiators avoided conflicts of interest
Whether the parties' officers, board members, directors, or senior managers deliberately acted or failed to act in a manner that negatively affected the value or purchase price
Whether the parties are complying with state laws and regulations on charitable trusts

Factors in DPH Commissioner's Determination

For conversions involving a for-profit purchaser, existing law and the bill require the commissioner to deny the application unless she makes certain findings. It appears these provisions also apply under the bill to standard nonprofit-only conversions. The bill also specifies the factors that she must consider in her review of all nonprofit-only conversions (standard or expedited). Those factors are listed in Table 6 below.

Table 6: Factors for DPH Commissioner's Consideration of Nonprofit-Only Conversions

Whether the parties' character, commitment, competence, and community standing are satisfactory
Whether there are sufficient safeguards to ensure the affected community has continued access to affordable health care
Whether the parties have provided satisfactory evidence that the new hospital will provide health care and appropriate access for traditionally underserved populations in the community it will serve
Whether procedures or safeguards are likely to ensure ownership interests will not be used as incentives for hospital employees or physicians to refer patients to the hospital
Whether the parties have made a commitment to ensure the continuation of collective bargaining rights, if applicable, and workforce retention
Whether the parties have appropriately accounted for the new hospital's employment needs and addressed workforce retraining that may be needed due to any proposed restructuring
Whether the conversion demonstrates that the public interest will likely be served considering the essential medical services needed to provide safe and adequate treatment, appropriate health care access, and balanced health care delivery to the state's residents

§ 10 — EXPEDITED PROCESS FOR NONPROFIT-ONLY CONVERSIONS INVOLVING FINANCIALLY DISTRESSED HOSPITAL

Eligibility for Expedited Process

To qualify for the expedited process, each party must be a nonprofit Connecticut corporation that has directly or indirectly continuously operated at least one state-licensed hospital for three years. The hospital that will be acquired must operate a distressed hospital in the state facing significant financial hardship that may impair its ability to continue to operate effectively without the conversion. The commissioner must have determined it to be distressed based on any of the following criteria:

1. the hospital has operated at a loss for the two most recent fiscal years,
2. it has less than 50 days of cash-on-hand,
3. its current asset-to-liability ratio is less than 1.5,
4. its long-term debt to capitalization is greater than 75%,
5. it has an inpatient occupancy rate of less than 50%, or

6. it is or is likely to be classified as below investment grade by a major rating agency.

The application also must involve:

1. two or more hospitals that are not in common control with another hospital,
2. (a) one hospital not under common control with another hospital and (b) a hospital or hospital system parent corporation, or
3. (a) two affiliated hospitals whose conversion has been previously approved and (b) another hospital or hospital system parent corporation.

Application Information

To start the expedited process, the parties must first submit a CON determination letter, with the same information as required for other transactions. But the information the parties must submit with the subsequent application is less extensive than for other conversions, and in some cases covers a shorter time period. The required information is presented below in Tables 7 to 9.

Table 7: Corporate or Organizational Information, for Parties or Affiliated Entities

Charters and articles or certificates of incorporation for the parties and their affiliated hospitals, including any attachments to these documents
Bylaws and organizational charts for the parties and their affiliated hospitals
Description of the organizational structure of the parties and any partners, affiliates, parents, subsidiaries, or related legal entities in which a party has at least 10% ownership interest or control
Description of the parties' conflict of interest policies and procedures
Copies of current conflict of interest forms the parties submitted to auditors in connection with preparing financial statements in the year before they submitted the CON determination letter, involving their officers, members of the board of directors or trustees, or senior managers, including medical directors (these must be submitted in a form acceptable to the attorney general and commissioner)

Table 8: Documents Concerning the Proposed Conversion and Related Financial and Other Information

