LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 4291

STATE OF NEW JERSEY
222nd LEGISLATURE

DATED: NOVEMBER 16, 2026

SUMMARY

Synopsis: Establishes process to judicially appoint receiver to administer closed hospital.

Type of Impact: Potential periodic increase in State and local expenditures and revenues.

Agencies Affected: Department of Health, Department of Law and Public Safety, the Judiciary, local governments.

Office of Legislative Services Estimate

Periodic Fiscal Impact	
Potential State Expenditure Increase	Indeterminate
Potential State Revenue Increase	Indeterminate
Potential Local Expenditure Increase	Indeterminate
Potential Local Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that the Judiciary would incur periodic cost increases for the Superior Court to hear additional civil cases in the event that a general hospital closes without first obtaining a certificate of need authorizing the closure, or is in imminent threat of closure and has not applied for a certificate of need. If the court appoints a receiver to oversee a hospital's operations, costs to the Judiciary would increase further. Because the OLS cannot anticipate the number of civil actions that might be filed, the magnitude of the Judiciary's cost increases cannot be determined.

- The bill grants standing to the Department of Health, the Office of the Attorney General, or the municipality in which the hospital is located to bring a civil action for an order directing the appointment of a receiver, which would increase the workload of the respective State agency or local government by an indeterminate amount in the event such action is taken.

- Moreover, the Department of Health would incur some degree of administrative costs to make findings, issue notices, and approve receivers as required under the bill. The department and

the State Health Planning Board may also incur additional costs to review any certificate of need applications filed by a receiver or a licensee as a result of the bill, and State revenues would increase by an indeterminate amount from the associated application fees.

- If the State or a municipality were to prevail in a civil action against a distressed hospital, and the presiding judge were to require the hospital to provide reimbursement for its costs, State and local revenues would increase, albeit by an indeterminate amount.

BILL DESCRIPTION

The bill establishes a procedure for the Superior Court to appoint a receiver to administer a hospital that has closed or is in imminent threat of closure.

Under current law, if the Department of Health determines that a hospital is in financial distress, it may appoint a monitor to resolve the facility's financial difficulties and may award State grants to a hospital where extraordinary circumstances threaten access to essential health services in a community. Existing regulations require that a hospital undergoing voluntary closure apply for a certificate of need, which must be approved by the Department of Health. The closure application is subject to the full certificate of need review process, which includes a public hearing held by the State Health Planning Board in the hospital's service area.

Under the bill, if the department finds that a hospital has closed without first obtaining a certificate of need authorizing the closure, or is in imminent threat of closure but has not yet applied for a certificate of need, the department is to notify the Office of the Attorney General and the municipality in which the hospital is located. The Department of Health, the Office of the Attorney General, or the municipality may then file a civil action in the Superior Court for the appointment of a receiver to maintain hospital operations. The court is to hear the action within three calendar days of its filing. It is an affirmative defense that the licensee has applied for a certificate of need and has restored all previously discontinued health care services pending the department's determination.

The bill provides that a court-appointed receiver may either assume administrative control directly or direct the hospital's current administrator to restore and maintain all previously discontinued health care services. The receiver will be empowered to exercise all authority necessary to maintain hospital operations and implement the court's orders. The receiver must be approved by the Department of Health, and no person with a financial interest in the licensee, or a family member of such a person, may be appointed. If the receiver determines that the hospital is in financial distress and may need to close, the receiver is to file a certificate of need application with the department. The receiver, owner, or licensee may ask the court to end the receivership once the problems have been resolved, and the court may end it immediately or with conditions to keep the problems from recurring. Finally, the receiver will obtain reasonable compensation from hospital revenues and may be required by the court to furnish a bond, the cost of which is to be paid jointly and severally by the persons found to have caused the licensee to violate the certificate of need requirements.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the Judiciary would incur periodic cost increases for the Superior Court to hear additional civil cases in the event that a general hospital closes without first obtaining a certificate of need authorizing the closure, or is in imminent threat of closure and has not applied for a certificate of need. If the court appoints a receiver to oversee a hospital's operations, costs to the Judiciary would increase further. These costs would be driven, in part, by the bill's requirement that the court hear an action within three calendar days of its filing, which may displace other matters before the court, and by the court's ongoing oversight of any receivership. Because the OLS cannot anticipate the number of civil actions that might be filed pursuant to the bill, the magnitude of the Judiciary's cost increases cannot be determined.

The bill grants standing to the Department of Health, the Office of the Attorney General, or the municipality in which the hospital is located to bring a civil action for an order directing the appointment of a receiver, which would increase the workload of the respective State agency or local government by an indeterminate amount. The OLS notes that the Division of Law in the Department of Law and Public Safety serves as the legal counsel and representative for the Department of Health, including in matters involving the administration and enforcement of laws affecting health care facilities. As such, the division would incur litigation costs when an action is brought by either the Department of Health or the Office of the Attorney General. Moreover, a municipality would be required to pay fees to file the civil action in the Superior Court, whereas Executive Branch departments are statutorily exempt from these filing fees. Any fees paid by a municipality would increase State revenues by a minimal amount.

The Department of Health would incur additional administrative costs to determine whether a hospital is in imminent threat of closure, to notify the Office of the Attorney General and the affected municipality, to approve a person to serve as a receiver, and to participate in any civil action. The OLS anticipates that these costs would likely be absorbed within the department's existing resources, as the department already monitors the financial condition of general hospitals and appoints monitors to hospitals in financial distress.

In addition, the bill may increase the number of certificate of need applications filed with the Department of Health, to the extent that a court-appointed receiver files an application for closure or a licensee files an application to establish the bill's affirmative defense. Currently, the closure of a general hospital is subject to the full certificate of need review process, which requires the State Health Planning Board to hold at least one public hearing in the hospital's service area. Any additional applications would increase the workload of the department and the State Health Planning Board and would increase State revenues through the non-refundable certificate of need application fee, which is at least $7,500 per application. However, to the extent that a general hospital would otherwise be required to file an application for closure under current law, the bill would affect the timing, rather than the number, of such applications.

If the Department of Health, the Office of the Attorney General, or the municipality were to prevail in a civil action against a distressed hospital, and the presiding judge were to require the hospital to reimburse the State or the municipality for its court costs, State and local revenues would increase, albeit by an indeterminate amount. For context, the hourly rates charged by the Division of Law, which may serve as a proxy for the cost of attorney and staff time that the State

would devote to such an action, range from $75 per hour for paralegal services to $300 per hour for services provided by a Deputy Attorney General or Assistant Attorney General with more than 20 years of experience.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).