

# SENATE BILL 946

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By: **Senator Middleton**

Introduced and read first time: February 25, 2008

Assigned to: Rules

Re-referred to: Finance, March 3, 2008

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 19, 2008

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Hospital Regulation and Financing – Maryland Hospital Bond Program and**  
3 **User Fees of the Health Services Cost Review Commission**

4 FOR the purpose of specifying that certain hospital plans must be acceptable to the  
5 Secretary of Health and Mental Hygiene, in consultation with the Maryland  
6 Health Care Commission; providing that the Maryland Hospital Bond Program  
7 shall provide for the payment and refinancing of certain public obligations  
8 issued on behalf of a hospital on or after a certain date under certain  
9 circumstances; requiring a hospital with public obligations issued on or after a  
10 certain date to provide to the Secretary a certain closure plan under certain  
11 circumstances; requiring a certain closure plan to include a certain plan for  
12 provision of care to certain patients and populations; repealing a prohibition on  
13 certain user fees for the Health Services Cost Review Commission increasing  
14 from one fiscal year to the next by more than a certain percentage amount;  
15 clarifying the circumstances under which the Commission can assess a certain  
16 fee; and generally relating to hospital regulation and financing.

17 BY repealing and reenacting, without amendments,  
18 Article – Economic Development  
19 Section 10–340  
20 Annotated Code of Maryland  
21 (As enacted by Chapter \_\_\_\_\_ (H.B. 1050) of the Acts of the General Assembly of  
22 2008)

23 BY repealing and reenacting, with amendments,

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**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 Article – Economic Development  
2 Section 10–343 and 10–346  
3 Annotated Code of Maryland  
4 (As enacted by Chapter \_\_\_\_ (H.B. 1050) of the Acts of the General Assembly of  
5 2008)

6 BY repealing and reenacting, with amendments,  
7 Article – Health – General  
8 Section 19–213(c) and 19–223  
9 Annotated Code of Maryland  
10 (2005 Replacement Volume and 2007 Supplement)

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

13 **Article – Economic Development**

14 10–340.

15 (a) In this part the following words have the meanings indicated.

16 (b) “Affiliate” means a person that directly or indirectly, through one or more  
17 intermediaries, controls, is controlled by, or is under common control with another  
18 person.

19 (c) (1) “Closure cost” means costs incurred in connection with the closure  
20 or delicensing of a hospital.

21 (2) “Closure cost” includes expenses of operating a hospital, payments  
22 to employees, employee benefits, fees of consultants, insurance, security services,  
23 utilities, legal fees, capital costs, costs of terminating contracts with vendors, suppliers  
24 of goods and services and others, debt service, contingencies, and other necessary or  
25 appropriate costs and expenses.

26 (d) “Control” means the direct or indirect possession of the power to direct or  
27 cause the direction of the management and policies of a person through equity  
28 interest, membership interest, or contract other than a commercial contract for goods  
29 or nonmanagement services, or otherwise, whether or not the power is exercised or  
30 sought to be exercised.

31 (e) “Hospital” means an institution defined as a hospital under § 19–301 of  
32 the Health – General Article and that is licensed as a hospital by the Secretary of  
33 Health and Mental Hygiene under § 19–318 of the Health – General Article.

34 (f) “Program” means the Maryland Hospital Bond Program under this part.

35 (g) (1) “Public obligation” means a bond, note, evidence of indebtedness,  
36 or other obligation, to repay borrowed money issued by the Authority, the State, a

1 unit, instrumentality, or public corporation of the State, a public body as defined in  
2 Article 31, § 9 of the Code, a county, or a municipal corporation.

3 (2) “Public obligation” does not include an obligation, or portion of an  
4 obligation, if:

5 (i) the principal of and interest on the obligation or the portion  
6 of the obligation is:

7 1. insured by an effective municipal bond insurance  
8 policy; and

9 2. issued on behalf of a hospital that voluntarily closed  
10 in accordance with § 19–120(l) of the Health – General Article; and

11 (ii) the proceeds of the obligation or the portion of the obligation  
12 are used to finance wholly or partly:

13 1. a facility or part of a facility that is used primarily to  
14 provide outpatient services at a location other than the hospital; or

15 2. a facility or part of a facility that is used primarily by  
16 physicians who are not employees of the hospital to provide services to nonhospital  
17 patients.

18 10–343.

19 (a) There is a Maryland Hospital Bond Program in the Authority.

20 (b) **[The] FOR PUBLIC ~~BODY~~ OBLIGATIONS ISSUED ON BEHALF OF A**  
21 **HOSPITAL BEFORE OCTOBER 1, 2008, THE** Program shall provide for the payment  
22 and refinancing of public obligations of a hospital, if:

23 (1) (i) the closure of the hospital is in accordance with § 19–120(l)  
24 of the Health – General Article; or

25 (ii) the delicensure of the hospital is in accordance with §  
26 19–325 of the Health – General Article;

27 (2) a public obligation issued on behalf of the hospital is outstanding;  
28 and

29 (3) the hospital plan for closure or delicensure and the related  
30 financing plan is acceptable to:

31 (I) the Secretary of Health and Mental Hygiene, **IN**  
32 **CONSULTATION WITH THE MARYLAND HEALTH CARE COMMISSION;** and

1 (II) the Authority.

