



Senate

General Assembly

File No. 444

January Session, 2015

Senate Bill No. 954

Senate, April 2, 2015

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 bill ought to pass.

AN ACT CONCERNING TRANSPARENCY OF EXECUTIVE PAY IN CERTAIN HOSPITAL TRANSACTIONS.

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

1 Section 1. Subsection (d) of section 19a-486a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2015*):

4 (d) The commissioner and the Attorney General shall review the
5 certificate of need determination letter. The Attorney General shall
6 determine whether the agreement requires approval pursuant to this
7 chapter. If such approval is required, the commissioner and the
8 Attorney General shall transmit to the purchaser and the nonprofit
9 hospital an application form for approval pursuant to this chapter,
10 unless the commissioner refuses to accept a filed or submitted
11 certificate of need determination letter. Such application form shall
12 require the following information: (1) The name and address of the
13 nonprofit hospital; (2) the name and address of the purchaser; (3) a
14 description of the terms of the proposed agreement; (4) copies of all

15 contracts, agreements and memoranda of understanding relating to
16 the proposed agreement; (5) a fairness evaluation by an independent
17 person who is an expert in such agreements, that includes an analysis
18 of each of the criteria set forth in section 19a-486c; (6) documentation
19 that the nonprofit hospital exercised the due diligence required by
20 subdivision (2) of subsection (a) of section 19a-486c, including
21 disclosure of the terms of any other offers to transfer assets or
22 operations or change control of operations received by the nonprofit
23 hospital and the reason for rejection of such offers; [and] (7) the names
24 of persons currently holding a position with the nonprofit hospital or
25 the purchaser as an officer, director, board member or senior manager,
26 whether or not such person is expected to hold a position with the
27 hospital after completion of the proposed transaction and any salary,
28 severance, stock offering or any financial gain, current or deferred,
29 such person is expected to receive as a result of, or in relation to, the
30 proposed transaction; and (8) such other information as the
31 commissioner or the Attorney General deem necessary to their review
32 pursuant to the provisions of sections 19a-486 to 19a-486f, inclusive,
33 and chapter 368z. The application shall be subject to disclosure
34 pursuant to section 1-210.

35 Sec. 2. Section 19a-644 of the general statutes is repealed and the
36 following is substituted in lieu thereof (*Effective July 1, 2015*):

37 (a) On or before February twenty-eighth annually, for the fiscal year
38 ending on September thirtieth of the immediately preceding year, each
39 short-term acute care general or children's hospital shall report to the
40 office with respect to its operations in such fiscal year, in such form as
41 the office may by regulation require. Such report shall include: (1)
42 Salaries and fringe benefits for the ten highest paid positions; (2) the
43 name of each joint venture, partnership, subsidiary and corporation
44 related to the hospital; and (3) the salaries paid to hospital employees
45 by each such joint venture, partnership, subsidiary and related
46 corporation and by the hospital to the employees of related
47 corporations.

48 (b) The Department of Public Health shall adopt regulations in
49 accordance with chapter 54 to provide for the collection of data and
50 information in addition to the annual report required in subsection (a)
51 of this section. Such regulations shall provide for the submission of
52 information about the operations of the following entities: Persons or
53 parent corporations that own or control the health care facility,
54 institution or provider; corporations, including limited liability
55 corporations, in which the health care facility, institution, provider, its
56 parent, any type of affiliate or any combination thereof, owns more
57 than an aggregate of fifty per cent of the stock or, in the case of
58 nonstock corporations, is the sole member; and any partnerships in
59 which the person, health care facility, institution, provider, its parent
60 or an affiliate or any combination thereof, or any combination of health
61 care providers or related persons, owns a greater than fifty per cent
62 interest. For purposes of this section, "affiliate" means any person that
63 directly or indirectly through one or more intermediaries, controls or is
64 controlled by or is under common control with any health care facility,
65 institution, provider or person that is regulated in any way under this
66 chapter. A person is deemed controlled by another person if the other
67 person, or one of that other person's affiliates, officers, agents or
68 management employees, acts as a general partner or manager of the
69 person in question.

70 (c) Each nonprofit short-term acute care general or children's
71 hospital shall include in the annual report required pursuant to
72 subsection (a) of this section a report of all transfers of assets, transfers
73 of operations or changes of control involving its clinical or nonclinical
74 services or functions from such hospital to a person or entity organized
75 or operated for profit.

76 (d) Each hospital that is a party to a transaction that was approved
77 under sections 19a-486 to 19a-486h, inclusive, during the fiscal year
78 ending on September thirtieth of the immediately preceding year, shall
79 include in the annual report required pursuant to subsection (a) of this
80 section any salary, severance payment, stock offering or other financial
81 gain realized by each officer, director, board member or senior

82 manager of the hospital as a result of such transaction.

83 [(d)] (e) The office shall require each hospital licensed by the
84 Department of Public Health, that is not subject to the provisions of
85 subsection (a) of this section, to report to said office on its operations in
86 the preceding fiscal year by filing copies of the hospital's audited
87 financial statements. Such report shall be due at the office on or before
88 the close of business on the last business day of the fifth month
89 following the month in which a hospital's fiscal year ends.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2015	19a-486a(d)
Sec. 2	July 1, 2015	19a-644

PH *Joint Favorable*

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

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

The bill, which adds additional reporting requirements to the hospital conversion application, is procedural and has no fiscal impact to the state or municipalities.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**SB 954*****AN ACT CONCERNING TRANSPARENCY OF EXECUTIVE PAY IN CERTAIN HOSPITAL TRANSACTIONS.*****SUMMARY:**

This bill adds to the information that transacting parties must submit when applying to the attorney general and public health (DPH) commissioner for approval of a hospital conversion to for-profit status (see BACKGROUND). It requires both the nonprofit hospital and purchaser to include in the application:

1. the names of their current officers, directors, board members, and senior managers (regardless of whether they will hold a position at the hospital after the transaction) and
2. any salary, severance, stock offering, or other current or deferred financial gain these individuals are expected to receive due to the transaction or in relation to it.

For general or children's hospitals, if the transaction is approved, the bill requires the hospital to report similar information on financial gain as part of its annual report to DPH's Office of Health Care Access (OHCA), in the year after the conversion. Specifically, the report must include financial gain realized by the hospital's officers, directors, board members, and senior managers as a result of the transaction.

By existing law, annual reports for general or children's hospitals must include, among other things, the salaries and fringe benefits for the ten highest paid positions.

EFFECTIVE DATE: July 1, 2015

BACKGROUND

Nonprofit Hospital Conversions

By law, a nonprofit hospital needs the 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. The law specifies certain information that must be included with the application, and also requires it to include other information the attorney general or commissioner deem necessary to conduct their review under the nonprofit conversion law and certificate of need (CON) law. Under the CON law, health care facilities must generally receive OHCA's approval when (1) establishing new facilities or services, (2) changing ownership, (3) acquiring certain equipment, or (4) terminating certain services.

COMMITTEE ACTION

Public Health Committee

Joint Favorable

Yea 23 Nay 4 (03/23/2015)