Detailed summary of the proposed conversion
All documents, including reports, meeting minutes, and those used for presentations, relevant to the boards' decision to propose the conversion
Copies of the parties' audited income statements, balance sheets, and other financial statements for the three-year period before they submitted the CON determination letter, and audited interim financial and income statements with detailed descriptions of the proposed conversion's financing structure, including equity contribution, debt restructuring, stock issuance, and partnership interests
Copies of all reports analyzing the proposed conversion by appraisers, accountants, investment bankers, actuaries, or other experts, prepared during the three-year period noted above
Copies of all documents relating to the parties' identification of charitable assets; an accounting of these assets for the three-year period; and distribution of these assets, including endowments and restricted, unrestricted, and specific purpose funds as they relate to the proposed conversion, for the three-year period

Table 9: Information on Health Care Services and Hospital Staffing

Description of the parties' plan as to how any affiliated hospitals intend to provide consolidated health care services in the first three years after the conversion
Description of hospital units and services the parties expect will be eliminated or significantly reduced during those three years
Description of anticipated staffing levels for each employee category during those three years

Public Notification and Input

The bill requires the commissioner and attorney general, within 20 business days after accepting an application eligible for expedited review, to notify the public of the application and present the public with an opportunity to comment. Unlike other conversions, it does not require the commissioner and attorney general to jointly publish a summary of the agreement in a general circulation newspaper in the hospital's area, within 25 days after getting the complete application.

As with other conversion applications, the bill requires the commissioner and attorney general to conduct at least one public hearing (§ 6).

Timeframe for Decision

The bill requires the commissioner and attorney general to render a decision on an expedited application within 90 days of accepting it, rather than 120 days as for other conversion applications. It appears the bill does not allow the 90-day period to be extended.

Attorney General Review

The bill requires the attorney general, when reviewing an expedited application, to determine its impact on the parties' charitable assets. In addition to the factors noted above for other nonprofit-only conversions, the bill also allows the attorney general to review any other aspect of the application he considers appropriate.

Under existing law, the attorney general can contract with experts or consultants when reviewing a hospital conversion application, and can bill the purchaser up to \$500,000 for these services. The bill provides that, for expedited reviews, the attorney general is entitled to costs for his review of the application, subject to this \$500,000 limit.

It also limits the amount the attorney general and commissioner can charge the parties for the expedited review, to \$25,000 per \$100 million of the parties' total net patient services in the most recent fiscal year for which audited financial statements are available.

Subpoena Authority

Existing law allows the attorney general and DPH commissioner, when reviewing the conversion agreement, to issue subpoenas and written interrogatories. The bill gives them this same authority for nonprofit-only conversions, except it appears to not give the commissioner this authority for conversions subject to the expedited process (see CGS § 19a-486d).

§ 14 — CERTIFICATE OF NEED FOR HOSPITALS' TERMINATION OF REPRODUCTIVE SERVICES

Existing law requires any hospital seeking to terminate inpatient or outpatient services to obtain a CON from OHCA. The bill explicitly requires this for hospitals seeking to terminate inpatient or outpatient

reproductive services.

§ 15 — REPORTING REQUIREMENT

Current law requires each nonprofit short-term acute care general or children's hospital, in its annual report to OHCA, to report all transfers of assets or operations or changes of control involving clinical or nonclinical services or functions from the hospital to a for-profit entity. The bill extends this requirement to for-profit hospitals.

§ 17 — COMMISSIONERS' REVIEW OF HOSPITAL REGULATIONS

The bill requires the DPH and DSS commissioners to jointly (1) review their agencies' hospital regulations to determine whether any should be amended or repealed to ensure that hospital profitability does not outweigh patient health and safety and (2) report their findings to the Public Health and Human Services committees by July 1, 2015.

BACKGROUND

Related Bill

HB 5257 (File 86), reported favorably by the Labor and Public Employees Committee, creates additional requirements that a nonprofit hospital and an entity seeking to convert it to a for-profit hospital must meet during the conversion process. It requires (1) the hospital and purchaser to enter into a memorandum of understanding that, among other things, requires the purchaser to recognize the hospital's unions and honor its collective bargaining agreements; (2) the hospital's host municipality to hold three public hearings at least 60 days before the parties start the conversion; and (3) the purchaser to submit to a five-year strategic plan detailing how its decisions to change the hospital's health care services could affect employment.

COMMITTEE ACTION

Public Health Committee

Joint Favorable Substitute

Yea 16 Nay 9 (03/25/2014)