

[First Reprint]

ASSEMBLY, No. 5916

STATE OF NEW JERSEY
218th LEGISLATURE

INTRODUCED NOVEMBER 14, 2019

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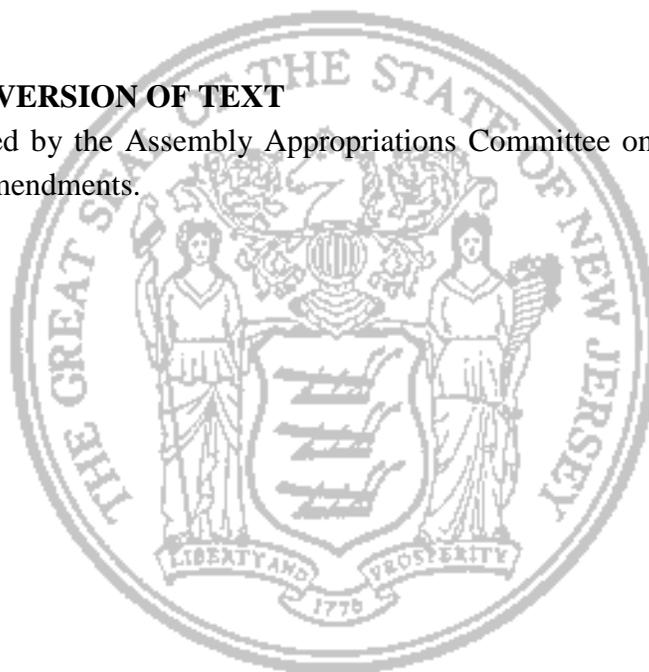
District 37 (Bergen)

SYNOPSIS

Authorizes DOH to notify elected officials of financial distress of certain hospitals.

CURRENT VERSION OF TEXT

As reported by the Assembly Appropriations Committee on December 12, 2019, with amendments.



(Sponsorship Updated As Of: 1/10/2020)

1 AN ACT concerning hospitals and amending P.L.2008, c.58.

2

3 **BE IT ENACTED** by the Senate and General Assembly of the State
4 of New Jersey:

5

6 1. Section 2 of P.L.2008, c.58 (C.26:2H-5.1a) is amended to
7 read as follows:

8 2. a. The Commissioner of Health shall prescribe, by
9 regulation: (1) specific indicators by which a general hospital may
10 be evaluated for financial soundness, and the thresholds at which it
11 may be considered to be in financial distress or at risk of being in
12 financial distress; and (2) the progressive levels of monitoring and
13 department participation in the development and oversight of
14 corrective measures to resolve a general hospital's financial or
15 potential financial difficulties, including the various levels of
16 involvement by an appointed monitor. The indicators and
17 progressive levels of monitoring and intervention shall be guided by
18 the indicators and levels of monitoring and intervention identified
19 in the final report of the New Jersey Commission on Rationalizing
20 Health Care Resources, issued on January 24, 2008.

21 b. The thresholds of specified financial indicators and
22 corresponding Department of Health involvement that may be
23 triggered by them shall include, but are not limited to, measures
24 relating to:

25 (1) days cash-on-hand;

26 (2) ¹**【cushion ratio】** average daily census¹;

27 (3) days in accounts receivable;

28 (4) average payment period;

29 (5) ¹**【total】** operating¹ margin;

30 (6) ¹**【earnings before depreciation】** operating margin adjusted to
31 account for fees, allocations, and other business interactions with
32 interested persons as those terms are defined in IRS Form 990, with
33 the term “interested person” to include owners for the purposes of a
34 for-profit hospital¹; and

35 (7) any other factor which the commissioner deems appropriate,
36 including failure to provide required or requested financial
37 information.

38 c. If the commissioner determines that a hospital is in financial
39 distress or at risk of being in financial distress after considering the
40 specified financial indicators set forth in subsection b. of this
41 section, then the commissioner may provide notice of the hospital’s
42 financial state to the mayor, city ¹**【council】** administrator¹, and
43 members of the Legislature who represent the municipality in which
44 the hospital is located. The commissioner may appoint, in

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly AAP committee amendments adopted December 12, 2019.

1 consultation with the hospital, a monitor to prevent further financial
2 deterioration, in which case the commissioner, within 30 days of
3 making the appointment, shall provide notice of the appointment of
4 the monitor to the mayor, city ¹【council】 administrator¹, and
5 members of the Legislature who represent the municipality in which
6 the hospital is located. ¹【Payment for the monitor shall be
7 determined through a contingency contract established between the
8 hospital and the monitor. The contract shall be subject to approval
9 by the department with regard to the monitor's responsibilities. In
10 no case shall a hospital bear financial liability if no savings result
11 from measures undertaken pursuant to the contract.】¹

12 The appointed monitor shall have demonstrated expertise in
13 hospital administration, management, or operations. A monitor: (1)
14 shall be authorized to attend all hospital board meetings, executive
15 committee meetings, finance committee meetings, steering
16 committee meetings, turnaround committee meetings, or any other
17 meetings concerning the hospital's fiscal matters; (2) may be
18 authorized to have voting and veto powers over actions taken in the
19 above mentioned meetings; (3) shall report to the commissioner and
20 the full hospital board of trustees in a manner prescribed by the
21 commissioner; and (4) shall serve for such period of time as may be
22 determined by the commissioner in consultation with the hospital.

23 The commissioner shall maintain continuing oversight of the
24 actions and recommendations of the monitor to ensure that the
25 public interest is protected.

26 (cf: P.L.2012, c.17, s.159)

27

28 2. This act shall take effect immediately.