

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE

House Bill 169 (Delegate Goldwater. *et al.*)

Economic Matters

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Acquisition of Nonprofit Hospice Facilities and Nonprofit Nursing Homes

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This bill adds nonprofit hospices and nursing homes to the list of nonprofit health entities that are subject to oversight by the Attorney General in the event of an acquisition. The Department of Health and Mental Hygiene (DHMH) is authorized to: (1) deny or revoke a license to operate a hospice or nursing home if an acquisition occurs without the approval of the Attorney General; and (2) impose an administrative penalty for a violation of the bill's provisions. The bill is to be construed only prospectively.

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Fiscal Summary

**State Effect:** The bill's requirements could be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

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Fiscal Analysis

**Background:** Current law requires the Attorney General to determine if an acquisition is in the public interest. An acquisition is not in the public interest unless steps have been taken to ensure that (1) the value of public or charitable assets is safeguarded; (2) 40% of the fair value of public assets will be distributed to the Maryland Health Care Foundation and 60% will be distributed to a health-related public or nonprofit charitable entity or trust; and (3) no part of the public assets inure to an officer, director, or trustee of a nonprofit health entity.

According to DHMH, the majority of the 38 hospices in the State are nonprofit and approximately 65 of the 288 nursing homes are nonprofit.

**State Expenditures:** The Office of the Attorney General advises that annualized general fund expenditures would increase by \$41,843, which reflects the cost of 2 half-time positions (1 half-time attorney and 1 half-time secretary) to provide the regulatory oversight required by the bill.

The workload for the Office of the Attorney General will increase in the event an acquisition application for a nonprofit hospice or nursing home is submitted. The timing and frequency of such an event, however, cannot be reliably anticipated at this time. Moreover, the bill provides that the regulating entity may contract for expert assistance to evaluate the application at the expense of the transferee. Consequently, the Department of Legislative Services advises that any workload increase for the Office of the Attorney General arising from the review of an acquisition application would be reimbursed by the “transferee.”

Any increase in workload for DHMH could be absorbed within existing resources.

**Small Business Effect:** Nonprofit hospices and nursing homes as “transferors” could potentially be adversely affected by the bill’s requirement of State approval of an acquisition. About 20 nursing homes are small businesses. This represents fewer than 2% of for-profit nursing homes and 20% of nonprofit nursing homes. There are approximately 38 hospices in Maryland, of which about one-third are small businesses. In addition, any small business transferees could be adversely affected by the bill’s requirement of State approval of an acquisition.

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**Information Source(s):** Department of Health and Mental Hygiene, Office of the Attorney General, Department of Legislative Services

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