

HOUSE BILL 1428

G2, F2

EMERGENCY BILL

9lr3340

By: **The Speaker and Delegates Kipke, Pendergrass, Pena-Melnyk, Bagnall, Barron, Bhandari, Carr, Charles, Chisholm, Cullison, Hill, Johnson, Kelly, Kerr, Krebs, R. Lewis, Metzgar, Morgan, Rosenberg, Saab, Sample-Hughes, Szeliga, and K. Young**

Rules suspended

Introduced and read first time: March 16, 2019

Assigned to: Health and Government Operations

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 23, 2019

CHAPTER _____

1 AN ACT concerning

2 **University of Maryland Medical System Corporation – Board of Directors,**
3 **Ethics, and Performance Audit**

4 FOR the purpose of requiring, on or before a certain date, the Board of Directors of the
5 University of Maryland Medical System Corporation to adopt a certain conflict of
6 interest policy; requiring the Board to send a copy of a certain policy to certain
7 persons at certain times; requiring the Board to ensure that the Medical System
8 Corporation continues to be a certain independent corporation; altering the
9 maximum number of members of the Board of ~~Directors of the University of~~
10 ~~Maryland Medical System Corporation~~; requiring certain members of the Board to
11 be appointed by the Governor with the advice and consent of the Senate of Maryland;
12 prohibiting a member of the Board from being a State or local elected official;
13 repealing a provision of law requiring a certain number of voting members of the
14 Board to be members of the General Assembly; authorizing the Governor to appoint
15 certain additional voting members who represent certain hospitals; requiring a
16 certain voting member to be ~~the Governor or~~ the Governor's designee; adding a
17 certain number of voting members to the Board to be appointed by the President of
18 the Senate and the Speaker of the House; prohibiting a member of the Board from
19 intentionally using the prestige of office for private gain or the gain of another;
20 requiring certain members of the Board annually to submit a certain disclosure
21 statement to the State Health Services Cost Review Commission; requiring a certain

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 statement to be available for public inspection on request; requiring certain
 2 statements to be reviewed for compliance with a certain policy by the Board and the
 3 compliance officer of the Medical System Corporation; requiring the State Health
 4 Services Cost Review Commission annually to send a summary of certain statements
 5 to the Governor, the President, and the Speaker; prohibiting the Board from using
 6 sole source procurement to award certain contracts to certain persons; requiring the
 7 Medical System Corporation to employ a certain independent ~~certified public~~
 8 ~~accountant~~ entity with certain expertise to conduct a certain performance audit of
 9 the administrative and financial offices of the Medical System Corporation for a
 10 certain purpose on or before a certain date; providing that a certain audit does not
 11 include certain entities; requiring the Medical System Corporation to submit a
 12 certified copy of a certain performance audit to the Governor, the President, and the
 13 Speaker on or before a certain date; requiring the Board to conduct a certain internal
 14 review and report certain findings and recommendations to the Governor, the
 15 President, and the Speaker on or before a certain date; ~~declaring the intent of the~~
 16 ~~General Assembly;~~ requiring the terms of certain members of the Board to terminate
 17 on certain dates; authorizing certain members of the Board to apply for
 18 reappointment subject to certain provisions of law as enacted by this Act; requiring
 19 certain members appointed to the Board by the Governor to be subject to the advice
 20 and consent of the Senate during a certain legislative session; requiring certain
 21 members to be considered appointed as of a certain date and subject to certain
 22 requirements; making this Act an emergency measure; making certain conforming
 23 changes; and generally relating to the University of Maryland Medical System
 24 Corporation.

25 BY repealing and reenacting, without amendments,

26 Article – Education

27 Section 13–301(a), (c), and (m), 13–303(a), and ~~13–304(a)~~ 13–304(a) and (d)

28 Annotated Code of Maryland

29 (2018 Replacement Volume and 2018 Supplement)

30 BY adding to

31 Article – Education

32 Section 13–303(m) and (n) and 13–304(k), (l), and (m)

33 Annotated Code of Maryland

34 (2018 Replacement Volume and 2018 Supplement)

35 BY repealing and reenacting, with amendments,

36 Article – Education

37 Section 13–304(b), (c), ~~(d)~~, and (k)

38 Annotated Code of Maryland

39 (2018 Replacement Volume and 2018 Supplement)

40 ~~BY adding to~~

41 ~~Article – Education~~

42 ~~Section 13–304(k), (l), and (m)~~

43 ~~Annotated Code of Maryland~~

~~(2018 Replacement Volume and 2018 Supplement)~~

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Education

13–301.

(a) In this subtitle, unless the context clearly requires otherwise, the following words have the meanings indicated.

(c) “Board of Directors” means the Board of Directors of the Medical System Corporation.

(m) “Medical System Corporation” means University of Maryland Medical System Corporation, a private, nonprofit, nonstock corporation formed under the general corporation laws of this State.

13–303.

