



General Assembly

January Session, 2015

***Raised Bill No. 916***

LCO No. 3530



Referred to Committee on PUBLIC HEALTH

Introduced by:  
(PH)

***AN ACT CONCERNING HOSPITAL CONVERSIONS.***

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

1 Section 1. Section 19a-486 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2015*):

3 For purposes of sections 19a-486 to 19a-486h, inclusive, as amended  
4 by this act, and sections 8 to 12, inclusive, of this act:

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

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

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

13 (4) "Transfer" means to sell, transfer, lease, exchange, option,

14 convey, give or otherwise dispose of or transfer control over,  
15 including, but not limited to, transfer by way of merger or joint  
16 venture not in the ordinary course of business.

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

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

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

21 (8) "Affected community" means a municipality where the hospital  
22 is physically located or a municipality whose inhabitants are regularly  
23 served by the hospital.

24 (9) "Community benefit" means the provision of hospital services  
25 that meet the ongoing needs of the community for primary and  
26 emergency care in a manner that enables members of the community  
27 to maintain a relationship with a family member or other person who  
28 is hospitalized or receiving hospital services and includes, but is not  
29 limited to, uncompensated care.

30 (10) "Conversion" means any transfer by a person or persons of the  
31 assets or operation of a hospital to another person, that results in (A) a  
32 change in the ownership, control or possession of not less than twenty  
33 per cent of (i) the voting rights or interests in a nonprofit hospital, or  
34 (ii) the assets of a nonprofit hospital; (B) a person previously  
35 unaffiliated with a nonprofit hospital possessing not less than ten per  
36 cent of (i) the voting rights or interests in a nonprofit hospital, or (ii)  
37 the assets of the nonprofit hospital; or (C) the removal, addition or  
38 substitution of a person holding an ownership or membership interest  
39 in a nonprofit hospital that results in a previously unaffiliated person  
40 gaining or acquiring a controlling interest or controlling vote in a  
41 nonprofit hospital.

42 (11) "Transacting party" means a person that is a party to a proposed

43 agreement for a conversion who submits an application to the  
44 commissioner and the Attorney General pursuant to section 19a-486a,  
45 as amended by this act, or section 9 of this act.

46 (12) "New hospital" means a hospital as it exists after the approval  
47 of an agreement pursuant to section 19a-486b, as amended by this act,  
48 or section 8 of this act and the completion of a conversion.

49 (13) "Uncompensated care" has the same meaning as in section 19a-  
50 659.

51 Sec. 2. Section 19a-486a of the general statutes is repealed and the  
52 following is substituted in lieu thereof (*Effective October 1, 2015*):

53 (a) No nonprofit hospital shall enter into an agreement to transfer a  
54 material amount of its assets or operations or a change in control of  
55 operations to a person that is organized or operated for profit without  
56 first having received approval of the agreement by the commissioner  
57 and the Attorney General pursuant to sections 19a-486 to 19a-486h,  
58 inclusive, as amended by this act, and pursuant to the Attorney  
59 General's authority under section 3-125. On and after October 1, 2015,  
60 no nonprofit hospital shall enter into an agreement to transfer a  
61 material amount of its assets or operations or a change in control of  
62 operations to another nonprofit hospital without first having received  
63 approval of the agreement by the commissioner and the Attorney  
64 General pursuant to sections 19a-486 to 19a-486h, inclusive, as  
65 amended by this act, and sections 8 to 12, inclusive, of this act. Any  
66 such agreement without the approval required by sections 19a-486 to  
67 19a-486h, inclusive, as amended by this act, and sections 8 to 12,  
68 inclusive, of this act shall be void.

69 (b) Prior to any transaction described in subsection (a) of this  
70 section, the [nonprofit hospital and the purchaser] transacting parties  
71 shall concurrently submit a certificate of need determination letter as  
72 described in subsection (c) of section 19a-638 to the commissioner and  
73 the Attorney General by serving it on them by certified mail, return

74 receipt requested, or delivering it by hand to each department or  
75 office. The certificate of need determination letter shall contain: (1) The  
76 name and address of the nonprofit hospital that is proposed to be  
77 acquired; (2) the name and address of the purchaser; (3) a brief  
78 description of the terms of the proposed agreement; and (4) the  
79 estimated capital expenditure, cost or value associated with the  
80 proposed agreement. The certificate of need determination letter shall  
81 be subject to disclosure pursuant to section 1-210.

82 (c) Not later than thirty days after receipt of the certificate of need  
83 determination letter by the commissioner and the Attorney General,  
84 the purchaser and the nonprofit hospital shall hold a hearing on the  
85 contents of the certificate of need determination letter in the  
86 municipality in which the new hospital is proposed to be located. The  
87 nonprofit hospital shall provide not less than two weeks' advance  
88 notice of the hearing to the public by publication in a newspaper  
89 having a substantial circulation in the affected community for not less  
90 than three consecutive days. Such notice shall contain substantially the  
91 same information as in the certificate of need determination letter. The  
92 purchaser and the nonprofit hospital shall record and transcribe the  
93 hearing and make such recording or transcription available to the  
94 commissioner, the Attorney General or members of the public upon  
95 request.

