

2008 -- H 8384

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LC03136
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2008

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A N A C T

RELATING TO HOSPITALS

Introduced By: Representatives Brien, and Baldelli-Hunt

Date Introduced: June 12, 2008

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1.

2 WHEREAS, Landmark Medical Center is the sole community hospital serving
3 Woonsocket and the surrounding communities of Northern Rhode Island; and

4 WHEREAS, Despite continued documented efforts over the past three years to partner
5 with stronger institutions, to improve insurance reimbursements and to reduce costs, Landmark
6 Medical Center has experienced a level of financial distress that is unique among hospitals and is
7 the only hospital in a negative net asset position; and

8 WHEREAS, Landmark Medical Center is in such urgent financial distress that it
9 anticipates closing by the end of the year unless it can find a buyer; and

10 WHEREAS, If Landmark Medical Center closes, quality and accessibility of hospital
11 care will be significantly adversely affected; the third busiest emergency department in the state
12 will close; 1,055 jobs will be lost, and a safety net for the uninsured and underinsured providing
13 \$8.5 million annually in uncompensated care will be lost; and

14 WHEREAS, Landmark Medical Center is in negotiations with a Rhode Island non-profit
15 hospital to purchase Landmark Medical Center and keep it open as a hospital; and

16 WHEREAS, Such a purchase requires review under the Health Care Facility Licensure
17 Act and the Hospital Conversions Act; and

18 WHEREAS, Because there are no administrative remedies to expedite the Hospital
19 Conversions Act process, Landmark Medical Center will run out of money and close before the

1 review is completed, regardless of whether the department of health and attorney general
2 ultimately approve the transaction; and

3 WHEREAS, It is deemed to be in the public interest that Landmark Medical Center not
4 be forced to close solely because the Hospital Conversions Act has no mechanism to address a
5 situation of public health urgency.

6 Therefore, it is enacted by the General Assembly as follows:

7 SECTION 2. Sections 23-17.14-4 and 23-17.14-21 of the General Laws in Chapter 23-
8 17.14 entitled "The Hospital Conversions Act" are hereby amended to read as follows:

9 **23-17.14-4. Definitions.** -- For purposes of this chapter:

10 (1) "Acquiree" means the person or persons that lose(s) any ownership or control in the
11 new hospital, as the terms "new hospital" and "person(s)" are defined within this chapter;

12 (2) "Acquiror" means the person or persons which gain(s) an ownership or control in the
13 new hospital, as the terms "new hospital" and "person(s)" are defined within this chapter;

14 (3) "Affected community" means any city or town within the state wherein an existing
15 hospital is physically located and/or those cities and towns whose inhabitants are regularly served
16 by the existing hospital;

17 (4) "Charity care" is defined as health care services provided by a hospital without
18 charge to a patient and for which the hospital does not and has not expected payment;

19 (5) "Community benefit" means the provision of hospital services that meet the ongoing
20 needs of the community for primary and emergency care in a manner that enables families and
21 members of the community to maintain relationships with person who are hospitalized or are
22 receiving hospital services, and shall also include, but not be limited to charity care and
23 uncompensated care;

24 (6) "Conversion" means any transfer by a person or persons of an ownership or
25 membership interest or authority in a hospital, or the assets of a hospital, whether by purchase,
26 merger, consolidation, lease, gift, joint venture, sale, or other disposition which results in a
27 change of ownership or control or possession of twenty percent (20%) or greater of the members
28 or voting rights or interests of the hospital or of the assets of the hospital or pursuant to which, by
29 virtue of the transfer, a person, together with all persons affiliated with the person, holds or owns,
30 in the aggregate, twenty percent (20%) or greater of the membership or voting rights or interests
31 of the hospital or of the assets of the hospital, or the removal, addition or substitution of a partner
32 which results in a new partner gaining or acquiring a controlling interest in the hospital, or any
33 change in membership which results in a new person gaining or acquiring a controlling vote in
34 the hospital;