2 (C) ~~FOR PUBLIC BODY~~ OBLIGATIONS ISSUED ON BEHALF OF A HOSPITAL  
3 ON OR AFTER OCTOBER 1, 2008, THE PROGRAM SHALL PROVIDE FOR THE  
4 PAYMENT AND REFINANCING OF PUBLIC OBLIGATIONS OF A HOSPITAL, IF:

5 (1) (I) THE CLOSURE OF THE HOSPITAL IS IN ACCORDANCE  
6 WITH § 19-120(L) OF THE HEALTH - GENERAL ARTICLE; OR

7 (II) THE DELICENSURE OF THE HOSPITAL IS IN  
8 ACCORDANCE WITH § 19-325 OF THE HEALTH - GENERAL ARTICLE;

9 (2) A PUBLIC OBLIGATION ISSUED ON BEHALF OF THE HOSPITAL  
10 IS OUTSTANDING;

11 (3) THE HOSPITAL PLAN FOR CLOSURE OR DELICENSURE AND  
12 THE RELATED FINANCING PLAN IS ACCEPTABLE TO:

13 (I) THE SECRETARY OF HEALTH AND MENTAL HYGIENE,  
14 IN CONSULTATION WITH THE MARYLAND HEALTH CARE COMMISSION; AND

15 (II) THE AUTHORITY; AND

16 (4) THE HEALTH SERVICES COST REVIEW COMMISSION  
17 DETERMINES THAT IMPLEMENTATION OF THE PROGRAM IS IN THE PUBLIC  
18 INTEREST, TAKING INTO ACCOUNT THE AMOUNT OF SYSTEM-WIDE SAVINGS TO  
19 THE HEALTH CARE SYSTEM IN THE STATE THAT MIGHT BE EXPECTED AS A  
20 RESULT OF THE CLOSURE.

21 10-346.

22 (a) (1) A hospital that intends to close or is scheduled to be delicensed  
23 shall provide the Authority and the Health Services Cost Review Commission with a  
24 written statement of any outstanding public obligations issued on its behalf.

25 (2) The statement shall include:

26 (i) the name of each issuer of the public obligation;

27 (ii) the outstanding principal amount of each public obligation;

28 (iii) the due dates for payment or any mandatory redemption or  
29 purchase of each public obligation;

1 (iv) the due dates for the payment of interest on each public  
2 obligation and the interest rates; and

3 (v) the documents and information about the public obligation  
4 that the Authority or the Health Services Cost Review Commission requests.

5 **(B) (1) A HOSPITAL WITH PUBLIC OBLIGATIONS ISSUED ON OR AFTER**  
6 **OCTOBER 1, 2008, THAT INTENDS TO CLOSE OR IS SCHEDULED TO BE**  
7 **DELICENSED, SHALL PROVIDE TO THE SECRETARY OF HEALTH AND MENTAL**  
8 **HYGIENE A CLOSURE PLAN THAT IS ACCEPTABLE TO THE SECRETARY, IN**  
9 **CONSULTATION WITH THE MARYLAND HEALTH CARE COMMISSION.**

10 **(2) THE CLOSURE PLAN REQUIRED UNDER THIS SUBSECTION**  
11 **SHALL INCLUDE THE PLAN OF THE HOSPITAL FOR THE PROVISION OF CARE TO**  
12 **ITS PATIENTS AND TO THE POPULATION IN ITS SERVICE AREA.**

13 **[(b)] (C)** The hospital shall file the [statement] **ITEMS** required under  
14 **[subsection (a)] SUBSECTIONS (A) AND (B)** of this section:

15 (1) within 10 days after the date of filing the written notice of intent to  
16 close under § 19–120(l) of the Health – General Article with the Maryland Health Care  
17 Commission; or

18 (2) at least 150 days before the scheduled date of delicensure under §  
19 19–325 of the Health – General Article.

20 **Article – Health – General**

21 19–213.

22 (c) (1) The total fees assessed by the Commission may not exceed  
23 \$5,500,000.

24 (2) The total user fees assessed by the Commission may not exceed the  
25 Special Fund appropriation for the Commission by more than 20%.

26 (3) The user fees assessed by the Commission shall be used exclusively  
27 to cover the actual documented direct costs of fulfilling the statutory and regulatory  
28 duties of the Commission in accordance with the provisions of this subtitle and any  
29 administrative costs for services to the Commission provided by the Department.

30 (4) The Commission shall pay all funds collected from fees assessed in  
31 accordance with this section into the Health Services Cost Review Commission Fund.

32 (5) The user fees assessed by the Commission may be expended only  
33 for purposes authorized by the provisions of this subtitle.

1 (6) [The percentage amount by which total user fees assessed by the  
2 Commission under this section are increased from one fiscal year to the next may not  
3 exceed the percentage amount by which the annual update factor applicable to all  
4 Maryland general acute care hospitals is increased for the same fiscal year.

5 (7)] The amount specified in paragraph (1) of this subsection limits  
6 only the total user fees the Commission may assess in a fiscal year.

7 19–223.

8 The Commission shall assess a fee on all hospitals whose rates have been  
9 approved by the Commission to pay for:

10 (1) [The] **TO THE EXTENT PROVIDED FOR IN TITLE 10, SUBTITLE**  
11 **3, PART IV OF THE ECONOMIC DEVELOPMENT ARTICLE, THE** amounts required  
12 by [subsection (k) of § 16A of Article 43C of the Code] **§ 10–350 OF THE ECONOMIC**  
13 **DEVELOPMENT ARTICLE** with respect to public [body] obligations or closure costs of  
14 a closed or delicensed hospital [as defined in Article 43C, § 16A of the Code]; and

15 (2) Funding the Hospital Employees Retraining Fund.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
17 October 1, 2008.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.