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## STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO HEALTH AND SAFETY - THE HOSPITAL CONVERSIONS ACT

Introduced By: Representatives Mattiello, Azzinaro, Brien, Marcello, and McLaughlin

Date Introduced: January 31, 2012

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1           SECTION 1. Sections 23-17.14-2, 23-17.14-3, 23-17.14-4, 23-17.14-5, 23-17.14-6, 23-  
2 17.14-7, 23-17.14-9, 23-17.14-10, 23-17.14-11, 23-17.14-13, 23-17.14-19, 23-17.14-28, 23-  
3 17.14-31 and 23-17.14-34 of the General Laws in Chapter 23-17.14 entitled "The Hospital  
4 Conversions Act" are hereby amended to read as follows:

5           **23-17.14-2. Findings.** -- The general assembly finds and declares that:

- 6           (1) Rhode Island has a proud history of non-profit hospitals and philanthropic support of  
7 medical services, education and research;
- 8           (2) Hospitals in Rhode Island provide overall high quality care at a reasonable cost;
- 9           (3) Hospitals in Rhode Island have experienced ~~during the 1990's~~ substantial declines in  
10 occupancy as the healthcare system has changed.
- 11           (4) Hospitals ~~required~~ require capital to maintain operations and to modernize facilities  
12 and services;
- 13           (5) Nationally and regionally private investment is being made that results in the  
14 conversion of not-for-profit and public hospitals into for-profit hospitals;
- 15           (6) There are hospitals in Rhode Island that have provided and continue to provide  
16 important services to communities that submit that their survival may depend on the ability to  
17 enter into agreements that result in the investment of private capital and their conversion to for-  
18 profit status;
- 19           (7) Hospitals both not-for-profit and for-profit are merging and forming networks to

1 achieve integration, stability and efficiency and the presence of these networks affects  
2 competition;

3 (8) There are concerns that hospital networks may engage in practices that affect the  
4 quality medical services in the community as a whole and for more vulnerable members of  
5 society in particular;

6 (9) In order to protect public health and welfare and public and charitable assets, it is  
7 necessary to establish standards and procedures for hospital conversions.

8 **23-17.14-3. Purpose of provisions.** -- The purpose of this chapter is to:

9 (1) Assure the viability of a safe, accessible and affordable healthcare system that is  
10 available to all of the citizens of the state;

11 (2) To establish a process to ~~evaluate, monitor and~~ review whether ~~the new phenomenon~~  
12 ~~of~~ for-profit ~~corporations gaining an interest in~~ hospitals will maintain, enhance, or disrupt the  
13 delivery of healthcare in the state and to monitor hospital performance to assure that standards for  
14 community benefits continue to be met;

15 (3) To establish a review process and criteria for review of hospital conversions ~~that~~  
16 ~~involve for-profit corporations;~~

17 ~~(4) To establish a review process and criteria for review of hospital conversions that~~  
18 ~~involve only not-for-profit corporations;~~

19 ~~(5)~~(4) To clarify the jurisdiction and the authority of the department of health to protect  
20 public health and welfare and the department of attorney general to preserve and protect public  
21 and charitable assets in reviewing both hospital conversions which involve for-profit corporations  
22 and hospital conversions which include only not-for-profit corporations; and

23 ~~(6)~~(5) To provide for independent foundations to hold and distribute proceeds of hospital  
24 conversions consistent with the acquiree's original purpose or for the support and promotion of  
25 health care and social needs in the affected community.

26 **23-17.14-4. Definitions.** -- For purposes of this chapter:

27 (1) "Acquiree" means the person or persons that lose(s) any ownership or control in the  
28 new hospital as a result of a conversion, as the terms "conversion," "new hospital," and  
29 "person(s)" are defined within this chapter;

30 (2) "Acquiror" means the person or persons which gain(s) an ownership or control in the  
31 new hospital as a result of a conversion, as the terms "conversion," "new hospital," and  
32 "person(s)" are defined within this chapter;

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

1 by the existing hospital;

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

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

9 (6) "Conversion" means any transfer by a person or persons of an ownership or  
10 membership interest or authority in a hospital, or the assets of a hospital, whether by purchase,  
11 merger, consolidation, lease, gift, joint venture, sale, or other disposition which results in a  
12 change of ownership or control or possession of twenty percent (20%) or greater of the members  
13 or voting rights or interests of the hospital or of the assets of the hospital or pursuant to which, by  
14 virtue of the transfer, a person, together with all persons affiliated with the person, holds or owns,  
15 in the aggregate, twenty percent (20%) or greater of the membership or voting rights or interests  
16 of the hospital or of the assets of the hospital, or the removal, addition or substitution of a partner  
17 which results in a new partner gaining or acquiring a controlling interest in the hospital, or any  
18 change in membership which results in a new person gaining or acquiring a controlling vote in  
19 the hospital;

20 (7) "Current conflict of interest forms" means conflict of interest forms signed within one  
21 year prior to the date the application is submitted in the same form as submitted to auditors for the  
22 transacting parties in connection with the preparation of financial statements, or in such other  
23 form as is acceptable to the attorney general, together with a description of any conflicts of  
24 interest that have been discovered by or disclosed to a transacting party since the date of such  
25 conflict of interest forms;

26 ~~(7)~~(8) "Department" means the department of health. However "departments" shall mean  
27 the department of health and the department of the attorney general;

28 ~~(8)~~(9) "Director" means the director of the department of health;

29 ~~(9)~~(10) "Existing hospital" means the acquiree hospital as it exists prior to the  
30 acquisition;

31 ~~(10)~~(11) "For-profit corporation" means a legal entity formed for the purpose of  
32 transacting business which has as any one of its purposes pecuniary profit;

33 ~~(11)~~(12) "Hospital" means a person or governmental entity licensed in accordance with  
34 chapter 17 of this title to establish, maintain and operate a hospital;

1           ~~(12)~~(13) "New hospital" means the acquiree hospital as it exists after the completion of a  
2 conversion;

3           ~~(13)~~(14) "Not-for-profit corporation means a legal entity formed for some charitable or  
4 benevolent purpose and not-for-profit which has been exempted from taxation pursuant to  
5 Internal Revenue Code section 501(c)(3), 26 U.S.C. section 501(c)(3);

6           ~~(14)~~(15) "Person" means any individual, trust or estate, partnership, corporation  
7 (including associations, joint stock companies and insurance companies), state or political  
8 subdivision or instrumentality of the state;

9           (16) "Senior managers" or "senior management" means executives and senior level  
10 managers of a transacting party;

11           ~~(15)~~(17) "Transacting parties" means the acquiree and the acquiror ~~any person or persons~~  
12 ~~who seeks either to transfer or acquire ownership or a controlling interest or controlling authority~~  
13 ~~in a hospital which would result in a change of ownership, control or authority of twenty percent~~  
14 ~~(20%) or greater;~~

15           ~~(16)~~(18) "Uncompensated care" means a combination of free care, which the hospital  
16 provides at no cost to the patient, bad debt, which the hospital bills for but does not collect, and  
17 less than full Medicaid reimbursement amounts.

