

ASSEMBLY, No. 5917

STATE OF NEW JERSEY 218th LEGISLATURE

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Sponsored by:

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District 31 (Hudson)

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SYNOPSIS

Expands DOH oversight of hospital finances.

CURRENT VERSION OF TEXT

As introduced.



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

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

3

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

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

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

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

26 (1) days cash-on-hand;

27 (2) cushion ratio;

28 (3) days in accounts receivable;

29 (4) average payment period;

30 (5) total margin and the margin adjusted to account for fees,
31 allocations, and other payments as described in paragraph (7) of this
32 subsection;

33 (6) earnings before depreciation;

34 (7) the amount of management fees, allocations, and other
35 payments made to third party entities, and the extent to which those
36 fees, allocations, and payments reflect services actually rendered,
37 with a particular focus on fees, allocations, and other payments
38 made to a related or affiliated entity that does business with, or
39 otherwise transfers assets to or from, the hospital; and

40 **[(7)] (8)** any other factor which the commissioner deems
41 appropriate, including failure to provide required or requested
42 financial information.

43 c. If the commissioner determines that a hospital is in financial
44 distress or at risk of being in financial distress after considering the
45 specified financial indicators set forth in subsection b. of this

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 section and any additional financial indicators as the commissioner
2 specifies by regulation, then the commissioner may appoint, in
3 consultation with the hospital, a monitor to prevent further financial
4 deterioration. Payment for the monitor shall be determined through
5 a contingency contract established between the hospital and the
6 monitor. The contract shall be subject to approval by the
7 department with regard to the monitor's responsibilities. In no case
8 shall a hospital bear financial liability if no savings result from
9 measures undertaken pursuant to the contract.

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

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

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

25

26 2. The Commissioner of Health shall, pursuant to the
27 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
28 seq.), adopt rules and regulations to implement the provisions of
29 this act.

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31 3. This act shall take effect immediately.

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STATEMENT

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36 This bill expands the Department of Health's Early Warning
37 System, which is designed to detect signs that a hospital may be in
38 or is approaching financial distress, to require consideration of the
39 amount of management fees, allocations, and other payments made
40 to third party entities, and the extent to which those fees,
41 allocations, and payments reflect services actually rendered, with a
42 particular focus on fees, allocations, and other payments made to a
43 related or affiliated entity that does business with, or otherwise
44 transfers assets to or from, the hospital. The department will also
45 be required to review both the hospital's total margin and the
46 margin adjusted to account for third party management fees,
47 allocations, and other payments.