(a) Prior to the transfer date:

(1) The Board of Public Works shall approve the articles of incorporation of the Medical System Corporation which shall reflect the requirements of this subtitle; and

(2) The Board of Regents and the Board of Directors shall take all actions necessary to create and organize the Medical System Corporation, which shall be organized for charitable, scientific, and educational purposes and shall attain and maintain exemption from federal income taxation but which shall not be a State agency, political subdivision, public body, public corporation, or municipal corporation and is not subject to any provisions of law affecting only governmental or public entities.

(M) THE BOARD OF DIRECTORS SHALL ENSURE THAT THE MEDICAL SYSTEM CORPORATION CONTINUES TO BE A PRIVATE, NONPROFIT, NONSTOCK CORPORATION THAT IS INDEPENDENT FROM ANY STATE AGENCY.

(N) (1) ON OR BEFORE MAY 31, 2019, THE BOARD OF DIRECTORS SHALL ADOPT A CONFLICT OF INTEREST POLICY FOR MEMBERS OF THE BOARD THAT INCLUDES:

(I) STANDARDS FOR THE DISCLOSURE OF FINANCIAL INTERESTS;

(II) STANDARDS FOR BOARD MEMBER PARTICIPATION IN CONTRACTS WITH THE MEDICAL SYSTEM CORPORATION IN ACCORDANCE WITH

1 THIS SUBTITLE, INCLUDING AN ATTESTATION THAT THE BOARD MEMBER HAS
 2 COMPLIED WITH THE CONFLICT OF INTEREST STANDARDS ADOPTED BY THE BOARD;

3 (III) A REQUIREMENT THAT A BOARD MEMBER MAY NOT USE THE
 4 BOARD MEMBER'S POSITION ON THE BOARD FOR PERSONAL GAIN WHEN
 5 CONTRACTING WITH THE MEDICAL SYSTEM CORPORATION; AND

6 (IV) A REQUIREMENT THAT A BOARD MEMBER PROVIDE AN
 7 ATTESTATION OF ANY BUSINESS RELATIONSHIP WITH THE MEDICAL SYSTEM
 8 CORPORATION OR ANY AFFILIATE OF THE CORPORATION.

9 (2) THE BOARD OF DIRECTORS SHALL SEND A COPY OF THE
 10 CONFLICT OF INTEREST POLICY ADOPTED UNDER PARAGRAPH (1) OF THIS
 11 SUBSECTION TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, AND THE
 12 SPEAKER OF THE HOUSE OF DELEGATES:

13 (I) AFTER THE POLICY IS INITIALLY ADOPTED; AND

14 (II) EACH TIME A CHANGE IS MADE TO THE POLICY.

15 13-304.

16 (a) The government of the Medical System Corporation is vested in the Board of
 17 Directors.

18 (b) (1) Subject to ~~paragraph~~ **PARAGRAPHS (2) AND (3)** of this subsection, the
 19 Board of Directors consists of 6 nonvoting members and not less than 22 and not more than
 20 **[27] 25** voting members appointed by the Governor **WITH THE ADVICE AND CONSENT OF**
 21 **THE SENATE.**

22 (2) (i) On or after October 1, 2014, the Medical System Corporation may
 23 amend its articles of incorporation to add up to three voting members to the Board of
 24 Directors as the Medical System Corporation determines to be necessary and appropriate.

25 (ii) Nominations of additional voting members shall be made by the
 26 Board of Directors and submitted to the Board of Regents for comment and to the Governor
 27 for consideration.

28 (iii) Any member added to the Board of Directors under
 29 subparagraph (i) of this paragraph shall:

30 1. Represent an entity that affiliates with the Medical
 31 System Corporation on or after October 1, 2014;

1 ~~[(5)] (7)~~ At least 1 voting member of the Board of Directors shall have
2 expertise in the hospital field.

3 ~~[(6)] (8)~~ In appointing the voting members of the Board of Directors, the
4 Governor shall ~~[insure]~~ **ENSURE** that the composition of the Board fairly represents the
5 minority composition of the State.

6 ~~[(7)] (9)~~ The nonvoting members shall be, ex officio, the Chancellor of the
7 University System of Maryland, the President, the Chief Executive Officer, the Dean of the
8 School of Medicine, the President of the medical staff organization of the medical system,
9 and the Associate Director of nursing services for the medical system.

10 (d) (1) The term of a member is 5 years and begins on the 1st Monday in June
11 of the year of appointment.

12 (2) The terms of members are staggered as required by the terms provided
13 for members of the Board on the transfer date.

14 (3) At the end of a term, a member continues to serve until a successor is
15 appointed and qualifies.

16 (4) A member appointed to fill a vacancy in an unexpired term serves only
17 for the remainder of that term and until a successor is appointed and qualifies.

18 (5) A member may be reappointed, but may not serve more than 2
19 consecutive full terms.

