

ASSEMBLY, No. 5916

STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED NOVEMBER 14, 2019

Sponsored by:

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District 31 (Hudson)

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District 31 (Hudson)

SYNOPSIS

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

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/26/2019)

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 read
7 as follows:

8 2. a. The Commissioner of Health shall prescribe, by regulation:
9 (1) specific indicators by which a general hospital may be evaluated
10 for financial soundness, and the thresholds at which it may be
11 considered to be in financial distress or at risk of being in financial
12 distress; and (2) the progressive levels of monitoring and department
13 participation in the development and oversight of corrective
14 measures to resolve a general hospital's financial or potential
15 financial difficulties, including the various levels of involvement by
16 an appointed monitor. The indicators and progressive levels of
17 monitoring and intervention shall be guided by the indicators and
18 levels of monitoring and intervention identified in the final report of
19 the New Jersey Commission on Rationalizing Health Care
20 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) cushion ratio;
27 (3) days in accounts receivable;
28 (4) average payment period;
29 (5) total margin;
30 (6) earnings before depreciation; and
31 (7) any other factor which the commissioner deems appropriate,
32 including failure to provide required or requested financial
33 information.

34 c. If the commissioner determines that a hospital is in financial
35 distress or at risk of being in financial distress after considering the
36 specified financial indicators set forth in subsection b. of this section,
37 then the commissioner may provide notice of the hospital's financial
38 state to the mayor, city council, and members of the Legislature who
39 represent the municipality in which the hospital is located. The
40 commissioner may appoint, in consultation with the hospital, a
41 monitor to prevent further financial deterioration, in which case the
42 commissioner, within 30 days of making the appointment, shall
43 provide notice of the appointment of the monitor to the mayor, city
44 council, and members of the Legislature who represent the
45 municipality in which the hospital is located. Payment for 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 monitor shall be determined through a contingency contract
2 established between the hospital and the monitor. The contract shall
3 be subject to approval by the department with regard to the monitor's
4 responsibilities. In no case shall a hospital bear financial liability if
5 no savings result from measures undertaken pursuant to the contract.

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

17 The commissioner shall maintain continuing oversight of the
18 actions and recommendations of the monitor to ensure that the public
19 interest is protected.

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

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22 2. This act shall take effect immediately.

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STATEMENT

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27 This bill authorizes the Commissioner of Health (commissioner)
28 to notify elected officials of the financial distress of certain hospitals.

29 Under the bill, if the commissioner determines that a hospital is in
30 financial distress or at risk of being in financial distress, then the
31 commissioner may provide notice of the hospital's financial state to
32 the mayor, city council, and members of the Legislature who
33 represent the municipality in which the hospital is located. If the
34 commissioner appoints a monitor to prevent further financial
35 deterioration at the hospital, the commissioner is to provide notice of
36 the appointment within 30 days to the mayor, city council, and
37 members of the Legislature who represent the municipality in which
38 the hospital is located.