

# ASSEMBLY, No. 2608

## STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED MAY 5, 2008

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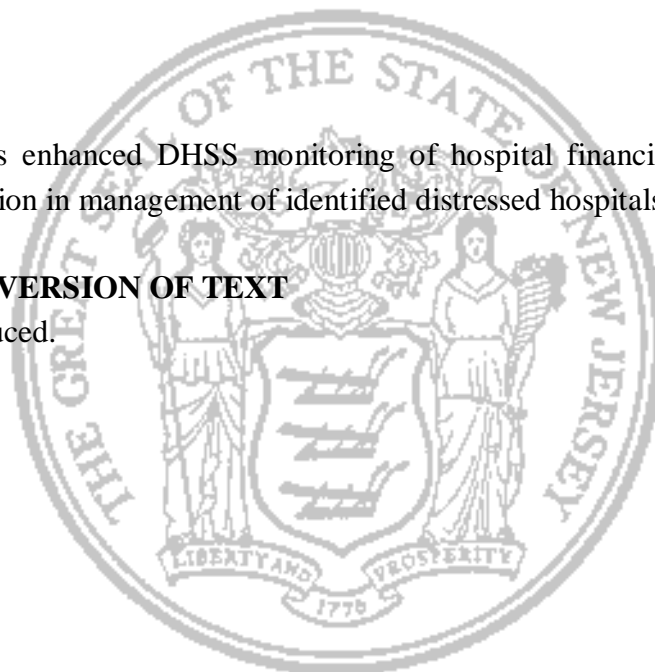
**District 31 (Hudson)**

**SYNOPSIS**

Authorizes enhanced DHSS monitoring of hospital financial performance and intervention in management of identified distressed hospitals.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning fiscal monitoring of hospitals and amending  
2 and supplementing Title 26 of the Revised Statutes.

3

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

6

7 1. Section 5 of P.L.1971, c.136 (C.26:2H-5) is amended to read  
8 as follows:

9 5. a. The commissioner, to effectuate the provisions and  
10 purposes of this act, shall have the power to inquire into health care  
11 services and the operation of health care facilities and to conduct  
12 periodic inspections of such facilities with respect to the fitness and  
13 adequacy of the premises, equipment, personnel, rules and bylaws  
14 and the adequacy of financial resources and sources of future  
15 revenues.

16 b. The commissioner, with the approval of the board, shall  
17 adopt and amend rules and regulations in accordance with the  
18 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
19 seq.) to effectuate the provisions and purposes of this act, including  
20 but not limited to: (1) the establishment of requirements for a  
21 uniform Statewide system of reports and audits relating to the  
22 quality of health care provided, health care facility utilization and  
23 costs; (2) certification by the department of schedules of rates,  
24 payments, reimbursement, grants and other charges for health care  
25 services as provided in section 18; and (3) standards and procedures  
26 relating to the licensing of health care facilities and the institution  
27 of certain additional health care services.

28 c. The commissioner may enter into contracts with any  
29 government agency, institution of higher learning, voluntary  
30 nonprofit agency, or appropriate planning agency or council; and  
31 such entities are authorized to enter into contracts with the  
32 commissioner to effectuate the provisions and purposes of this act.

33 d. The commissioner may provide consultation and assistance  
34 to health care facilities in operational techniques, including but not  
35 limited to, planning, principles of management, and standards of  
36 health care services, and, in the case of a general hospital, to  
37 appoint a monitor if the commissioner determines that a monitor is  
38 warranted for a hospital that is in financial distress or at risk of  
39 being in financial distress, and to participate in the development and  
40 oversight of corrective measures to resolve a hospital's financial or  
41 potential financial difficulties, pursuant to section 2 of P.L. \_\_\_\_\_,  
42 c. (C. ) (pending before the Legislature as this bill).