20 **(K) A MEMBER OF THE BOARD MAY NOT INTENTIONALLY USE THE**
21 **PRESTIGE OF OFFICE OR PUBLIC POSITION FOR THAT MEMBER'S PRIVATE GAIN OR**
22 **THAT OF ANOTHER.**

23 **(L) (1) (I) EACH MEMBER ANNUALLY SHALL SUBMIT A DISCLOSURE OF**
24 **FINANCIAL INTEREST, INCLUDING ANY POTENTIAL CONFLICTS OF INTEREST, TO**
25 **THE STATE HEALTH SERVICES COST REVIEW COMMISSION.**

26 **(II) A STATEMENT SUBMITTED UNDER SUBPARAGRAPH (I) OF**
27 **THIS PARAGRAPH SHALL BE AVAILABLE FOR PUBLIC INSPECTION ON REQUEST.**

28 **(2) THE BOARD OF DIRECTORS AND THE COMPLIANCE OFFICER FOR**
29 **THE MEDICAL SYSTEM CORPORATION SHALL REVIEW EACH STATEMENT**
30 **SUBMITTED UNDER PARAGRAPH (1) OF THIS SUBSECTION FOR COMPLIANCE WITH**
31 **THE BOARD'S CONFLICT OF INTEREST POLICY.**

32 ~~**(2)**~~ **(3) THE STATE HEALTH SERVICES COST REVIEW COMMISSION**
33 **ANNUALLY SHALL SEND A SUMMARY OF EACH STATEMENT SUBMITTED UNDER**

1 PARAGRAPH (1) OF THIS SUBSECTION TO THE GOVERNOR, THE PRESIDENT OF THE
2 SENATE, AND THE SPEAKER OF THE HOUSE.

3 (M) ~~THE BOARD MAY NOT USE SOLE SOURCE PROCUREMENT UNDER §~~
4 ~~13-107 OF THE STATE FINANCE AND PROCUREMENT ARTICLE TO AWARD A~~
5 ~~CONTRACT TO AN ACTIVE MEMBER OF THE BOARD OF DIRECTORS OR A BUSINESS~~
6 ~~ENTITY THAT EMPLOYS OR HAS AN AFFILIATION WITH AN ACTIVE MEMBER.~~

7 [(k)] (N) The Chairman of the Board of Directors shall appoint representatives
8 from the community naturally served by the medical system having interest in the services
9 of the medical system to 3-year terms as members of a Community Advisory Council. The
10 Board of Directors shall designate at least one of its members to meet with the Community
11 Advisory Council and advise the Community Advisory Council of matters of potential
12 interest. Recommendations of this Community Advisory Council concerning services
13 offered by the Medical System Corporation and its community relationships shall be
14 considered by the Board of Directors.

15 SECTION 2. AND BE IT FURTHER ENACTED, That:

16 (a) (1) On or before May 15, 2019, the University of Maryland Medical System
17 Corporation shall employ an independent ~~certified public accountant licensed to practice in~~
18 ~~the State~~ entity with expertise in nonprofit corporate governance to conduct a performance
19 audit of the administrative and financial offices of the University of Maryland Medical
20 System Corporation to evaluate the efficiency and effectiveness of the financial
21 management practices, including procurement and contracting processes, of the University
22 of Maryland Medical System Corporation.

23 (2) The performance audit required under paragraph (1) of this subsection
24 does not include the administrative and financial offices of the University of Maryland
25 Medical System or any subsidiaries or affiliated hospitals of the University of Maryland
26 Medical System Corporation.

27 (b) On or before December 31, 2019, the University of Maryland Medical System
28 Corporation shall submit a certified copy of the performance audit to the Governor and, in
29 accordance with § 2-1246 of the State Government Article, the President of the Senate and
30 the Speaker of the House.

31 SECTION 3. AND BE IT FURTHER ENACTED, That the Board of Directors of the
32 University of Maryland Medical System Corporation shall:

33 (1) conduct an internal review of the Board's policies and procedures; and

34 (2) on or before December 31, 2019, report the findings and any
35 recommendations for improvements to the policies and procedures of the Board to the
36 Governor and, in accordance with § 2-1246 of the State Government Article, the President
37 of the Senate and the Speaker of the House.

~~SECTION 4. AND BE IT FURTHER ENACTED, That, notwithstanding the provisions of § 13-304 of the Education Article as enacted by Section 1 of this Act, it is the intent of the General Assembly that the members of the Board of Directors of the University of Maryland Medical System Corporation who are in office on the effective date of this Act shall serve for the full term for which the member was appointed.~~

SECTION 4. AND BE IT FURTHER ENACTED, That:

(a) The terms of the members of the Board of Directors of the University of Maryland Medical System Corporation who are in office on the effective date of this Act shall terminate as follows:

(1) the terms of approximately one-half of the members of the Board shall terminate on June 1, 2019; and

(2) the terms of the remaining members of the Board shall terminate on October 1, 2019.

(b) (1) Subject to the provisions of § 13-301 of the Education Article, as enacted by Section 1 of this Act, a member of the Board whose term is terminated under subsection (a) of this section may apply for reappointment.

(2) The appointment of a member under paragraph (1) of this subsection who is appointed by the Governor is subject to the advice and consent of the Senate during the legislative session immediately following the date of appointment.

(3) A member reappointed under this subsection shall be considered appointed on the date of the member's initial appointment and is subject to the requirements of § 13-304(d) of the Education Article.

SECTION 5. AND BE IT FURTHER ENACTED, That this Act is an emergency measure, is necessary for the immediate preservation of the public health or safety, has been passed by a ye and nay vote supported by three-fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted.