

SENATE HEALTH, HUMAN SERVICES AND SENIOR CITIZENS COMMITTEE

STATEMENT TO **SENATE, No. 2769**

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 6, 2022

The Senate Health, Human Services and Senior Citizens Committee reports favorably and with committee amendments Senate Bill No. 2769.

As amended by the committee, this bill revises certain reporting requirements for nursing homes.

Specifically, the bill requires nursing home owners and operators, as well as applicants for a transfer of ownership of a nursing home and third party entities exercising substantial management control over the nursing home, to provide an organizational chart identifying: parent corporations and wholly-owned subsidiaries; principals that provide a service, facility, or supplies to the nursing home; and unrelated parties that provide a service, facility, or supplies to the nursing home that are paid \$200,000 or more by the nursing home. In the case of an applicant for a transfer of ownership of a nursing home, these disclosures will be based on expectations with regard to services, facilities, supplies, and payments.

The bill additionally revises the financial disclosures required for nursing home owners and operators, as well as applicants for a transfer of ownership and entities to which substantial management control over the nursing home would be delegated, to require the submission of a consolidated financial statement that:

- 1) is reviewed or audited by a certified public accountant in accordance with generally accepted accounting principles; and
- 2) includes: a balance sheet detailing the assets, liabilities, and net worth that the end of the reporting entity's fiscal year; a statement of income, expenses, and operating surplus or deficit for the annual fiscal period, and a statement of ancillary utilization and patient census; a statement detailing patient revenue by payer, including, but not limited to, Medicare, NJ FamilyCare, and other payers, and revenue center; a statement of cash flows, including, but not limited to, ongoing and new capital expenditures and depreciation; and a combined financial statement that includes all entities reported in the consolidated financial report.

For applicants for a transfer of ownership and entities seeking to delegate management of a nursing home, this information will be included with certain materials that current law requires be provided to the Department of Health (DOH); in the case of a transfer of ownership application, the information will be made available on the DOH's Internet website, with certain personal identifying and proprietary material excised. For current nursing home owners and operators, the nursing home's ownership information, the financial information for the nursing home, for certain parties providing services to the nursing home, and for a third party exercising substantial management control over the nursing home, and the organizational chart for the nursing home and for any third party exercising substantial management control over a nursing home, are to be annually posted on the nursing home's internet website, submitted to the DOH, and linked through the DOH's website.

Current law provides that the financial disclosures required for a transfer of ownership application vary, depending on whether the transfer involves a controlling interest in the nursing home and whether the prospective new owner has previously owned, operated, or managed a nursing home in New Jersey. The bill revises these requirements to require audited consolidated financial statements for all prospective new owners and operators who will be acquiring an interest of five percent or more in the nursing home. The bill removes an existing requirement for nursing homes to post the cost reports submitted to the federal Centers for Medicare and Medicaid Services on their Internet websites.

Current law allows nonprofit nursing homes to submit their Internal Revenue Service Form 990 in lieu of an owner-certified financial statement. The bill removes this language, thereby requiring nonprofit nursing homes to submit the same audited consolidated financial statements as are required of for profit nursing homes under the bill.

The bill grants the Commissioner of Human Services the discretion to accept a consolidated financial statement that meets the requirements of the bill as satisfying the requirement that nursing homes report revenues and expenditures for the purposes of establishing and enforcing a direct care loss ratio, as required under current law.

COMMITTEE AMENDMENTS:

The committee amendments revise the bill to require entities exercising substantial management control over a nursing home to submit annual organizational charts to the DOH; as introduced, organizational charts for third party management entities were only required when the nursing home initially transferred substantial management control to the third-party entity.

The committee amendments revise the bill to remove certain amendatory language from section 3 of P.L.2021, c.457 (C.26:2H-46.3), which established certain reporting and operational requirements for nursing homes, and instead place the new language in section 2 of P.L.1977, c.327 (C.26:2H-33), which sets forth certain reporting requirements for nursing homes that are specific to identifying the owners and principals of the nursing home, certain interested transactions, and certain financial disclosures. The amendments additionally revise section 2 of P.L.1977, c.327 (C.26:2H-33) to remove certain provisions of that law that overlap with the provisions of the bill.

The committee amendments require nursing homes to post on their Internet websites, in addition to the required financial disclosures required under the bill, the nursing home's organizational chart, the organizational chart for any third party entity exercising substantial management control, and the nursing home's ownership information. The DOH will continue to be required to post a link to the site where the information is posted.

The committee amendments revise the definition of "immediate family member" to include aunts, uncles, and first cousins.

The committee amendments revise the title of the bill to reflect the changes made by these amendments.