43 e. At the request of the commissioner, health care facilities  
44 shall furnish to the Department of Health and Senior Services such  
45 reports and information as it may require to effectuate the

**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.**

1 provisions and purposes of this act, excluding confidential  
2 communications from patients.

3 f. The commissioner may institute or cause to be instituted in a  
4 court of competent jurisdiction proceedings to compel compliance  
5 with the provisions of this act or the determinations, rules,  
6 regulations and orders of the commissioner.

7 g. Notwithstanding any rules and regulations governing private  
8 long-term health care facilities and enforcing the 1967 Life Safety  
9 Code, as amended and supplemented, the commissioner shall permit  
10 third floor occupancy of such facilities by owners, members of their  
11 immediate families, and licensed professionals employed at such  
12 facilities.

13 (cf: P.L.1998, c.43, s.3)

14

15 2. (New section) a. The Commissioner of Health and Senior  
16 Services shall prescribe, by regulation: (1) specific indicators by  
17 which a general hospital may be evaluated for financial soundness,  
18 and the thresholds at which it may be considered to be in financial  
19 distress or at risk of being in financial distress; and (2) the  
20 progressive levels of monitoring and department participation in the  
21 development and oversight of corrective measures to resolve a  
22 general hospital's financial or potential financial difficulties,  
23 including the various levels of involvement by an appointed  
24 monitor.

25 b. The thresholds of specified financial indicators and  
26 corresponding Department of Health and Senior Services  
27 involvement that may be triggered by them shall include, but are  
28 not limited to, measures relating to:

29 (1) days cash-on-hand;

30 (2) cushion ratio;

31 (3) days in accounts receivable;

32 (4) average payment period;

33 (5) total margin;

34 (6) earnings before depreciation; 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, then the  
40 commissioner may appoint a monitor, at the hospital's expense, to  
41 prevent further financial deterioration. A monitor: (1) shall be  
42 authorized to attend all hospital board meetings, executive  
43 committee meetings, finance committee meetings, steering  
44 committee meetings, turnaround committee meetings, or any other  
45 meetings concerning the hospital's fiscal matters; and (2) may be  
46 authorized to have voting and veto powers over actions taken in the  
47 above mentioned meetings.



- 1 meetings, or any other meetings concerning the hospital's  
2 fiscal matters.
- 3 • The thresholds of specified financial indicators and corresponding  
4 DHSS involvement that may be triggered by them, shall include,  
5 but are not limited to, measures relating to:
    - 6 -- days cash-on-hand;
    - 7 -- cushion ratio;
    - 8 -- days in accounts receivable;
    - 9 -- average payment period;
    - 10 -- total margin;
    - 11 -- earnings before depreciation.; and
    - 12 -- any other factor which the commissioner deems appropriate,  
13 including failure to provide required or requested financial  
14 information.
  - 15 • The commissioner is authorized to appoint a monitor, at the  
16 hospital's expense, to prevent further financial deterioration if the  
17 commissioner determines that a hospital is in financial distress or  
18 at risk of being in financial distress. The monitor would have  
19 authority to attend all hospital board meetings, executive  
20 committee meetings, finance committee meetings, steering  
21 committee meetings, turnaround committee meetings, or any  
22 other meetings concerning the hospital's fiscal matters; and to  
23 have voting and veto powers over actions taken in those  
24 meetings.
  - 25 • General hospitals are required to: provide monthly unaudited  
26 financial information and annual audited financial statements to  
27 the department, and such other financial information as DHSS  
28 may request; and permit the commissioner, or a monitor  
29 appointed by the commissioner, to oversee its financial  
30 operations.
- 31 This bill is based on a recommendation by the New Jersey  
32 Commission on Rationalizing Health Care Resources that the State  
33 implement a more proactive, structured and formal approach to  
34 assisting distressed hospitals, both profit and nonprofit, in order to  
35 further the State's public policy ensuring the availability of high  
36 quality, efficiently provided hospital services to the State's  
37 residents.