

[First Reprint]

**ASSEMBLY, No. 5917**

**STATE OF NEW JERSEY**  
**218th LEGISLATURE**

INTRODUCED NOVEMBER 14, 2019

**Sponsored by:**

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**District 31 (Hudson)**

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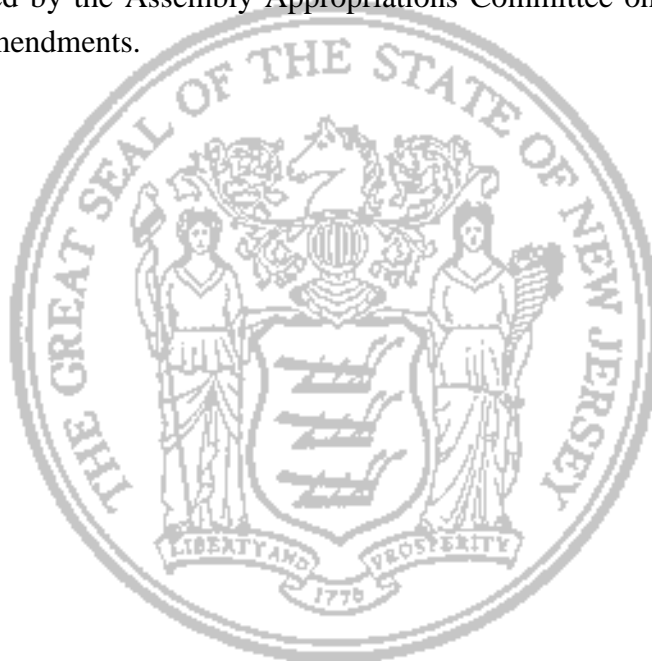
**District 37 (Bergen)**

**SYNOPSIS**

Expands DOH oversight of hospital finances.

**CURRENT VERSION OF TEXT**

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



**(Sponsorship Updated As Of: 12/17/2019)**

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:

6

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) <sup>1</sup>**["cushion ratio"]** average daily census<sup>1</sup>;

28 (3) days in accounts receivable;

29 (4) average payment period;

30 (5) <sup>1</sup>**["total"]** operating<sup>1</sup> margin <sup>1</sup>**["and the margin adjusted to**  
31 account for fees, allocations, and other payments as described in  
32 paragraph (7) of this subsection<sup>1</sup>];

33 (6) <sup>1</sup>**["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 <sup>1</sup>**["(7)"]** <sup>1</sup>**["(8)"]** operating margin adjusted to account for fees,  
41 allocations, and other business interactions with interested persons  
42 as those terms are defined in IRS Form 990, with the term  
43 "interested person" to include owners for the purposes of a for-  
44 profit hospital; and

**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:

<sup>1</sup>Assembly AAP committee amendments adopted December 12, 2019.

1       (7)<sup>1</sup> any other factor which the commissioner deems appropriate,  
2 including failure to provide required or requested financial  
3 information.

4       c. If the commissioner determines that a hospital is in financial  
5 distress or at risk of being in financial distress after considering the  
6 specified financial indicators set forth in subsection b. of this  
7 section and any additional financial indicators as the commissioner  
8 specifies by regulation, then the commissioner may appoint, in  
9 consultation with the hospital, a monitor to prevent further financial  
10 deterioration. <sup>1</sup>【Payment for the monitor shall be determined  
11 through a contingency contract established between the hospital and  
12 the monitor. The contract shall be subject to approval by the  
13 department with regard to the monitor's responsibilities. In no case  
14 shall a hospital bear financial liability if no savings result from  
15 measures undertaken pursuant to the contract.】<sup>1</sup>

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

27       The commissioner shall maintain continuing oversight of the  
28 actions and recommendations of the monitor to ensure that the  
29 public interest is protected.

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

31

32       2. The Commissioner of Health shall, pursuant to the  
33 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et  
34 seq.), adopt rules and regulations to implement the provisions of  
35 this act.

36

37       3. This act shall take effect immediately.