96 (d) The commissioner and the Attorney General shall review the  
97 certificate of need determination letter. The Attorney General shall  
98 determine whether the agreement requires approval pursuant to this  
99 chapter and sections 8 to 12, inclusive, of this act. If such approval is  
100 required, the commissioner and the Attorney General shall transmit to  
101 the [purchaser and the nonprofit hospital] transacting parties an  
102 application form for approval pursuant to this chapter and sections 8  
103 to 12, inclusive, of this act, unless the commissioner refuses to accept a  
104 filed or submitted certificate of need determination letter. [Such]

105 (e) Except as provided in section 9 of this act, such application form

106 shall require the following information, as applicable: (1) The name,  
107 [and] address and telephone number of the nonprofit hospital that is  
108 proposed to be acquired; (2) the name, [and] address and telephone  
109 number of the purchaser; (3) a description of the terms of the proposed  
110 agreement; (4) copies of all contracts, agreements and memoranda of  
111 understanding relating to the proposed agreement; (5) a fairness  
112 evaluation by an independent person who is an expert in such  
113 agreements, that includes an analysis of each of the criteria set forth in  
114 section 19a-486c, as amended by this act; (6) documentation that the  
115 nonprofit hospital that is proposed to be acquired exercised the due  
116 diligence required by subdivision (2) of subsection (a) of section 19a-  
117 486c, as amended by this act, including disclosure of the terms of any  
118 other offers to transfer assets or operations or change control of  
119 operations received by [the] such nonprofit hospital and the reason for  
120 rejection of such offers; [and] (7) the name, address, telephone number,  
121 occupation and tenure of each officer, member of the board of  
122 directors, trustee, executive and senior manager during the five-year  
123 period prior to the submission of the certificate of need determination  
124 letter; (8) a list of all committees, subcommittees, task forces or similar  
125 entities of the board of directors or trustees, including a short  
126 description of the purpose of each committee, subcommittee, task force  
127 or similar entity and the name, address, telephone number, occupation  
128 and tenure of each member; (9) the agenda and minutes for each  
129 meeting of the board of directors or trustees and any of its committees,  
130 subcommittees, task forces or similar entities related to the conversion,  
131 excluding those focused on peer review or concerning confidential  
132 medical matters, that occurred in the five-year period prior to the  
133 submission of the certificate of need determination letter and, upon the  
134 request of the Attorney General or the commissioner, any documents  
135 distributed at such meeting; (10) the articles of incorporation and  
136 certificates of incorporation; (11) the bylaws and organizational charts;  
137 (12) a description of the organizational structure for existing  
138 transacting parties and each partner, affiliate, parent subsidiary or  
139 related corporate entity in which the purchaser has a ten per cent or

140 greater ownership interest; (13) any current conflict of interest  
141 statement, policies or procedures; (14) the names, addresses and  
142 telephone numbers of professional consultants engaged in connection  
143 with the proposed conversion; (15) copies of audited income  
144 statements, balance sheets, other financial statements and management  
145 letters issued during the five years prior to submission of the certificate  
146 of need determination letter and, to the extent they have been made  
147 public, audited interim financial statements and income statements  
148 with a detailed description of the financing structure of the proposed  
149 conversion including equity contribution, debt restructuring, stock  
150 issuance, partnership interest, stock offerings and other information of  
151 a similar nature; (16) a detailed description of real estate issues  
152 including title reports for property owned and lease agreements  
153 between the transacting parties and any entity owned or controlled by  
154 the purchaser and any proposed sale or proposed leaseback that  
155 concerns the proposed conversion; (17) a detailed description of any  
156 proposed transaction concerning any equipment lease, insurance,  
157 regulatory compliance, tax status, pending litigation or pending  
158 regulatory citations, pension plan descriptions and employee benefits,  
159 environmental reports, assessments and organizational goals; (18) a  
160 copy of any report analyzing the proposed conversion during the five-  
161 year period prior to submission of the certificate of need determination  
162 letter, including, but not limited to, reports by appraisers, accountants,  
163 investment bankers, actuaries and other experts; (19) a copy of any  
164 opinion or memorandum addressing the state and federal tax  
165 consequences of the proposed conversion prepared for a transacting  
166 party by an attorney, accountant or other expert; (20) a description of  
167 the manner in which the price was determined including the methods  
168 of valuation and the data that was used, and the names and addresses  
169 of any person who prepared such documents; (21) patient statistics for  
170 the five-year period prior to the submission of the certificate of need  
171 determination letter and patient projection for one year after the  
172 submission of the certificate of need determination letter, including the  
173 number of patient visits, admissions, emergency room visits, clinical

174 visits and visits to each hospital unit and admissions to in-hospital  
175 nursing care or visits by affiliated home health care entities; (22) the  
176 name and mailing address of each facility licensed in accordance with  
177 chapter 368v in which a transacting party maintains an ownership  
178 interest or controlling interest or operating authority; (23) a list and  
179 description of any (A) pending or adjudicated citation, violation or  
180 charge against a transacting party or any facility under the ownership  
181 or control of a transacting party, or (B) any pending or adjudicated  
182 investigation involving a transacting party that was brought by a  
183 governmental agency or accrediting agency in the five-year period  
184 prior to submission of the certificate of need determination letter and  
185 the status or disposition of each investigation; (24) a list of costs for  
186 uncompensated care provided by each facility owned or controlled by  
187 a transacting party in the five-year period prior to the submission of  
188 the certificate of need determination letter and a detailed description of  
189 the manner in which the amount was calculated; (25) copies of all  
190 documents relating to: (A) Identification of charitable assets, (B)  
191 accounting of all charitable assets for the five-year period prior to the  
192 submission of the certificate of need determination letter, and (C) the  
193 distribution of charitable assets, including, but not limited to,  
194 endowments and restricted, unrestricted and specific purpose funds as  
195 each relates to the proposed transaction; (26) a description of  
196 uncompensated care provided by the existing hospital for the five-year  
197 period prior to submission of the certificate of need determination  
198 letter including a dollar amount and a description of services provided  
199 to patients; (27) a description of bad debt incurred by the transacting  
200 party that is being purchased for the five-year period prior to the  
201 submission of the certificate of need determination letter for which  
202 payment was anticipated but not received; (28) a description of the  
203 plan for the new hospital's provision of community benefit and  
204 uncompensated care during the first five years of operation; (29) a  
205 description of the new hospital's plan to monitor and value  
206 uncompensated care and community benefits; (30) the names of  
207 persons currently holding a position with a transacting party as an

208 officer, director, board member or senior manager, whether or not  
209 such person is expected to maintain a position with the new hospital  
210 and whether or not such person is expected to receive any salary,  
211 severance, stock offering or any financial gain, current or deferred, as a  
212 result of, or in relation to, the proposed conversion; (31) copies of  
213 capital and operating budgets or other financial projections for the new  
214 hospital during the first five years of operation; (32) copies of plans  
215 relating to staffing during the new hospital's first five years of  
216 operation; (33) a list of medical services, hospital units and clinical and  
217 administrative services to be maintained at the new hospital; (34) a  
218 description of criteria established by the board of directors of the  
219 nonprofit hospital that is proposed to be acquired to pursue a  
220 proposed conversion; (35) copies of reports of any due diligence  
221 review performed by a transacting party in relation to the proposed  
222 conversion; (36) a description of any request for proposal issued by the  
223 nonprofit hospital that is proposed to be acquired relating to pursuit of  
224 any proposed conversion; (37) a copy of any report analyzing an  
225 affiliation, merger or other similar transaction considered by a  
226 transacting party during the five-year period prior to the submission of  
227 the certificate of need determination letter, including, but not limited  
228 to, any such report prepared by an appraiser, accountant, investment  
229 banker, actuary or other expert; (38) a copy of a proposed contract or  
230 description of a proposed contract or arrangement with a senior  
231 manager, board member, officer or director of the existing hospital for  
232 severance consulting services or covenant not-to-compete after  
233 completion of the proposed conversion; (39) a copy or description of  
234 any agreement or proposed agreement reflecting any current or future  
235 employment or compensated relationship between the purchaser, or  
236 any related entity, and any officer, director, board member or senior  
237 manager of the nonprofit hospital that is proposed to be acquired, or  
238 any related entity; (40) a copy or description of any agreement that has  
239 been executed or that the transacting parties anticipate shall be  
240 executed by any of the transacting parties in connection with the  
241 proposed conversion; (41) a copy of any document or description of

242 any proposed plan for the creation of an entity for charitable assets,  
243 including, but not limited to, endowments, restricted, unrestricted and  
244 specific purpose funds, the proposed articles of incorporation, bylaws,  
245 mission statement, program agenda, method of appointing board  
246 members, qualifications of board members, duties of board members  
247 and policies concerning conflicts of interest; (42) a description of any  
248 unit and clinical, social, medical or other service that is anticipated to  
249 be eliminated or significantly reduced at the new hospital; (43) a  
250 description of staffing levels for each category of employees, including  
251 full-time, part-time and contract employees who are employed by, or  
252 provide services to, the nonprofit hospital that is proposed to be  
253 acquired and a description of any anticipated change in current  
254 staffing levels; (44) a copy of each current notice of a conflict of interest  
255 form submitted to auditors for a transacting party in connection with  
256 the preparation of financial statements in the one-year period prior to  
257 submission of the certificate of need determination letter involving an  
258 officer, member of the board of directors or trustees or senior manager,  
259 including the medical director, of a transacting party, that shall be  
260 submitted in a form acceptable to the Attorney General; (45) copies of  
261 Internal Revenue Service Form 990 for any transacting party that is  
262 required by federal law to file such form for the five-year period prior  
263 to the submission of the certificate of need determination letter; and  
264 (46) such other information as the commissioner or the Attorney  
265 General deem necessary to their review pursuant to the provisions of  
266 sections 19a-486 to 19a-486f, inclusive, as amended by this act, sections  
267 8 to 12, inclusive, of this act and chapter 368z. The application shall be  
268 subject to disclosure pursuant to section 1-210.

269 [(e) No] (f) Except as provided in section 9 of this act, not later than  
270 sixty days after the date of mailing of the application form, the  
271 nonprofit hospital that is proposed to be acquired and the purchaser  
272 shall concurrently file an application with the commissioner and the  
273 Attorney General containing all the required information. The  
274 commissioner and the Attorney General shall review the application

275 and determine whether the application is complete. The commissioner  
276 and the Attorney General shall, [no] not later than [twenty] sixty days  
277 after the date of their receipt of the application, provide written notice  
278 to the nonprofit hospital that is proposed to be acquired and the  
279 purchaser of any deficiencies in the application. Such application shall  
280 not be deemed complete until such deficiencies are corrected.