18           **23-17.14-5. Prior approval required -- Department of attorney general and**  
19 **department of health.** -- (a) A conversion shall require review and approval from the department  
20 of attorney general and from the department of health in accordance with the provisions of this  
21 chapter; except as provided for under section 23-17.14-12.1 hereof, but shall remain subject to the  
22 authority of the attorney general pursuant to section 23-17.14-21 hereof.

23           (b) The review by the departments shall occur concurrently, and neither department shall  
24 delay its review or determination because the other department has not completed its review or  
25 issued its determination. The applicant may request that the review by the department occur  
26 concurrently with the review of any relevant federal regulatory authority.

27           **23-17.14-6. Initial application -- Conversions involving for-profit corporations or**  
28 **not-for-profit as acquirors.** -- (a) No person shall engage in a conversion with a for profit  
29 corporation as the acquiror and a not-for-profit corporation as the acquiree involving the  
30 establishment, maintenance, or operation of a hospital or a conversion subject to section 23-  
31 17.14-9 without prior approval of both the department of attorney general and the department of  
32 health. The review of the two (2) departments shall occur concurrently, and neither department  
33 shall delay its review or determination because the other department has not completed its review  
34 or issued its determination. The applicant may request that the review by the departments occur

1 [concurrently with the review of any relevant federal regulatory authority.](#) The transacting parties  
2 shall file an initial application in accordance with subsection (b) of this section that shall, at  
3 minimum, include the following information with respect to each transacting party and to the  
4 proposed new hospital:

5 (1) A detailed summary of the proposed conversion;

6 (2) Names, addresses and phone numbers of the transacting parties;

7 (3) Name, address, phone number, occupation, and tenure of all officers, members of the  
8 board of directors, trustees, executives, and senior ~~level~~ managers, including for each position,  
9 current persons and persons holding [such](#) position during the past ~~three (3)~~ [two \(2\)](#) years;

10 (4) A list of all committees, subcommittees, task forces, or similar entities of the board  
11 of directors or trustees, including a short description of the purpose of each committee,  
12 subcommittee, task force, or similar entity and the name, address, phone number, occupation, and  
13 tenure of each member;

14 (5) Agenda, ~~meeting packages~~, and minutes of all meetings of the board of directors or  
15 trustees and any of its committees, subcommittees, task forces [related to the conversion](#), or  
16 similar entities [excluding those focused on peer review and confidential medical matters](#), that  
17 occurred within the two (2) year period prior to submission of the application, [including, upon the](#)  
18 [request of the department or attorney general, any meeting packages](#);

19 (6) Articles of incorporation and certificate of incorporation;

20 (7) Bylaws and organizational charts;

21 (8) Organizational structure for existing transacting parties and each partner, affiliate,  
22 parent, subsidiary or related corporate entity in which the acquiror has a twenty percent (20%) or  
23 greater ownership interest;

24 (9) Conflict of interest statements, policies and procedures;

25 (10) Names, addresses and phone numbers of professional consultants engaged in  
26 connection with the proposed conversion;

27 (11) Copies of audited income statements, balance sheets, other financial statements, and  
28 management letters for the past three (3) years and to the extent they have been made public,  
29 audited interim financial statements and income statements together with detailed description of  
30 the financing structure of the proposed conversion including equity contribution, debt  
31 restructuring, stock issuance, partnership interests, stock offerings and the like;

32 (12) A detailed description of real estate issues including title reports for land owned and  
33 lease agreements concerning the proposed conversion;

34 (13) A detailed description as each relates to the proposed transaction for equipment

1 leases, insurance, regulatory compliance, tax status, pending litigation or pending regulatory  
2 citations, pension plan descriptions and employee benefits, environmental reports, assessments  
3 and organizational goals;

4 (14) Copies of reports analyzing the proposed conversion during the past three (3) years  
5 including, but not limited to, reports by appraisers, accountants, investment bankers, actuaries and  
6 other experts;

7 (15) Copies of any opinions or memoranda addressing the state and federal tax  
8 consequences of the proposed conversion prepared for a transacting party by an attorney,  
9 accountant, or other expert;

10 (16) A description of the manner in which the price was determined including which  
11 methods of valuation and what data were used, and the names and addresses of persons preparing  
12 the documents, and this information is deemed to be proprietary;

13 (17) Patient statistics for the past three (3) years and patient projections for the next one  
14 year including patient visits, admissions, emergency room visits, clinical visits, and visits to each  
15 department of the hospital, admissions to nursing care or visits by affiliated home health care  
16 entities;

17 (18) The name and mailing address of all licensed facilities in which the for-profit  
18 corporation maintains an ownership interest or controlling interest or operating authority;

19 (19) A list of pending or adjudicated citations, violations or charges against the facilities  
20 listed in subdivision (a)(18) brought by any governmental agency or accrediting agency within  
21 the past three (3) years and the status or disposition of each matter with regard to patient care and  
22 charitable asset matters;

23 (20) A list of uncompensated care provided over the past three (3) years by each facility  
24 listed in subdivision (a)(18) and detail as to how that amount was calculated;

25 (21) Copies of all documents related to:

26 (i) Identification of all charitable assets

27 (ii) Accounting of all charitable assets for the past three (3) years; and

28 (iii) Distribution of the charitable assets including, but not limited to, endowments,  
29 restricted, unrestricted and specific purpose funds as each relates to the proposed transaction;

30 (22) A description of charity care and uncompensated care provided by the existing  
31 hospital for the previous ~~five (5)~~ three (3) year period to the present including a dollar amount  
32 and a description of services provided to patients;

33 (23) A description of bad debt incurred by the existing hospital for the previous ~~five (5)~~  
34 three (3) for which payment was anticipated but not received;

