HB 932

Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 932 (Delegate Lisanti, *et al.*)
Health and Government Operations

Hospitals - Changes in Status - Hospital Employee Retraining and Economic Impact Statements

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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 (1) converts to a freestanding medical facility or (2) is acquired by another hospital or health system. The bill establishes that, in all situations, the fee is to be limited to 0.01% of the total revenue approved by the Health Services Cost Review Commission for the fiscal year prior to the closure, merger, conversion, acquisition, or delicensing of the hospital. The bill requires certain hospitals to file a specified economic impact statement with the Maryland Health Care Commission (MHCC) and specified members of the General Assembly. Finally, the bill specifies how funds paid by hospitals to DLLR are to be used.

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, as discussed below.

Small Business Effect: None.

Analysis

Bill Summary:

Economic Impact Statement

Within 90 days after the board of directors of a hospital votes to approve the closure, merger, conversion, acquisition, or delicensure of the hospital, the hospital must file with MHCC, and provide to the members of the General Assembly representing the legislative district in which the hospital is located, an economic impact statement that addresses the potential economic impact of the dislocation of the hospital's employees, including (1) the number of potential layoffs and (2) the type of employees affected by the potential layoffs.

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 provide employment transition services to hospital employees who are unemployed or who may become unemployed as a result of the closing, delicensing, downsizing, or possible downsizing of a hospital. Services provided include (1) development of readjustment plans; (2) assessment of skills and aptitudes; (3) prelayoff assistance; and (4) training programs provided in cooperation with employers and labor organizations.

The fund must also be used to provide support services, including family care, child care, commuting, emergency housing and rental, counseling, emergency health, and emergency financial assistance, as well as any other appropriate support services that enable an individual to participate in an employment training program with the goal of reemployment.

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. However, it is unclear if the services currently offered are as comprehensive as those included in the bill.

Chapter 420 of 2016 exempted, under specified criteria, the conversion of a licensed general hospital to a freestanding medical facility (and any related capital expenditure) from the requirement to obtain a specified certificate of need from MHCC. It also established procedures for obtaining the exemption.

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 a hospital converting to a freestanding medical facility, merging, or being acquired by another hospital or health system pay the specified fee. Special fund expenditures increase accordingly for DLLR to provide the services specified in the bill. Any amount paid into the fund or the specific services provided depends on the 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 the services outlined under the bill, 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 conversion to a freestanding medical facility or the acquisition or merger of a hospital by another hospital or health system, 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. 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. Federal fund expenditures may decrease to the extent that special fund expenditures are used to provide similar services to those currently offered by DLLR.

Local Fiscal Effect: DLLR advises that funds received through the Workforce Innovation and Opportunity Act, which would be used to assist hospital employees who are unemployed or who may become unemployed, are ultimately received by the State's 12 local workforce area programs. Some of these programs are operated by county entities, while others are operated by nonprofits. For example, DLLR advises that Baltimore City's local workforce area program is run by the Mayor's Office of Employment Development, while Anne Arundel County's is run by the Anne Arundel Workforce Development Corporation. Any reduction in federal fund revenues experienced by the counties is anticipated to be minimal for two reasons: (1) the distribution of federal funds is not impacted by any State program related to hospital employees who are unemployed or who may become unemployed; and (2) the number of hospital employees who may require services supported by federal funds at county-operated workforce area programs is unknown but not anticipated to be significant.

Additional Information

Prior Introductions: None.

Cross File: SB 379 (Senators Feldman and Hershey) - Finance.

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

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