281 [(f) No] (g) Except as provided in section 9 of this act, not later than  
282 twenty-five days after the date of their receipt of the completed  
283 application under this section, the commissioner and the Attorney  
284 General shall jointly publish a summary of such agreement in a  
285 newspaper of general circulation where the nonprofit hospital is  
286 located.

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

290 Sec. 3. Section 19a-486b of the general statutes is repealed and the  
291 following is substituted in lieu thereof (*Effective October 1, 2015*):

292 (a) [Not] Except as provided in section 9 of this act, not later than  
293 one hundred twenty days after the date of receipt of the completed  
294 application pursuant to [subsection (d) of] section 19a-486a, as  
295 amended by this act, the Attorney General and the commissioner shall  
296 approve the application, with or without modification, or deny the  
297 application. The commissioner shall also determine, in accordance  
298 with the provisions of chapter 368z, whether to approve, with or  
299 without modification, or deny the application for a certificate of need  
300 that is part of the completed application. Notwithstanding the  
301 provisions of section 19a-639a, the commissioner shall complete the  
302 decision on the application for a certificate of need within the same  
303 time period as the completed application. Such one-hundred-twenty-  
304 day period may be extended by agreement of the Attorney General,  
305 the commissioner [, the nonprofit hospital and the purchaser] and the

306 transacting parties. If the Attorney General initiates a proceeding to  
307 enforce a subpoena pursuant to section 19a-486c, as amended by this  
308 act, or 19a-486d, the one-hundred-twenty-day period shall be tolled  
309 until the final court decision on the last pending enforcement  
310 proceeding, including any appeal or time for the filing of such appeal.  
311 If, in the opinion of the Attorney General, reasonable cause exists for  
312 such one-hundred-twenty-day period to be extended, including, but  
313 not limited to, a pending investigation by a federal agency involving a  
314 transacting party, the Attorney General may extend such period.  
315 Unless the one-hundred-twenty-day period is extended pursuant to  
316 this section, if the commissioner and Attorney General fail to take  
317 action on an agreement prior to the one hundred twenty-first day after  
318 the date of the filing of the completed application, the application shall  
319 be deemed 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.

323 Sec. 4. Section 19a-486c of the general statutes is repealed and the  
324 following is substituted in lieu thereof (*Effective October 1, 2015*):

325 (a) [The] Except as provided in sections 8 and 9 of this act, the  
326 Attorney General shall deny an application as not in the public interest  
327 if the Attorney General determines that one or more of the following  
328 conditions exist: (1) The transaction is prohibited by Connecticut  
329 statutory or common law governing nonprofit entities, trusts or  
330 charities; (2) the nonprofit hospital that is proposed to be acquired  
331 failed to exercise due diligence in (A) deciding to transfer, (B) selecting  
332 the purchaser, (C) obtaining a fairness evaluation from an independent  
333 person expert in such agreements, or (D) negotiating the terms and  
334 conditions of the transfer; (3) the nonprofit hospital that is proposed to  
335 be acquired failed to disclose any conflict of interest, including, but not  
336 limited to, conflicts of interest pertaining to board members, officers,  
337 key employees and experts of the hospital, the purchaser or any other

338 [party to the transaction] transacting party; (4) the nonprofit hospital  
339 that is proposed to be acquired will not receive fair market value for its  
340 assets, which, for purposes of this subsection, means the most likely  
341 price that the assets would bring in a sale in a competitive and open  
342 market under all conditions requisite to a fair sale, with the buyer and  
343 seller each acting prudently, knowledgeably and in their own best  
344 interest, and with a reasonable time being allowed for exposure in the  
345 open market; (5) the fair market value of the assets has been  
346 manipulated by any person in a manner that causes the value of the  
347 assets to decrease; (6) the financing of the transaction by the nonprofit  
348 hospital that is proposed to be acquired will place [the] such nonprofit  
349 hospital's assets at an unreasonable risk; (7) any management contract  
350 contemplated under the transaction is not for reasonable fair value; (8)  
351 a sum equal to the fair market value of [the] such nonprofit hospital's  
352 assets (A) is not being transferred to one or more persons to be selected  
353 by the superior court for the judicial district where [the] such nonprofit  
354 hospital is located who are not affiliated through corporate structure,  
355 governance or membership with either [the] such nonprofit hospital or  
356 the purchaser, unless [the] such nonprofit hospital continues to operate  
357 on a nonprofit basis after the transaction and such sum is transferred  
358 to [the] such nonprofit hospital to provide health care services, and (B)  
359 is not being used for one of the following purposes: (i) For appropriate  
360 charitable health care purposes consistent with [the] such nonprofit  
361 hospital's original purpose, (ii) for the support and promotion of health  
362 care generally in the affected community, or (iii) with respect to any  
363 assets held by [the] such nonprofit hospital that are subject to a use  
364 restriction imposed by a donor, for a purpose consistent with the intent  
365 of said donor; or (9) [the] such nonprofit hospital or the purchaser has  
366 failed to provide the Attorney General with information and data  
367 sufficient to evaluate the proposed agreement adequately, provided  
368 the Attorney General has notified [the] such nonprofit hospital or the  
369 purchaser of the inadequacy of the information or data and has  
370 provided a reasonable opportunity to remedy such inadequacy.

371 (b) The Attorney General may, during the course of a review  
372 required by section 19a-486b, as amended by this act, or section 8 or 9  
373 of this act: (1) Issue in writing and cause to be served upon any person,  
374 by subpoena, a demand that such person appear before the Attorney  
375 General and give testimony or produce documents as to any matters  
376 relevant to the scope of the review; or (2) issue written interrogatories,  
377 to be answered under oath, as to any matters relevant to the scope of  
378 the review and prescribing a return date that would allow a reasonable  
379 time to respond. If any person fails to comply with the provisions of  
380 this subsection, the Attorney General may apply to the superior court  
381 for the judicial district of Hartford seeking enforcement of the  
382 subpoena. The superior court may, upon notice to such person, issue  
383 and cause to be served an order requiring compliance. Service of  
384 subpoenas ad testificandum, subpoenas duces tecum, notices of  
385 deposition and written interrogatories as provided in this subsection  
386 may be made by personal service at the usual place of abode or by  
387 certified mail, return receipt requested, addressed to the person to be  
388 served at such person's principal place of business within or without  
389 this state or such person's residence.

390 (c) The Attorney General may contract with experts or consultants  
391 to assist in reviewing the proposed agreement, including, but not  
392 limited to, assistance in independently determining the fair market  
393 value of the [nonprofit hospital's] assets of the nonprofit hospital that  
394 is proposed to be acquired. The Attorney General may appoint, or  
395 contract with, another person to conduct the review required by this  
396 section and make recommendations to the Attorney General. The  
397 Attorney General shall submit any bills for such contracts to the  
398 purchaser. The purchaser shall pay such bills not later than thirty days  
399 after receipt. Such bills shall not exceed five hundred thousand dollars.

400 Sec. 5. Section 19a-486e of the general statutes is repealed and the  
401 following is substituted in lieu thereof (*Effective October 1, 2015*):

402 Prior to making any decision to approve, with or without

403 modification, or deny any application filed pursuant to subsection (d)  
404 of section 19a-486a, as amended by this act, or section 8 or 9 of this act,  
405 the Attorney General and the commissioner shall jointly conduct one  
406 or more public hearings [, one of which shall be in the primary service  
407 area] in addition to the public hearing on the contents of the certificate  
408 of need determination letter required under subsection (c) of section  
409 19a-486a, as amended by this act. One such public hearing shall be  
410 held in the affected community of the nonprofit hospital that is  
411 proposed to be acquired. At least fourteen days before conducting the  
412 public hearing, the Attorney General and the commissioner shall  
413 provide notice of the time and place of the hearing through publication  
414 in one or more newspapers of general circulation in the affected  
415 community.

416 Sec. 6. Section 19a-486f of the general statutes is repealed and the  
417 following is substituted in lieu thereof (*Effective October 1, 2015*):

418 If the commissioner or the Attorney General denies an application  
419 filed pursuant to subsection (d) of section 19a-486a, as amended by this  
420 act, or section 8 or 9 of this act or approves it with modification, the  
421 nonprofit hospital that is proposed to be acquired or the purchaser  
422 may appeal such decision in the same manner as provided in section 4-  
423 183, provided that nothing in sections 19a-486 to [19a-486f] 19a-486e,  
424 inclusive, as amended by this act, or sections 8 to 12, inclusive, of this  
425 act shall be construed to apply the provisions of chapter 54 to the  
426 proceedings of the Attorney General.

427 Sec. 7. Section 19a-486g of the general statutes is repealed and the  
428 following is substituted in lieu thereof (*Effective October 1, 2015*):

429 The Commissioner of Public Health shall refuse to issue a license to,  
430 or if issued shall suspend or revoke the license of, a hospital if the  
431 commissioner finds, after a hearing and opportunity to be heard, that:

432 (1) There was a transaction described in section 19a-486a, as  
433 amended by this act, or section 8 or 9 of this act that occurred without

434 the approval of the commissioner, if such approval was required by  
435 sections 19a-486 to 19a-486h, inclusive, [;] as amended by this act, or  
436 sections 8 to 12, inclusive, of this act; or

437 (2) There was a transaction described in section 19a-486a, as  
438 amended by this act, or section 8 or 9 of this act without the approval  
439 of the Attorney General, if such approval was required by sections 19a-  
440 486 to 19a-486h, inclusive, as amended by this act, or sections 8 to 11,  
441 inclusive, of this act and the Attorney General certifies to the  
442 Commissioner of Public Health that such transaction involved a  
443 material amount of [the] a nonprofit hospital's assets or operations or a  
444 change in control of operations; or

445 (3) The hospital is not complying with the terms of an agreement  
446 approved by the Attorney General and commissioner pursuant to  
447 sections 19a-486 to 19a-486h, inclusive, as amended by this act.

448 Sec. 8. (NEW) (*Effective October 1, 2015*) (a) The Attorney General  
449 and the Commissioner of Public Health shall process an application for  
450 conversion where all of the transacting parties are nonprofit hospitals  
451 in accordance with the provisions of this section, sections 19a-486a to  
452 19a-486h, inclusive, of the general statutes, as amended by this act,  
453 and, as applicable, section 9 of this act.