- 1 (24) A description of the plan as to how the new hospital will provide community benefit  
2 and charity care during the first ~~five (5)~~ three (3) years of operation;
- 3 (25) A description of how the new hospital will monitor and value charity care services  
4 and community benefit;
- 5 (26) The names of persons currently holding a position as an officer, director, board  
6 member, or senior ~~level management~~ manager who will or will not maintain any position with the  
7 new hospital and whether any said person will receive any salary, severance stock offering or any  
8 financial gain, current or deferred, as a result of or in relation to the proposed conversion;
- 9 (27) Copies of capital and operating budgets or other financial projections for the new  
10 hospital during the first three (3) years of operation;
- 11 (28) Copies of plans relative to staffing during the first three (3) years at the new  
12 hospital;
- 13 (29) A list of all medical services, departments and clinical services, and administrative  
14 services which will be maintained at the new hospital;
- 15 (30) A description of criteria established by the board of directors of the existing hospital  
16 for pursuing a proposed conversion with one or more health care providers;
- 17 (31) Copies of reports of any due diligence review performed by each transacting party  
18 in relation to the proposed conversion. These reports are to be held by the attorney general and  
19 department of health as confidential and not released to the public regardless of any determination  
20 made pursuant to section 23-17.14-32 and not withstanding any other provision of the general  
21 laws;
- 22 (32) A description of request for proposals issued by the existing hospital relating to  
23 pursuing a proposed conversion;
- 24 (33) Copies of reports analyzing affiliations, mergers, or other similar transactions  
25 considered by any of the transacting parties during the past three (3) years, including, but not  
26 limited to, reports by appraisers, accountants, investment bankers, actuaries and other experts;
- 27 (34) A copy of proposed contracts or description of proposed contracts or arrangements  
28 with ~~management~~ senior managers, board members, officers, or directors of the existing hospital  
29 for severance consulting services or covenants not to compete following completion of the  
30 proposed conversion;
- 31 (35) A copy or description of all agreements or proposed agreements reflecting any  
32 current and/or future employment or compensated relationship between the acquiror (or any  
33 related entity) and any officer, director, board member, or senior ~~level~~ manager of the acquiree  
34 (or any related entity);

1 (36) A copy or description of all agreements executed or anticipated to be executed by  
2 any of the transacting parties in connection with the proposed conversion;

3 (37) Copies of documents or description of any proposed plan for any entity to be  
4 created for charitable assets, including but not limited to, endowments, restricted, unrestricted and  
5 specific purpose funds, the proposed articles of incorporation, by-laws, mission statement,  
6 program agenda, method of appointment of board members, qualifications of board members,  
7 duties of board members, and conflict of interest policies;

8 (38) Description of all departments, clinical, social, or other services or medical services  
9 that will be eliminated or significantly reduced at the new hospital;

10 (39) Description of staffing levels of all categories of employees, including full-time,  
11 part-time, and contract employees currently working at or providing services to the existing  
12 hospital and description of any anticipated or proposed changes in current staffing levels;

13 (40) ~~Current, signed original~~ Copies of current conflict of interest forms from all  
14 incumbent or recently incumbent officers, ~~directors,~~ members of the ~~board,~~ boards of directors or  
15 trustees; and senior ~~management,~~ managers, including the medical directors, of the transacting  
16 parties ~~chairpersons or department chairpersons and medical directors~~ on a form acceptable to the  
17 attorney general; "incumbent or recently incumbent" means those individuals holding the position  
18 at the time the application is submitted and any individual who held a similar position within one  
19 year prior to the application's acceptance;

20 (41) If the acquiror is a for profit corporation that has acquired a not for profit hospital  
21 under the provisions of this chapter, the application shall also include a complete statement of  
22 performance during the preceding one year with regard to the terms and conditions of approval of  
23 conversion and each projection, plan, or description submitted as part of the application for any  
24 conversion completed under an application submitted pursuant to this section and made a part of  
25 an approval for the conversion pursuant to section 23-17.14-7, ~~or~~ 23-17.14-8 or 23-14.14-19;

26 (42) Copies of IRS Form 990 for any transacting party required by federal law to file  
27 such a form for each of the ~~five (5)~~ three (3) years prior to the submission of the application.

28 (b) Two (2) copies of the initial application shall be provided to each of the department  
29 of health and department of the attorney general simultaneously by United States mail, certified,  
30 return receipt requested. Filings may be submitted electronically if acceptable to the department  
31 of health and/or attorney general.

32 (c) Except for information determined by the attorney general in accordance with section  
33 23-17.14-32 to be confidential and/or proprietary, or otherwise required by law to be maintained  
34 as confidential, the initial application and supporting documentation shall be considered public



1 records and shall be available for inspection upon request.

2 **23-17.14-7. Review process of the department of attorney general and the**  
3 **department of health and review criteria by department of attorney general.** -- (a) The

4 department of attorney general shall review all conversions involving a hospital in which one or  
5 more of the transacting parties involves a for profit corporation as the acquiror and a not for profit  
6 corporation as the acquiree.

7 (b) In reviewing proposed conversions in accordance with this section and section 23-  
8 17.14-10, the department of attorney general and department of health shall adhere to the  
9 following process:

10 (1) Within thirty (30) days after receipt of an initial application, the department of  
11 attorney general and department of health shall jointly advise the applicant, in writing, whether  
12 the application is complete, and, if not, shall specify all additional information the applicant is  
13 required to provide;

14 (2) The applicant will submit the additional information within thirty (30) working days.  
15 If the additional information is submitted within the thirty (30) day period, the department of  
16 attorney general and department of health will have ten (10) working days within which to  
17 determine acceptability of the additional information. If the additional information is not  
18 submitted by the applicant within the thirty (30) day period or if either agency determines the  
19 additional information submitted by the applicant is insufficient, the application will be rejected  
20 without prejudice to the applicant's right to resubmit, the rejection to be accompanied by a  
21 detailed written explanation of the reasons for rejection. If the department of attorney general and  
22 department of health determine the additional information to be as requested, the applicant will be  
23 notified, in writing, of the date of acceptance of the application;

24 (3) Within thirty (30) working days after acceptance of the initial application, the  
25 department of attorney general shall render its determination on confidentiality pursuant to  
26 section 23-17.14-32 and the department of attorney general and department of health shall publish  
27 notice of the application in a newspaper of general circulation in the state and shall notify by  
28 United States mail any person who has requested notice of the filing of the application. The  
29 notice shall:

30 (i) State that an initial application has been received and accepted for review,

31 (ii) State the names of the transacting parties,

32 (iii) State the date by which a person may submit written comments to the department of  
33 attorney general or department of health, and

34 (iv) Provide notice of the date, time and place of informational meeting open to the

1 public which shall be conducted within sixty (60) days of the date of the notice;

2 (4) The department of attorney general and department of health shall each approve,  
3 approve with conditions directly related to the proposed conversion, or disapprove the application  
4 within ~~one hundred and eighty (180)~~ one hundred twenty (120) days of the date of acceptance of  
5 the application.

