

# ASSEMBLY, No. 5918

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED NOVEMBER 14, 2019

**Sponsored by:**

**Assemblyman NICHOLAS CHIARAVALLOTTI**

**District 31 (Hudson)**

**Assemblywoman ANGELA V. MCKNIGHT**

**District 31 (Hudson)**

**SYNOPSIS**

Expands hospital reporting requirements.

**CURRENT VERSION OF TEXT**

As introduced.



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

A5918 CHIARAVALLOTI, MCKNIGHT

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1 AN ACT concerning reporting requirements for hospitals and  
2 amending P.L.2008, c.58.

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

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7 1. Section 3 of P.L.2008, c.58 (C.26:2H-5.1b) is amended to  
8 read as follows:

9 3. As a condition of licensure under P.L.1971, c.136 (C.26:2H-  
10 1 et al.), a general hospital shall:

11 a. provide to the Department of Health:

12 (1) monthly unaudited financial information and annual audited  
13 financial statements [to the Department of Health, and such other  
14 financial information as the department may request]; and

15 (2) by November 30 of each year, Internal Revenue Service  
16 Form 990 and all schedules and supporting documentation required  
17 to be submitted to the Internal Revenue Service in conjunction with  
18 Form 990 for the prior tax year; except that, if the hospital does not  
19 file a Form 990 with the Internal Revenue Service, the hospital shall  
20 provide to the department all governance, financial, and operating  
21 information that would otherwise be reported on Form 990 for the  
22 prior tax year, including the information that would be required to  
23 be submitted in the schedules and supporting documentation in  
24 conjunction with Form 990, to the extent that such information  
25 exists with respect to a for-profit hospital;

26 b. permit the Commissioner of Health, or a monitor appointed  
27 by the commissioner, as applicable, to oversee its financial  
28 operations, and, if the commissioner determines that the hospital is  
29 at risk of being in financial distress or is in financial distress based  
30 on criteria specified by regulation, participate in the development  
31 and implementation of a corrective plan to resolve the hospital's  
32 financial difficulties, pursuant to section 2 of P.L.2008, c.58  
33 (C.26:2H-5.1a); and

34 c. if the hospital is owned or managed by a for-profit entity,  
35 including an entity that has a majority ownership interest in the  
36 hospital, provide to the department the following information, to the  
37 extent that such information is not otherwise reported pursuant to  
38 subsection a. of this section:

39 (1) a list of all payments for goods or services, including leases  
40 and rentals, made to any entity owned or managed, in whole or in  
41 part, by any owner, board member, or officer of the entity that owns  
42 or operates the hospital, or a person related to such an individual;

43 (2) a chart that identifies all legal entities related to or affiliated  
44 with the hospital, including the full name of the entity, its location,  
45 and its tax-exempt status;

**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       (3) whether the owners or managers of the hospital maintain one  
2 or more offices, employees, or agents outside the United States that  
3 do business with the hospital, and any revenues and expenses of  
4 more than \$5,000 transacted outside the United States;

5       (4) a list of investors and joint ventures between the hospital  
6 owners and its investors, including the name of the joint venture  
7 entity, whether for-profit or nonprofit, a description of its primary  
8 activity, and the percent of profit or stock ownership held by each  
9 of the officers, directors, physicians, and key employees of the  
10 hospital in the joint venture;

11       (5) the name and address of any management company paid to  
12 provide services to the hospital, a description of the primary activity  
13 of the company, and the percent of profit or stock ownership held  
14 by each of the officers, directors, physicians, and key employees of  
15 the hospital in the management company;

16       (6) the amounts paid to any affiliates for management or  
17 consulting services;

18       (7) a description of any trust that holds an interest in the  
19 hospital, including the names of the trustees, beneficial owners, and  
20 grantor or settlor of the trust, along with a copy of the full trust  
21 agreement;

22       (8) a list of any properties for which the hospital has claimed a  
23 tax abatement;

24       (9) a description of major plant or facility expansion projects at  
25 the hospital, including the project location, scope, timeline for  
26 completion, and estimated cost of, and sources of funding for,  
27 construction; and

28       (10) if the hospital had surplus revenues for the prior fiscal year,  
29 the total amount of any such surplus revenue used for each of the  
30 following: debt retirement; plant or facility expansion; or a reserve  
31 for operating contingencies.

32       d. The information submitted to the department pursuant to this  
33 section shall be posted on the department's Internet web site.

34 (cf: P.L.2012, c.17, s.160)

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

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41       3. This act shall take effect on the 180th day after the date of  
42 enactment, except that the Commissioner of Health may take any  
43 anticipatory administrative action in advance thereof as shall be  
44 necessary for the implementation of this act.

STATEMENT

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This bill expands the information hospitals are required to report to the Department of Health.

Specifically, in addition to the monthly unaudited financial information and annual audited financial statements hospitals are currently required to provide, hospitals will also be required to provide the department with Internal Revenue Service Form 990 and all schedules and supporting documentation required to be submitted to the Internal Revenue Service in conjunction with Form 990 for the prior tax year. If the hospital does not file a Form 990 with the Internal Revenue Service, the hospital will be required provide to the department all governance, financial, and operating information that would otherwise be reported on Form 990 for the prior tax year, including the information that would be required to be submitted in the schedules and supporting documentation in conjunction with Form 990, to the extent that such information exists with respect to a for-profit hospital.

Additionally, if a hospital is owned or managed by a for-profit entity, including an entity that has a majority ownership interest in the hospital, the hospital will be required to provide certain additional information, including: (1) a list of all payments for goods or services, including leases and rentals, made to any entity owned or managed, in whole or in part, by any owner, board member, or officer of the entity that owns or operates the hospital, or a person related to such an individual; (2) a chart that identifies all legal entities related to or affiliated with the hospital, including the full name of the entity, its location, and its tax-exempt status; (3) whether the owners or managers of the hospital maintain one or more offices, employees, or agents outside the United States that do business with the hospital, and any revenues and expenses of more than \$5,000 transacted outside the United States; (4) a list of investors and joint ventures between the hospital owners and its investors, including the name of the joint venture entity, whether for-profit or nonprofit, a description of its primary activity, and the percent of profit or stock ownership held by each of the officers, directors, physicians, and key employees of the hospital in the joint venture; (5) the name and address of any management company paid to provide services to the hospital, a description of the primary activity of the company, and the percent of profit or stock ownership held by each of the officers, directors, physicians, and key employees of the hospital in the management company; (6) the amounts paid to any affiliates for management or consulting services; (7) a description of any trust that holds an interest in the hospital, including the names of the trustees, the beneficial owners, and the grantor or settlor of the trust, along with a copy of the full trust agreement; (8) a list of any properties for which the hospital has claimed a tax abatement; (9) a description of major plant or

1 facility expansion projects at the hospital, including the project  
2 location, scope, timeline for completion, and estimated cost of, and  
3 sources of funding for, construction; and (10) if the hospital had  
4 surplus revenues for the prior fiscal year, the total amount of any  
5 such surplus revenue used for each of the following: debt  
6 retirement; plant or facility expansion; or a reserve for operating  
7 contingencies.

8 The information submitted to the department pursuant to the bill  
9 is to be posted on the department's Internet web site.

10 This bill implements certain recommendations made by the State  
11 Commission of Investigation in a March 19, 2019 report detailing  
12 the Commission's findings and recommendations with regard to  
13 hospital-related oversight and accountability.