454 (b) The Attorney General may consider the following criteria in  
455 making a determination on an application for conversion involving  
456 only transacting parties that are nonprofit hospitals: (1) Whether the  
457 proposed conversion will harm the public's interest in trust property  
458 given, devised or bequeathed to the transacting parties for charitable,  
459 educational or religious purposes located or administered in the state;  
460 (2) whether any trustee of any charitable trust located or administered  
461 in the state is likely to be deemed to have exercised reasonable care,  
462 diligence and prudence in performing as a fiduciary in connection  
463 with the proposed conversion; (3) whether the transacting parties  
464 established appropriate criteria in deciding to pursue a conversion in

465 relation to carrying out their missions and purposes; (4) whether the  
466 transacting parties considered the proposed conversion as the only  
467 alternative or as the best alternative in carrying out their missions and  
468 purposes; (5) whether any conflict of interest exists concerning the  
469 proposed conversion relative to members of the transacting parties,  
470 boards of directors, officers, directors, senior managers, experts or  
471 consultants engaged in connection with the proposed conversion,  
472 including, but not limited to, attorneys, accountants, investment  
473 bankers, actuaries, health care experts or industry analysts; (6) whether  
474 individuals described in subdivision (5) of this subsection were  
475 provided with contracts or consulting agreements or arrangements  
476 that included pecuniary rewards based in whole, or in part, on the  
477 contingency of the completion of the conversion; (7) whether the  
478 transacting parties exercised due care in engaging consultants with the  
479 appropriate level of independence, education and experience in similar  
480 conversions; (8) whether the transacting parties exercised due care in  
481 accepting assumptions and conclusions provided by consultants  
482 engaged to assist in the proposed conversion; (9) whether the  
483 transacting parties' officers, directors, board members or senior  
484 managers are expected to receive future contracts; (10) whether any  
485 member of the transacting parties' boards of directors are expected to  
486 retain any authority in the new hospital; (11) whether the members of  
487 the transacting parties' boards of directors accepted fair consideration  
488 and value for any management contract made part of the proposed  
489 conversion; (12) whether any of the transacting parties' individual  
490 officers, directors, board members or senior managers engaged legal  
491 counsel to consider their individual rights or duties in acting in their  
492 capacity as a fiduciary in connection with the proposed conversion;  
493 (13) whether the proposed conversion is likely to result in an  
494 abandonment of a transacting party's original purposes or whether the  
495 new hospital is expected to depart from the traditional purposes and  
496 missions of a transacting party such that a cy pres proceeding is likely  
497 to be necessary; (14) whether the proposed conversion is based upon  
498 the appropriate and reasonable fair market value; (15) whether the

499 proposed conversion is based upon appropriate valuation methods,  
500 including, but not limited to, market approach, third-party report or  
501 fairness opinion; (16) whether the conversion is proper under state  
502 laws and regulations concerning nonprofit status; (17) whether the  
503 conversion is proper under applicable state tax code provisions; (18)  
504 whether the proposed conversion jeopardizes the tax status of a  
505 transacting party; (19) whether the persons who represent a  
506 transacting party in negotiations avoided conflicts of interest; (20)  
507 whether the transacting parties' officers, board members, directors or  
508 senior managers deliberately acted or failed to act in a manner that  
509 impacted negatively on the value or purchase price; and (21) whether  
510 the transacting parties are in compliance with state laws and  
511 regulations concerning charitable trusts.

512 (c) The commissioner shall consider the following criteria in making  
513 a determination on an application for conversion involving only  
514 transacting parties that are nonprofit hospitals: (1) Whether the  
515 character, commitment, competence and standing in the communities  
516 served by the transacting parties are satisfactory; (2) whether sufficient  
517 safeguards are included to ensure the affected community has  
518 continued access to affordable health care; (3) whether the transacting  
519 parties have provided satisfactory evidence that the new hospital will  
520 provide health care and appropriate access with respect to  
521 traditionally underserved populations in the community it will serve;  
522 (4) whether procedures or safeguards are likely to ensure ownership  
523 interests will not be used as incentives for hospital employees or  
524 physicians to refer patients to the hospital; (5) whether the transacting  
525 parties have made a commitment to ensure the continuation of  
526 collective bargaining rights, if applicable, and retention of the  
527 workforce; (6) whether the transacting parties have appropriately  
528 accounted for employment needs at the new hospital and addressed  
529 workforce retraining that may be needed as a result of any proposed  
530 restructuring; and (7) whether the conversion demonstrates that the  
531 public interest is likely to be served considering the essential medical

532 services necessary to provide safe and adequate treatment, appropriate  
533 access to health care and balanced health care delivery to residents of  
534 the state.

535       Sec. 9. (NEW) (*Effective October 1, 2015*) (a) An application for  
536 conversion that meets the requirements of this subsection shall be  
537 reviewed by the Attorney General and the Commissioner of Public  
538 Health using an expedited review process. Such conversion shall  
539 involve: (1) Two or more hospitals that are not in common control with  
540 another hospital; (2) one hospital not under common control with  
541 another hospital and a hospital or hospital system parent corporation;  
542 or (3) two affiliated hospitals, the conversion of which has been  
543 previously approved and another hospital or hospital system parent  
544 corporation. Additionally: (A) Each transacting party shall be a  
545 nonprofit Connecticut corporation that has directly or indirectly  
546 continuously operated one or more hospitals licensed in the state for a  
547 period of three years; and (B) the nonprofit hospital that is proposed to  
548 be acquired shall operate a distressed hospital in the state facing  
549 significant financial hardship that may impair its ability to continue to  
550 operate effectively without the proposed conversion and has been  
551 determined to be distressed by the commissioner based upon  
552 consideration of any of the following criteria: (i) Such hospital has  
553 operated at a loss for the two most recent fiscal years; (ii) such hospital  
554 has less than fifty days of cash-on-hand; (iii) such hospital's current  
555 asset-to-liability ratio is less than one and one-half; (iv) such hospital's  
556 long-term debt to capitalization is greater than seventy-five per cent;  
557 (v) such hospital has an inpatient occupancy rate of less than fifty per  
558 cent; or (vi) such hospital is or is likely to be classified as below  
559 investment grade by a major rating agency.