6 (c) In reviewing an application pursuant to subsection (a) the department of the attorney  
7 general shall consider the following criteria:

8 (1) Whether the proposed conversion will harm the public's interest in trust property  
9 given, devised, or bequeathed to the existing hospital for charitable, educational or religious  
10 purposes located or administered in this state;

11 (2) Whether a trustee or trustees of any charitable trust located or administered in this  
12 state will be deemed to have exercised reasonable care, diligence, and prudence in performing as  
13 a fiduciary in connection with the proposed conversion;

14 (3) Whether the board established appropriate criteria in deciding to pursue a conversion  
15 in relation to carrying out its mission and purposes;

16 (4) Whether the board formulated and issued appropriate requests for proposals in  
17 pursuing a conversion;

18 (5) Whether the board considered the proposed conversion as the only alternative or as  
19 the best alternative in carrying out its mission and purposes;

20 (6) Whether any conflict of interest exists concerning the proposed conversion relative to  
21 members of the board, officers, directors, senior management, experts or consultants engaged in  
22 connection with the proposed conversion including, but not limited to, attorneys, accountants,  
23 investment bankers, actuaries, health care experts, or industry analysts;

24 (7) Whether individuals described in subdivision (c)(6) were provided with contracts or  
25 consulting agreements or arrangements which included pecuniary rewards based in whole, or in  
26 part on the contingency of the completion of the conversion;

27 (8) Whether the board exercised due care in engaging consultants with the appropriate  
28 level of independence, education, and experience in similar conversions;

29 (9) Whether the board exercised due care in accepting assumptions and conclusions  
30 provided by consultants engaged to assist in the proposed conversion;

31 (10) Whether the board exercised due care in assigning a value to the existing hospital  
32 and its charitable assets in proceeding to negotiate the proposed conversion;

33 (11) Whether the board exposed an inappropriate amount of assets by accepting in  
34 exchange for the proposed conversion future or contingent value based upon success of the new

1 hospital;

2 (12) Whether officers, directors, board members or senior management will receive  
3 future contracts in existing, new, or affiliated hospital or foundations;

4 (13) Whether any members of the board will retain any authority in the new hospital;

5 (14) Whether the board accepted fair consideration and value for any management  
6 contracts made part of the proposed conversion;

7 (15) Whether individual officers, directors, board members or senior management  
8 engaged legal counsel to consider their individual rights or duties in acting in their capacity as a  
9 fiduciary in connection with the proposed conversion;

10 (16) Whether the proposed conversion results in an abandonment of the original  
11 purposes of the existing hospital or whether a resulting entity will depart from the traditional  
12 purposes and mission of the existing hospital such that a cy pres proceeding would be necessary;

13 (17) Whether the proposed conversion contemplates the appropriate and reasonable fair  
14 market value;

15 (18) Whether the proposed conversion was based upon appropriate valuation methods  
16 including, but not limited to, market approach, third party report or fairness opinion;

17 (19) Whether the conversion is proper under the Rhode Island Nonprofit Corporation  
18 Act;

19 (20) Whether the conversion is proper under applicable state tax code provisions;

20 (21) Whether the proposed conversion jeopardizes the tax status of the existing hospital;

21 (22) Whether the individuals who represented the existing hospital in negotiations  
22 avoided conflicts of interest;

23 (23) Whether officers, board members, directors, or senior management deliberately  
24 acted or failed to act in a manner that impacted negatively on the value or purchase price;

25 (24) Whether the formula used in determining the value of the existing hospital was  
26 appropriate and reasonable which may include, but not be limited to factors such as: the multiple  
27 factor applied to the "EBITDA" -- earnings before interest, taxes, depreciation, and amortization;  
28 the time period of the evaluation; price/earnings multiples; the projected efficiency differences  
29 between the existing hospital and the new hospital; and the historic value of any tax exemptions  
30 granted to the existing hospital;

31 (25) Whether the proposed conversion appropriately provides for the disposition of  
32 proceeds of the conversion that may include, but not be limited to:

33 (i) Whether an existing entity or a new entity will receive the proceeds;

34 (ii) Whether appropriate tax status implications of the entity receiving the proceeds have

- 1 been considered;
- 2 (iii) Whether the mission statement and program agenda will be or should be closely  
3 related with the purposes of the mission of the existing hospital;
- 4 (iv) Whether any conflicts of interest arise in the proposed handling of the conversion's  
5 proceeds;
- 6 (v) Whether the bylaws and articles of incorporation have been prepared for the new  
7 entity;
- 8 (vi) Whether the board of any new or continuing entity will be independent from the new  
9 hospital;
- 10 (vii) Whether the method for selecting board members, staff, and consultants is  
11 appropriate;
- 12 (viii) Whether the board will comprise an appropriate number of individuals with  
13 experience in pertinent areas such as foundations, health care, business, labor, community  
14 programs, financial management, legal, accounting, grant making and public members  
15 representing diverse ethnic populations [and the interests](#) of the affected community;
- 16 (ix) Whether the size of the board and proposed length of board terms are sufficient;
- 17 (26) Whether the transacting parties are in compliance with the Charitable Trust Act,  
18 chapter 9 of title 18; [and](#)
- 19 (27) Whether a right of first refusal to repurchase the assets has been retained; ~~2~~
- 20 (28) Whether the character, commitment, competence and standing in the community, or  
21 any other communities served by the transacting parties are satisfactory;
- 22 (29) Whether a control premium is an appropriate component of the proposed  
23 conversion; and
- 24 (30) Whether the value of assets factored in the conversion is based on past performance  
25 or future potential performance.

26 **23-17.14-9. Initial application -- Conversions limited to not-for-profit corporations. -**

27 ~~2~~ All conversions which are limited to not-for-profit corporations which involve the  
28 establishment, maintenance, or operation of a hospital require prior approval of both the  
29 department of attorney general and the department of health [or, if eligible for expedited review](#)  
30 [under section 23-17.14-12.1, prior approval of the department of health and subject to the](#)  
31 [authority of the attorney general pursuant to section 23-17.14-21 hereof](#). The review by the two  
32 (2) departments shall occur concurrently and neither department shall delay its review or  
33 determination because the other department has not completed its review or issued its  
34 determination. [The applicant may request that the review by the departments occur concurrently](#)

1 [with the review of any relevant federal regulatory authority.](#) The transacting parties shall file an  
2 initial application pursuant to the provisions set forth in section 23-17.14-6 [or section 23-17.14-](#)  
3 [12.1.](#)

4 **23-17.14-10. Review process of department of attorney general and department of**  
5 **health and criteria by department of attorney general -- Conversions limited to not-for-**  
6 **profit corporations. --** (a) In reviewing an application of a conversion involving a hospital in  
7 which the transacting parties are limited to not-for-profit corporations, [except as provided in](#)  
8 [section 23-17.14-12.1,](#) the department of attorney general and department of health shall adhere  
9 to the following process:

10 (1) Within thirty (30) days after receipt of an initial application, the department of  
11 attorney general and department of health shall jointly advise the applicant, in writing, whether  
12 the application is complete, and, if not, shall specify all additional information the applicant is  
13 required to provide;