- 1 (7) "Department" means the department of health;
- 2 (8) "Director" means the director of the department of health;
- 3 (9) "Existing hospital" means the hospital as it exists prior to the acquisition;
- 4 (10) "For-profit corporation" means a legal entity formed for the purpose of transacting
5 business which has as any one of its purposes pecuniary profit;
- 6 (11) "Hospital" means a person or governmental entity licensed in accordance with
7 chapter 17 of this title to establish, maintain and operate a hospital; but shall not mean a
8 rehabilitation hospital center;
- 9 (12) "New hospital" means the hospital as it exists after the completion of a conversion;
- 10 (13) "Not-for-profit corporation" means a legal entity formed for some charitable or
11 benevolent purpose and not-for-profit which has been exempted from taxation pursuant to
12 Internal Revenue Code section 501(c)(3), 26 U.S.C. section 501(c)(3);
- 13 (14) "Person" means any individual, trust or estate, partnership, corporation (including
14 associations, joint stock companies and insurance companies), state or political subdivision or
15 instrumentality of the state;
- 16 (15) "Transacting parties" means any person or persons who seeks either to transfer or
17 acquire ownership or a controlling interest or controlling authority in a hospital which would
18 result in a change of ownership, control or authority of twenty percent (20%) or greater;
- 19 (16) "Uncompensated care" means a combination of free care, which the hospital
20 provides at no cost to the patient, bad debt, which the hospital bills for but does not collect, and
21 less than full Medicaid reimbursement amounts.

22 **23-17.14-21. No derogation of attorney general.** -- (a) No provision of this chapter shall
23 derogate from the common law or statutory authority of the attorney general nor shall any
24 provision be construed as a limitation on the common law or statutory authority of the attorney
25 general, including the authority to investigate at any time charitable trusts for the purpose of
26 determining and ascertaining whether they are being administered in accordance with law and
27 with the terms and purposes thereof.

28 (b) No provision of this chapter shall be construed as a limitation on the application of
29 the doctrine of cy pres or any other legal doctrine applicable to charitable assets and/or charitable
30 trusts.

31 (c) Notwithstanding the foregoing, in the case of a transaction involving a negative net
32 asset hospital as described in section 23-17.14-9.1, any charitable trust funds held by such
33 negative net asset hospital at the time of the transaction shall be used to support one or more of
34 the charitable purposes of the negative net asset hospital or of a Rhode Island charitable

1 [organization with similar charitable purposes.](#)

2 SECTION 3. Chapter 23-17.14 of the General Laws entitled "The Hospital Conversions
3 Act" is hereby amended by adding thereto the following section:

4 **23-17.14-9.1. Initial application and review process - Conversions limited to non-**
5 **profit corporations involving a negative net asset hospital as the acquiree. -- In substitution**
6 **for, and not as an addition to, any other provision of this chapter, the department of health and the**
7 **department of attorney general shall review all proposed conversions involving a negative net**
8 **asset hospital as the acquiree and a not-for-profit Rhode Island licensed hospital as the acquirer in**
9 **accordance with the application and process for conduct of change of effective control review**
10 **pursuant to sections 23-17-14.3 and 23-17-14.4; provided, however, that a decision must be**
11 **rendered within ninety (90) days of submission of the application; provided, further, that the**
12 **department of the attorney general and the department of health may suspend review of any other**
13 **application for conversion during the pendency of such expedited review. For purposes of this**
14 **section, a negative net asset hospital is defined as a hospital that reported liabilities exceeding**
15 **assets on its audited financial statements on September 30, 2007.**

16 SECTION 4. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO HOSPITALS

1 This act would permit a financially distressed hospital to bypass the structures of the
2 Health Care Licensure Act and the Hospital Conversions Act which would require a lengthy
3 review process of over a year so as to permit such an institution to be sold or merged with a
4 financial stable non-profit hospital.

5 This act would take effect upon passage.

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