Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 379 (Senators Feldman and Hershey)
Finance

Hospitals - Changes in Status - Hospital Employee Retraining and Placement

This bill expands the circumstances under which a hospital is required to pay a specified fee to the Department of Labor, Licensing, and Regulation (DLLR) to include when a hospital voluntarily downsizes. The bill establishes that the fee is to be limited to 0.01% of the total revenue approved by the Health Services Cost Review Commission (HSCRC) for the fiscal year prior to the closure, merger, downsizing, or delicensing of the hospital. The bill also specifies that, to derive the individual fee for each hospital, HSCRC must prorate the total amount of fees among all hospitals based on the ratio of the actual gross patient revenues of an individual hospital to the total gross patient revenues of all hospitals.

Fiscal Summary

State Effect: Special fund revenues for DLLR increase, by an unknown amount, beginning as early as FY 2018, due to the bill's expansion of the circumstances under which hospitals are required to pay the specified fee. Special fund expenditures increase accordingly, as discussed below.

Local Effect: The bill is not anticipated to materially impact local government operations or finances.

Small Business Effect: None.

Analysis

Bill Summary: "Downsize" means to reduce the number of employees of a hospital by at least 10 full-time equivalent employees in any consecutive three-month period.

Fee Assessment Calculation

If HSCRC uses the number of employees affected by the closure, merger, downsizing, or delicensing of a hospital in calculating the fee, HSCRC may not include an employee who is offered a comparable or better position by the hospital at an affiliated hospital located within a 30-mile radius of the employee's residence.

Hospital Employees Retraining Fund

When the Secretary of Labor, Licensing, and Regulation receives funds from a hospital, the funds are to be deposited in the Hospital Employees Retraining Fund. The bill specifies that the fund must be used to establish a program for the retraining and placement of nonexecutive hospital employees, who are not licensed physicians or physician assistants, and who are unemployed or who may become unemployed as a result of the closing, delicensing, downsizing, or merging of hospitals.

Before DLLR uses the program established with funds from the Hospital Employees Retraining Fund, DLLR must determine whether other programs within DLLR may be used to provide training and placement for the hospital employees who would be eligible for training and placement.

Current Law: If a hospital voluntarily closes, merges, or is delicensed and workers are displaced, each hospital must pay a fee directly to DLLR that may not exceed 0.01% of the gross operating revenue for the fiscal year immediately preceding the closure or delicensing. Current law does not establish a maximum fee for mergers. A fee may only be assessed once for each voluntary closure, merger, or delicensure. The Secretary of Labor, Licensing, and Regulation must pay the fees received into the Hospital Employees Training Fund.

DLLR must establish a program for the retraining and placement of hospital employees who are unemployed or who may become unemployed as a result of the closing, delicensing, downsizing, or possible downsizing of a hospital or the merging of hospitals. The fund must be used to (1) retrain and place hospital employees in other jobs and (2) pay any and all expenses of DLLR for administering the fund its related activities. Any unexpended funds remaining at the end of the fiscal year may not revert to the general fund. The Secretary of Labor, Licensing, and Regulation and the Secretary of Health and Mental Hygiene are required to develop regulations to implement the program.

Background: DLLR advises that it currently does not maintain any balance in the fund, and that it is unclear if funds have ever been provided to the department. DLLR further advises that the Division of Workforce Development and Adult Learning administers funds allocated by the federal government through the Workforce Innovation and Opportunity Act that help DLLR assist "dislocated workers" through programming administered by the State's 12 local workforce areas. Additionally, DLLR advises that, since 1989, the division has offered rapid response services in coordination with key partners to act as both a provider of direct reemployment services and as a facilitator of additional services and resources. Staff coordinates services and provides immediate aid to companies and their affected workers.

State Fiscal Effect: Special fund revenues increase, by an unknown amount, beginning as early as fiscal 2018, as a result of the bill's requirement that the specified fee be paid when a hospital downsizes. Special fund expenditures increase accordingly for DLLR to provide services to specified employees. The amount paid into the fund or the specific services provided likely depends on the specific hospital involved.

DLLR advises that, in order to fulfill the bill's requirements, it needs to hire one half-time project manager, a part-time fiscal administrator, and a part-time assistant Attorney General to draft regulations. The Department of Legislative Services (DLS) notes that the responsibility to develop regulations is shared with the Department of Health and Mental Hygiene and that any required changes can likely be absorbed with existing resources. DLS further advises that, because it is unknown if or when DLLR will be required to provide services, hiring permanent staff is unnecessary at this time.

DLLR further advises that, if employees of a hospital are laid off as a result of a closure, merger, downsizing, or delicensure, then the division would use federal funds to provide job placement services. As a result, DLLR states that capitalizing the Hospital Employees Training Fund would require hospitals to provide funding to DLLR for activities that may otherwise be provided using federal funds. While the bill requires DLLR to determine whether existing programs may be used to provide job training and placement, such a requirement does not necessarily affect the actual assessment of the fee from hospitals under the existing process.

According to DLLR, federal fund revenues are not affected, as the allocation of Workforce Innovation and Opportunity Act funds is independent from other State resources. Additionally, as the bill requires DLLR to determine whether existing programs may be used to provide job training and placement before using funds assessed from the hospitals, federal fund expenditures are not affected.

Additional Information

Prior Introductions: None.

Cross File: HB 932 (Delegate Lisanti, *et al.*) – Health and Government Operations.

Information Source(s): Department of Health and Mental Hygiene; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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Analysis by: Nathan W. McCurdy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510