560       (b) Prior to any transaction described in subsection (a) of this  
561 section, the transacting parties shall concurrently submit a certificate of  
562 need determination letter as described in subsection (c) of section 19a-  
563 638 of the general statutes to the commissioner and the Attorney  
564 General by serving it on them by certified mail, return receipt

565 requested, or delivering it by hand to each department or office. The  
566 certificate of need determination letter shall contain: (1) The name and  
567 address of the nonprofit hospital that is proposed to be acquired; (2)  
568 the name and address of the purchaser; (3) a brief description of the  
569 terms of the proposed agreement; and (4) the estimated capital  
570 expenditure, cost or value associated with the proposed agreement.  
571 The certificate of need determination letter shall be subject to  
572 disclosure pursuant to section 1-210 of the general statutes.

573 (c) The commissioner and the Attorney General shall review the  
574 certificate of need determination letter. The Attorney General shall  
575 determine whether the agreement requires approval pursuant to this  
576 section. If such approval is required, the commissioner and the  
577 Attorney General shall transmit to the transacting parties an  
578 application form for approval pursuant to this section, unless the  
579 commissioner refuses to accept a filed or submitted certificate of need  
580 determination letter.

581 (d) The transacting parties that meet the requirements for expedited  
582 review in accordance with subsection (a) of this section shall submit an  
583 application to the commissioner and the Attorney General along with  
584 the following information: (1) A detailed summary of the proposed  
585 conversion; (2) the charter, articles of incorporation or certificate of  
586 incorporation for each transacting party and its affiliated hospitals,  
587 including any attachments to such documents; (3) the bylaws and  
588 organizational charts for each transacting party and its affiliated  
589 hospitals; (4) a description of the organizational structure for each  
590 transacting party and each partner, affiliate, parent, subsidiary or  
591 related legal entity in which a transacting party has a ten per cent or  
592 greater ownership interest or control; (5) all documents, including  
593 reports, meeting minutes and documents used for presentations, that  
594 are relevant to each transacting party's board of directors' decision to  
595 propose the conversion; (6) a description of each transacting party's  
596 conflict-of-interest policies and procedures; (7) copies of each of the  
597 transacting party's audited income statements, balance sheets and

598 other financial statements for the three-year period prior to submission  
599 of the certificate of need determination letter and audited interim  
600 financial statements and income statements with detailed descriptions  
601 of the financing structure of the proposed conversion, including equity  
602 contribution, debt restructuring, stock issuance and partnership  
603 interests; (8) a copy of each report analyzing the proposed conversion,  
604 including, but not limited to, any such report by any appraiser,  
605 accountant, investment banker, actuary or other expert, during the  
606 three-year period prior to the submission of the certificate of need  
607 determination letter; (9) a copy of each current conflict of interest form  
608 submitted to auditors for a transacting party in connection with the  
609 preparation of financial statements in the one-year period prior to  
610 submission of the certificate of need determination letter involving an  
611 officer, member of the board of directors or trustees or senior manager,  
612 including the medical director, of a transacting party, that shall be  
613 submitted in a form acceptable to the commissioner and the Attorney  
614 General; (10) a copy of each document related to a transacting party's  
615 (A) identification of current charitable assets, (B) accounting of  
616 charitable assets for the three-year period prior to submission of the  
617 certificate of need determination letter, and (C) distribution of  
618 charitable assets, including, but not limited to, endowments and  
619 restricted, unrestricted and specific purpose funds as each relates to  
620 the proposed conversion for the three-year period prior to submission  
621 of the certificate of need determination letter; (11) a description of the  
622 transacting parties' plan as to the manner in which any affiliated  
623 hospitals intend to provide consolidated health care services during  
624 the first three years after the conversion; (12) a description of hospital  
625 units and services that the transacting parties expect will be eliminated  
626 or significantly reduced during the first three years after the  
627 conversion; and (13) a description of anticipated staffing levels for each  
628 category of employee during the first three years after the conversion.

629 (e) (1) In reviewing an application under an expedited review, as  
630 described in this section, the commissioner and the Attorney General

631 shall consider the criteria described in section 8 of this act.

632 (2) Not later than twenty business days after acceptance of an  
633 application under the provisions of this section, the commissioner and  
634 the Attorney General shall notify the public of submission of the  
635 application and present members of the public an opportunity to  
636 comment on the application.

637 (3) The commissioner and the Attorney General shall render a  
638 decision on such application not later than ninety days after acceptance  
639 of the application.

640 (f) The Attorney General shall review an application for conversion  
641 submitted under this section to determine its impact upon the  
642 charitable assets of each transacting party and may review any other  
643 aspect of such application as the Attorney General deems appropriate.  
644 The Attorney General shall conduct such review concurrently with the  
645 commissioner's review of such application. The Attorney General shall  
646 be entitled to costs incurred for such review in accordance with section  
647 19a-486c of the general statutes, as amended by this act, and subsection  
648 (g) of this section.