14 (2) The applicant will submit the additional information within thirty (30) working days.  
15 If the additional information is submitted within the thirty (30) day period, the department of  
16 attorney general and department of health will have ten (10) working days within which to  
17 determine acceptability of the additional information. If the additional information is not  
18 submitted by the applicant within the thirty (30) day period or if either agency determines the  
19 additional information submitted by the applicant is insufficient, the application will be rejected  
20 without prejudice to the applicant's right to resubmit, the rejection to be accompanied by a  
21 detailed written explanation of the reasons for rejection. If the department of attorney general and  
22 department of health determine the additional information to be as requested, the applicant will be  
23 notified, in writing, of the date of acceptance of the application;

24 (3) Within thirty (30) working days after acceptance of the initial application, the  
25 department of attorney general shall render its determination on confidentiality pursuant to  
26 section 23-17.14-32 and the department of attorney general and department of health shall publish  
27 notice of the application in a newspaper of general circulation in the state and shall notify by  
28 United States mail any person who has requested notice of the filing of the application. The  
29 notice shall:

30 (i) State that an initial application has been received and accepted for review,

31 (ii) State the names of the transacting parties,

32 (iii) State the date by which a person may submit written comments to the department of  
33 attorney general or department of health, and

34 (iv) Provide notice of the date, time and place of informational meeting open to the

1 public which shall be conducted within sixty (60) days of the date of the notice;

2 (4) The department of attorney general and department of health shall each approve,  
3 approve with conditions directly related to the proposed conversion, or disapprove the application  
4 within ~~one hundred and eighty (180)~~ one hundred twenty (120) days of the date of acceptance of  
5 the application.

6 (b) In reviewing an application of a conversion involving a hospital in which the  
7 transacting parties are limited to not-for-profit corporations, the department of attorney general  
8 may consider the following criteria:

9 (1) Whether the proposed conversion will harm the public's interest in trust property  
10 given, devised, or bequeathed to the existing hospital for charitable, educational or religious  
11 purposes located or administered in this state;

12 (2) Whether a trustee or trustees of any charitable trust located or administered in this  
13 state will be deemed to have exercised reasonable care, diligence, and prudence in performing as  
14 a fiduciary in connection with the proposed conversion;

15 (3) Whether the board established appropriate criteria in deciding to pursue a conversion  
16 in relation to carrying out its mission and purposes;

17 (4) Whether the board considered the proposed conversion as the only alternative or as  
18 the best alternative in carrying out its mission and purposes;

19 (5) Whether any conflict of interest exists concerning the proposed conversion relative to  
20 members of the board, officers, directors, senior management, experts or consultants engaged in  
21 connection with the proposed conversion including, but not limited to, attorneys, accountants,  
22 investment bankers, actuaries, health care experts, or industry analysts;

23 (6) Whether individuals described in subdivision (b)(5) were provided with contracts or  
24 consulting agreements or arrangements which included pecuniary rewards based in whole, or in  
25 part on the contingency of the completion of the conversion;

26 (7) Whether the board exercised due care in engaging consultants with the appropriate  
27 level of independence, education, and experience in similar conversions;

28 (8) Whether the board exercised due care in accepting assumptions and conclusions  
29 provided by consultants engaged to assist in the proposed conversion;

30 (9) Whether officers, directors, board members or senior management will receive future  
31 contracts;

32 (10) Whether any members of the board will retain any authority in the new hospital;

33 (11) Whether the board accepted fair consideration and value for any management  
34 contracts made part of the proposed conversion;

1 (12) Whether individual officers, directors, board members or senior management  
2 engaged legal counsel to consider their individual rights or duties in acting in their capacity as a  
3 fiduciary in connection with the proposed conversion;

4 (13) Whether the proposed conversion results in an abandonment of the original  
5 purposes of the existing hospital or whether a resulting entity will depart from the traditional  
6 purposes and mission of the existing hospital such that a cy pres proceeding would be necessary;

7 (14) Whether the proposed conversion contemplates the appropriate and reasonable fair  
8 market value;

9 (15) Whether the proposed conversion was based upon appropriate valuation methods  
10 including, but not limited to, market approach, third-party report or fairness opinion;

11 (16) Whether the conversion is proper under the Rhode Island Nonprofit Corporation  
12 Act;

13 (17) Whether the conversion is proper under applicable state tax code provisions;

14 (18) Whether the proposed conversion jeopardizes the tax status of the existing hospital;

15 (19) Whether the individuals who represented the existing hospital in negotiations  
16 avoided conflicts of interest;

17 (20) Whether officers, board members, directors, or senior management deliberately  
18 acted or failed to act in a manner that impacted negatively on the value or purchase price;

19 (21) Whether the transacting parties are in compliance with the Charitable Trust Act,  
20 chapter 9 of title 18.

21 **23-17.14-11. Criteria for the department of health -- Conversions limited to not-for-**  
22 **profit corporations. --** In reviewing an application of a conversion involving a hospital in which  
23 the transacting parties are limited to not-for-profit corporations, the department shall consider the  
24 following criteria:

25 (1) Whether the character, commitment, competence, and standing in the community, or  
26 any other communities served by the proposed transacting parties are satisfactory;

27 (2) Whether sufficient safeguards are included to assure the affected community  
28 continued access to affordable care;

29 (3) Whether the transacting parties have provided satisfactory evidence that the new  
30 hospital will provide health care and appropriate access with respect to traditionally underserved  
31 populations in the affected community;

32 (4) Whether procedures or safeguards are assured to insure that ownership interests will  
33 not be used as incentives for hospital employees or physicians to refer patients to the hospital;

34 (5) Whether the transacting parties have made a commitment to assure the continuation

1 of collective bargaining rights, if applicable, and retention of the ~~workplace~~ [workforce](#);

2 (6) Whether the transacting parties have appropriately accounted for employment needs  
3 at the facility and addressed workforce retraining needed as a consequence of any proposed  
4 restructuring;

5 (7) Whether the conversion demonstrates that the public interest will be served  
6 considering the essential medical services needed to provide safe and adequate treatment,  
7 appropriate access and balanced health care delivery to the residents of the state.

8 **23-17.14-13. Reports, use of experts, costs. --** The department of health or the  
9 department of attorney general may in effectuating the purposes of this chapter engage experts or  
10 consultants including, but not limited to, actuaries, investment bankers, accountants, attorneys, or  
11 industry analysts. All copies of reports prepared by experts and consultants, and costs associated  
12 with the reports, shall be made available to the transacting parties and to the public. All costs  
13 incurred under this provision shall be the responsibility of one or more transacting parties in an  
14 amount to be determined by the attorney general or the director as they deem appropriate [and](#)  
15 [consistent with 23-17.14-12.1, if applicable](#). No application for a conversion made pursuant to the  
16 requirements of this chapter shall be considered complete unless an agreement has been executed  
17 with the attorney general or the director for the payment of costs in accordance with this section.

18 **23-17.14-19. Limits to acquisitions -- Community benefits requirements -- Filings**  
19 **prohibited. --** (a) ~~In effectuating the purposes of this chapter to evaluate, review and monitor the~~  
20 ~~new phenomenon of for-profit corporations gaining an interest in hospitals and the resulting~~  
21 ~~impact on the delivery of healthcare in the state, limitations on for-profit corporations involved in~~  
22 ~~hospital conversions are necessary~~ [Notwithstanding any other provisions in this chapter, nothing](#)  
23 [herein shall be construed to prohibit a for-profit hospital, its subsidiaries or affiliates, from](#)  
24 [applying for and receiving approval of a conversion of more than one hospital in the same year,](#)  
25 [or any subsequent year, and each such application shall require review and approval from the](#)  
26 [attorney general and the department of health in accordance with the provisions of this chapter.](#)

27 ~~(b) No for-profit corporation, or its subsidiaries or affiliates, which applies for and~~  
28 ~~receives approval of a conversion of a hospital in accordance with the provisions of this chapter~~  
29 ~~shall be permitted to apply for approval of a conversion of a second hospital in this state for a~~  
30 ~~period of at least three (3) years after the initial conversion is finalized and implemented. This~~  
31 ~~subsection shall not be deemed to prohibit a for-profit corporation, together with its subsidiaries~~  
32 ~~and affiliates, from applying for or receiving approval of a conversion of two (2) affiliated~~  
33 ~~hospitals in this state provided that: (1) one of the two (2) hospital licenses involved in the~~  
34 ~~conversion was issued prior to July 22, 1997; and (2) this license involves a specialty~~



1 ~~rehabilitation hospital that has a maximum of ninety (90) beds. A conversion undertaken pursuant~~  
2 ~~to this provision shall be considered one conversion and a for-profit corporation which receives~~  
3 ~~approval for the conversion shall be subject to the three (3) year period between the finalization~~  
4 ~~and implementation of a first conversion and the application for a second conversion as set forth~~  
5 ~~in this subsection.~~

6 ~~(e)(b)~~ In the event that a for-profit corporation applies ~~to hold, own, or acquire an~~  
7 ~~ownership or controlling interest greater than twenty percent (20%) in more than one~~ for  
8 conversion of an additional hospital ~~one year subsequent to the finalization and implementation~~  
9 ~~of a prior license~~, all provisions of this chapter must be met. ~~and, in~~ In addition to the review  
10 process and criteria set forth in this chapter, the department shall have the sole authority and  
11 discretion to determine:

12 (1) Whether the for-profit corporation provided community benefits as required or  
13 promised in connection with obtaining and holding a license or interest therein during the  
14 previous license period;

15 (2) Whether all terms and conditions of the prior license have been met, including but  
16 not limited to, the conditions in sections 23-17.14-19(b) and section 23-17.14-15;

17 (3) Whether all federal, state and local laws, ordinances and regulations have been  
18 complied with relative to any prior license;

19 (4) Whether the for-profit corporation planned, implemented, monitored and reviewed a  
20 community benefit program during the prior license period;

21 (5) Whether the for-profit corporation maintained, enhanced or disrupted the essential  
22 medical services in the affected community or the state;

23 (6) Whether the for-profit corporation provided an appropriate amount of charity care  
24 necessary to maintain or enhance a safe and accessible healthcare delivery system in the affected  
25 community and the state; and

26 (7) Whether the for-profit corporation demonstrated a substantial linkage between the  
27 hospital and the affected community by providing one or more of the following benefits;  
28 uncompensated care, charity care, cash or in kind donations to community programs, education  
29 and training of professionals in community health issues, relevant research initiatives or essential  
30 but unprofitable medical services if needed in the affected community.

31 ~~(d)(c)~~ The director may hold a public hearing to solicit input to assess the performance of  
32 a for-profit corporation or its affiliates or subsidiaries in providing community benefits in the  
33 affected community or the state.

34 ~~(e) The director shall have the sole authority to deny a for-profit corporation, its affiliates~~

~~1 or subsidiaries, or successors, permission for one or more than one license and, for good cause,  
2 may prohibit a for-profit corporation or its affiliates or subsidiaries from filing an application  
3 pursuant to this chapter for a period not to exceed ten (10) years.~~

4 **23-17.14-28. Concurrent approval -- License.** – (a) The director may consider the  
5 requirement of this chapter and the requirements of sections 23-17-1 -- 23-17-45 together upon  
6 completion of the initial application. The director may approve, approve with conditions, or  
7 disapprove one or both requests filed pursuant to this chapter, including expedited review under  
8 section 12.1, and sections 23-17-1 -- 23-17-45. The approvals of the director required by this  
9 chapter shall be subject to chapter 35 of title 42. For any conversion subject to this chapter, the  
10 director may combine any hearings required by this chapter with any hearings on similar or  
11 related matters required by sections 23-17-1 -- 23-17-45 and shall consider issues of market share  
12 especially as they affect quality, access, and affordability of services.

13 (b) Any approval of a conversion involving a for-profit corporation as an acquiror shall  
14 be subject to any conditions as determined by the director of health, provided those conditions  
15 relate to the purpose of this chapter. Said conditions may include, but not be limited to, the  
16 conditions contained in this subsection. In the event the director determines that one or more of  
17 the conditions contained in this subsection are not appropriate or desirable in a particular  
18 conversion, the director shall include the rationale for not including such condition(s) in any  
19 approval.

20 (1) Maintain a governing body for each converted hospital whose membership shall  
21 include uncompensated, independent individuals who reside in Rhode Island;

22 (2) Make a financially reasonable contribution to support the state's coordinated health  
23 planning process;

24 (3) Adhere to reasonable restrictions on financial incentives to patient or health plan  
25 enrollees to receive hospital services outside of the state of Rhode Island;

26 (4) Keep the new hospital open and operational for a reasonable minimum period of time;

27 (5) Make a reasonable minimum investment to support primary care in the Rhode Island  
28 communities served by the new hospital;

29 (6) Not enter into any contract or other service or purchasing arrangements with an  
30 affiliated legal entity except for contracts or arrangements to provide services or products that are  
31 reasonably necessary to accomplish the health care purposes of the relevant hospital and for  
32 compensation that is consistent with fair market value for the services actually rendered, or the  
33 products actually provided;

34 (7) Report to the director on annual distributions of profit to owners; and

1 (8) Require that any corporate allocation, or equivalent charge, to any affiliated  
2 organization(s) in any hospital fiscal year not exceed reasonable fair market value for the services  
3 rendered or the assets purchased or leased from such affiliate.