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

655 Sec. 10. (NEW) (*Effective October 1, 2015*) Not later than sixty days  
656 after the approval of a conversion pursuant to sections 19a-486a to 19a-  
657 486h, inclusive, of the general statutes, as amended by this act, in  
658 which the purchaser is a for-profit hospital, such purchaser shall  
659 provide funds, in an amount determined by the Commissioner of  
660 Public Health, for the hiring of an independent health care access  
661 monitor for the new hospital. The independent health care access

662 monitor shall, for a period of five years after completion of the  
663 conversion: (1) Meet with representatives of the new hospital and  
664 members of the community served by the new hospital not less than  
665 quarterly; (2) report to the Attorney General and the commissioner not  
666 less than quarterly concerning (A) the new hospital's compliance with  
667 applicable state laws and regulations, (B) community benefits  
668 provided by the new hospital, (C) uncompensated care provided by  
669 the new hospital, (D) identification of any sale, lease or acquisition of  
670 real property by the new hospital, and (E) a description of efforts the  
671 new hospital has taken to comply with any conditions of the approval  
672 of the application for conversion; and (3) report to the Attorney  
673 General any reasonable belief that the new hospital has breached, or  
674 intends to breach, a condition of the approval of the application for  
675 conversion.

676       Sec. 11. (NEW) (*Effective October 1, 2015*) When a for-profit  
677 corporation and a nonprofit hospital are transacting parties to a  
678 conversion that is approved by the Attorney General and the  
679 Commissioner of Public Health pursuant to sections 19a-486a to 19a-  
680 486h, inclusive, of the general statutes, as amended by this act, and the  
681 Attorney General and the commissioner approve the conversion  
682 during a municipality's assessment year, the purchaser that is a for-  
683 profit corporation shall reimburse the municipality in which the new  
684 hospital is located for grants in lieu of taxes, as provided in section 12-  
685 20a of the general statutes that the municipality would have received  
686 for real property formerly owned by the nonprofit hospital except for  
687 such conversion for the portion of the year that the hospital conversion  
688 has been completed.

689       Sec. 12. (NEW) (*Effective October 1, 2015*) The Commissioner of  
690 Public Health, in consultation with the Attorney General, may adopt  
691 regulations, in accordance with the provisions of chapter 54 of the  
692 general statutes, to carry out the purposes of sections 19a-486a to 19a-  
693 486h, inclusive, of the general statutes, as amended by this act, and  
694 sections 8 to 11, inclusive, of this act.

695 Sec. 13. Section 19a-644 of the general statutes is repealed and the  
696 following is substituted in lieu thereof (*Effective October 1, 2015*):

697 (a) On or before February twenty-eighth annually, for the fiscal year  
698 ending on September thirtieth of the immediately preceding year, each  
699 short-term acute care general or children's hospital shall report to the  
700 office with respect to its operations in such fiscal year, in such form as  
701 the office may by regulation require. Such report shall include: (1)  
702 Salaries and fringe benefits for the ten highest paid positions; (2) the  
703 name of each joint venture, partnership, subsidiary and corporation  
704 related to the hospital; and (3) the salaries paid to hospital employees  
705 by each such joint venture, partnership, subsidiary and related  
706 corporation and by the hospital to the employees of related  
707 corporations.

708 (b) The Department of Public Health shall adopt regulations in  
709 accordance with chapter 54 to provide for the collection of data and  
710 information in addition to the annual report required in subsection (a)  
711 of this section. Such regulations shall provide for the submission of  
712 information about the operations of the following entities: Persons or  
713 parent corporations that own or control the health care facility,  
714 institution or provider; corporations, including limited liability  
715 corporations, in which the health care facility, institution, provider, its  
716 parent, any type of affiliate or any combination thereof, owns more  
717 than an aggregate of fifty per cent of the stock or, in the case of  
718 nonstock corporations, is the sole member; and any partnerships in  
719 which the person, health care facility, institution, provider, its parent  
720 or an affiliate or any combination thereof, or any combination of health  
721 care providers or related persons, owns a greater than fifty per cent  
722 interest. For purposes of this section, "affiliate" means any person that  
723 directly or indirectly through one or more intermediaries, controls or is  
724 controlled by or is under common control with any health care facility,  
725 institution, provider or person that is regulated in any way under this  
726 chapter. A person is deemed controlled by another person if the other  
727 person, or one of that other person's affiliates, officers, agents or

728 management employees, acts as a general partner or manager of the  
 729 person in question.

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

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2015</i>	19a-486
Sec. 2	<i>October 1, 2015</i>	19a-486a
Sec. 3	<i>October 1, 2015</i>	19a-486b
Sec. 4	<i>October 1, 2015</i>	19a-486c
Sec. 5	<i>October 1, 2015</i>	19a-486e
Sec. 6	<i>October 1, 2015</i>	19a-486f
Sec. 7	<i>October 1, 2015</i>	19a-486g
Sec. 8	<i>October 1, 2015</i>	New section
Sec. 9	<i>October 1, 2015</i>	New section
Sec. 10	<i>October 1, 2015</i>	New section
Sec. 11	<i>October 1, 2015</i>	New section
Sec. 12	<i>October 1, 2015</i>	New section
Sec. 13	<i>October 1, 2015</i>	19a-644

***Statement of Purpose:***

To establish and amend requirements relating to hospital sales and to require that certain information be reported by all hospitals to the Office of Health Care Access.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*