4 (c) Any approval of a conversion involving a for-profit corporation as an acquiror shall  
5 be subject to any conditions as determined by the attorney general, provided those conditions  
6 relate to the purpose of this chapter. Said conditions may include, but not be limited to, the  
7 acquiror's adherence to a minimum investment to protect the assets, financial health, and well-  
8 being of the new hospital and for community benefit. In the event the attorney general determines  
9 that the conditions contained in this subsection are not appropriate or desirable in a particular  
10 conversion, the attorney general shall include the rationale for not including such condition(s) in  
11 any approval.

12 (d) For a period of three (3) years following the effective date of the conversion, when  
13 approval of a conversion involves a for-profit corporation as an acquiror:

14 (1) The acquiror shall file reports with the department and the attorney general on or  
15 before March 1<sup>st</sup> of each calendar year detailing compliance with the conditions in subsection (b)  
16 and any other conditions on the conversion approval or license of the new hospital. Failure to  
17 comply with any of such conditions or the charity care requirements contained in section 23-  
18 17.14-15 shall be cause for penalties to be applied in accordance with section 23-17.14-30;

19 (2) The department of health and the department of attorney general shall monitor, assess  
20 and evaluate the acquiror's compliance with all of the conditions of approval, as well as annually  
21 review the impact of the conversion on health care costs and services within the communities  
22 served; and

23 (3) The acquiror shall pay for the costs of the department of health and the department of  
24 attorney general in performing such monitoring, evaluation and assessment in an amount to be  
25 determined by the attorney general or the director as they deem appropriate, which should be  
26 placed in escrow during the term of the monitoring period. No application for a conversion made  
27 pursuant to the requirements of this chapter shall be approved unless an agreement has been  
28 executed with the attorney general and the director for the payment of reasonable costs in  
29 accordance with this section.

30 **23-17.14-31. Powers of the department of health.** -- The department may adopt rules,  
31 including measurable standards, as may be necessary to accomplish the purpose of this chapter. In  
32 doing so, the department shall review other departmental regulations that may have duplicative  
33 requirements, including change of effective control regulations and processes, determination of  
34 need requirements and application requirements under section 23-17.14-18, if applicable, and

1 may streamline the process by eliminating duplicative requirements and providing for concurrent  
2 regulatory review and combined hearings to the maximum extent possible to promote efficiency  
3 and avoid duplication of effort and resources.

4 **23-17.14-34. Judicial review.** -- ~~Any transacting party aggrieved by a final order of the~~  
5 ~~department of health under this chapter may seek judicial review in the superior court in~~  
6 ~~accordance with section 42-35-15. Any transacting party aggrieved by a final order of the~~  
7 ~~attorney general under this chapter may seek judicial review by original action filed in the~~  
8 ~~superior court.~~

9 (a) Notwithstanding any other provision of the general laws, any transacting party  
10 aggrieved by a final order of the department of health or the attorney general under this chapter  
11 may seek judicial review by original action filed in the superior court. Any preliminary,  
12 procedural, or intermediate agency act or ruling with respect to the filing of an application for  
13 conversion, including the completeness of the application, confidentiality of any information or  
14 documents produced in connection with a conversion, approval or disapproval of a conversion  
15 and conditions or restrictions proposed or determined with the respect to the approval of a  
16 proposed conversion, is immediately reviewable.

17 (b) Any action brought under this section shall be given priority by the superior court.

18 (c) In performing such review the superior court shall consider and balance the  
19 reasonable interests of the transacting parties and the reasonable interest of the citizens of the  
20 state in a safe, accessible, and affordable healthcare system.

21 (d) The court may affirm the decision of the agency or remand the case for further  
22 proceedings, or it may reverse or modify the decision if substantial rights of the appellant have  
23 been prejudiced because the administrative findings, inferences, conclusions, or decisions are:

24 (1) Unreasonable;

25 (2) In violation of constitutional or statutory provisions;

26 (3) In excess of the statutory authority of the agency;

27 (4) Made upon unlawful procedure;

28 (5) Affected by other error or law;

29 (6) Clearly erroneous in view of the reliable, probative, and substantial evidence on the  
30 whole record; or

31 (7) Arbitrary or capricious or characterized by abuse of discretion or clearly unwarranted  
32 exercise of discretion.

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

1           **23-17.14-12.1. Expedited review for unaffiliated community hospitals. – (a)**  
2           Notwithstanding subsection 23-17.14-6(a) and section 23-17.14-10 of this chapter if a proposed  
3           conversion involves: (1) Two (2) or more hospitals that are not in common control with another  
4           hospital; or (2) One hospital not under common control with another hospital and a hospital  
5           system parent corporation; or (3) Two (2) affiliated hospitals the conversion of which was  
6           previously approved in accordance with chapter 23-17.14 and another hospital or hospital system  
7           parent corporation, such conversion will be reviewed under an expedited review process  
8           conducted solely by the department of health (without derogation of the authority of the attorney  
9           general in accordance with section 23-17.14-21), only if the acquiree and acquiror are both  
10           nonprofit corporations exempt from taxation under section 501(a) of the United States Internal  
11           Revenue Service Code as organizations described in section 501(c)(3) of such code, or any  
12           successor provisions, and:

13           (1) The acquiree and acquiror are both nonprofit corporations that have directly or  
14           indirectly continuously operated at least one licensed hospital for at least the preceding three (3)  
15           years; and

16           (2) The acquiree operates a distressed Rhode Island hospital facing significant financial  
17           hardship that may impair its ability to continue to operate effectively without the proposed  
18           conversion and has been determined to be distressed by the director of health based upon whether  
19           the hospital meets one or more of the following criteria:

- 20           (i) Operating loss for the two (2) most recently completed fiscal years;
- 21           (ii) Less than fifty (50) days cash-on-hand;
- 22           (iii) Current asset to liability ratio of less than one point five (1.5);
- 23           (iv) Long-term debt to capitalization greater than seventy-five percent (75%);
- 24           (v) Inpatient occupancy rate of less than fifty percent (50%);
- 25           (vi) Would be classified as below investment grade by a major rating agency.

26           (b) The transacting parties shall file an initial application pursuant to this section which  
27           shall include the following information with respect to each transacting party and the proposed  
28           conversion:

- 29           (1) A detailed summary of the proposed conversion;
- 30           (2) Charter, articles of incorporation or certificate of incorporation for the transacting  
31           parties and their affiliated hospitals, including amendments thereto;
- 32           (3) Bylaws and organizational charts for the transacting parties and their affiliated  
33           hospitals;
- 34           (4) Organizational structure for the transacting parties and each partner, affiliate, parent,

1 subsidiary or related legal entity in which either transacting party has a twenty percent (20%) or  
2 greater ownership interest or control;

3 (5) All documents, reports, meeting minutes and presentations relevant to the transacting  
4 parties' board of directors' decision to propose the conversion;

5 (6) Conflict of interest policies and procedures;

6 (7) Copies of audited income statements, balance sheets, and other financial statements  
7 for the past three (3) years for the transacting parties and their affiliated hospitals where  
8 appropriate and to the extent they have been made public, audited interim financial statements  
9 and income statements together with detailed descriptions of the financing structure of the  
10 proposed conversion including equity contribution, debt restructuring, stock issuance and  
11 partnership interests;

12 (8) Copies of reports analyzing the proposed conversion during the past three (3) years  
13 including, but not limited to, reports by appraisers, accountants, investment bankers, actuaries and  
14 other experts;

15 (9) Copies of current conflict of interest forms from all incumbent or recently incumbent  
16 officers, members of the board of directors or trustees and senior managers of the transacting  
17 parties; "incumbent or recently incumbent" means those individuals holding the position at the  
18 time the application is submitted and any individual who held a similar position within one year  
19 prior to the application's acceptance;

20 (10) Copies of all documents related to: (i) Identification of all current charitable assets;  
21 (ii) Accounting of all charitable assets for the past three (3) years; and (iii) Distribution of  
22 charitable assets for the past three (3) years including, but not limited to, endowments, restricted,  
23 unrestricted and specific purpose funds as each relates to the proposed conversion;

24 (11) A description of the plan as to how the affiliated hospitals will provide consolidated  
25 healthcare services during the first three (3) years following the conversion;

26 (12) Copies of plans for all hospital departments and services that will be eliminated or  
27 significantly reduced during the first three (3) years following the conversion; and

28 (13) Copies of plans relative to staffing levels for all categories of employees during the  
29 first three (3) years following the conversion.

30 (c) In reviewing an application under an expedited review process, the department shall  
31 consider the criteria in section 23-17.14-11.

32 (d) Within twenty (20) working days of receipt by the department of an application  
33 satisfying the requirements of subsection (b) above, the department will notify and afford the  
34 public an opportunity to comment on the application.

1 (e) The decision of the department shall be rendered within ninety (90) days of  
2 acceptance of the application under this section.

3 (f) Costs payable by the transacting parties under section 23-17.14-13 in connection with  
4 an expedited review by the department under this section shall not exceed twenty-five thousand  
5 dollars (\$25,000) per one hundred million dollars (\$100,000,000) of total net patient service  
6 revenue of the acquiree and acquiror in the most recent fiscal year for which audited financial  
7 statements are available.

8 (g) Following a conversion, the new hospital shall provide on or before March 1 of each  
9 calendar year a report in a form acceptable to the director containing all updated financial  
10 information required to be disclosed pursuant to subdivision 23-17.14-12.1(b)(7).

11 (h) If an expedited review is performed by the department pursuant to this section, the  
12 department of attorney general shall perform a review of the proposed transaction as it deems  
13 necessary, including, at a minimum, its impact upon the charitable assets of the transacting  
14 parties. The attorney general's review shall be done concurrently with the department of health  
15 review and shall not extend the length of the review process. For this review, the department of  
16 attorney general shall be entitled to costs in accordance with section 23-17.14-13 and subsection  
17 23-17.14-12.1(f).

18 SECTION 3. Section 23-81-4 of the General Laws in Chapter 23-81 entitled "Rhode  
19 Island Coordinated Health Planning Act of 2006" is hereby amended to read as follows:

20 **23-81-4. Powers of the health care planning and accountability advisory council. --**

21 Powers of the council shall include, but not be limited to the following:

22 (a) The authority to develop and promote studies, advisory opinions and to recommend a  
23 unified health plan on the state's health care delivery and financing system, including but not  
24 limited to:

25 (1) Ongoing assessments of the state's health care needs and health care system capacity  
26 that are used to determine the most appropriate capacity of and allocation of health care  
27 providers, services, including transportation services, and equipment and other resources, to meet  
28 Rhode Island's health care needs efficiently and affordably. These assessments shall be used to  
29 advise the "determination of need for new health care equipment and new institutional health  
30 services" or "certificate of need" process through the health services council;

31 (2) The establishment of Rhode Island's long range health care goals and values, and the  
32 recommendation of innovative models of health care delivery, that should be encouraged in  
33 Rhode Island;

34 (3) Health care payment models that reward improved health outcomes;

1 (4) Measurements of quality and appropriate use of health care services that are designed  
2 to evaluate the impact of the health planning process;

3 (5) Plans for promoting the appropriate role of technology in improving the availability  
4 of health information across the health care system, while promoting practices that ensure the  
5 confidentiality and security of health records; and

6 (6) Recommendations of legislation and other actions that achieve accountability and  
7 adherence in the health care community to the council's plans and recommendations.

8 (b) Convene meetings of the council no less than every sixty (60) days, which shall be  
9 subject to the open meetings laws and public records laws of the state, and shall include a process  
10 for the public to place items on the council's agenda.

11 (c) Appoint advisory committees as needed for technical assistance throughout the  
12 process.

13 (d) Modify recommendations in order to reflect changing health care systems needs.

14 (e) Promote responsiveness to recommendations among all state agencies that provide  
15 health service programs, not limited to the five (5) state agencies coordinated by the executive  
16 office of the health and human services.

17 (f) Coordinate the review of existing data sources from state agencies and the private  
18 sector that are useful to developing a unified health plan.

19 (g) Formulating, testing, and selecting policies and standards that will achieve desired  
20 objectives.

21 (h) Provide an annual report each July, after the convening of the council, to the  
22 governor and general assembly on implementation of the plan adopted by the council. This  
23 annual report shall:

- 24 (1) Present the strategic recommendations, updated annually;  
25 (2) Assess the implementation of strategic recommendations in the health care market;  
26 (3) Compare and analyze the difference between the guidance and the reality;

27 (4) Recommend to the governor and general assembly legislative or regulatory  
28 revisions necessary to achieve the ~~long-term~~ long-term goals and values adopted by the council as  
29 part of its strategic recommendations, and assess the powers needed by the council or  
30 governmental entities of the state deemed necessary and appropriate to carry out the  
31 responsibilities of the council. The initial priority of the council shall be an assessment of the  
32 needs of the state with regard to hospital services and to present recommendations, if any, for  
33 modifications to the Hospital Conversion Act and the Certificate of Need Program to execute the  
34 strategic recommendations of the council. The council shall provide an initial report and



1 [recommendations to the governor and general assembly on or before March 1, 2013.](#)

2 (5) Include the request for a hearing before the appropriate committees of the general  
3 assembly.

4 (6) Include a response letter from each state agency that is affected by the state health  
5 plan describing the actions taken and planned to implement the plans recommendations.

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

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LC00326/SUB A/3

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO HEALTH AND SAFETY - THE HOSPITAL CONVERSIONS ACT

\*\*\*

- 1 This act would comprehensively revise the Hospital Conversions Act.
- 2 This act would take effect upon passage.

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LC00326/SUB A/3  
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