

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 390

(Senator Feldman, *et al.*)

Finance

Rules and Executive Nominations

Hospitals - Changes in Status - Hospital Employee Retraining and Placement

This bill specifies the contents of a required plan for the retraining and placement of displaced employees who work for a hospital that proposes to close, partially close, or convert to a certain freestanding medical facility. The bill also further specifies how funds from the Hospital Employees Retraining Fund must be used.

Fiscal Summary

State Effect: The bill is not anticipated to materially impact State operations or finances.

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

Small Business Effect: None.

Analysis

Bill Summary:

Plan for Displaced Employees

The plan required for retraining and placing displaced employees must include:

- job placement assistance with an affiliated hospital or health care entity, an unaffiliated hospital or health care entity, or a nonhealth care-related position;

- training and skills development through programs offered by the Department of Labor, Licensing, and Regulation (DLLR), the hospital or health system, or by other programs available to provide training and skills development;
- a requirement that the hospital work with employees and, if applicable, the employee representative of the employees, to identify available and appropriate training or retraining programs that may be used in anticipation of the closure, partial closure, or conversion to a freestanding medical facility; and
- at the discretion of the Health Services Cost Review Commission (HSCRC), use of (1) HSCRC's authority to provide a temporary adjustment of the rates of the hospital involved in the closure, partial closure, or conversion to a freestanding medical facility or (2) fees paid by hospitals to DLLR for the Hospital Employees Retraining Fund if a hospital voluntarily closes, merges, or is delicensed.

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 possible downsizing of a hospital, or the merging of hospitals.

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

Current Law:

Closing of a Hospital

HSCRC must establish by regulation requirements for a public informational hearing if a hospital proposes to close, partially close, or convert to a freestanding medical facility. The regulations must require the hospital to address (1) the reasons for the closure, partial closure, or conversion; (2) the plan for transitioning acute care services previously provided by the hospital to residents of the hospital service area; (3) the plan for addressing the health care needs of the residents of the hospital service area; (4) the plan for retraining and placing displaced employees; (5) the plan for the hospital's physical plant and site; and (6) the proposed timeline for the closure, partial closure, or conversion to a freestanding medical facility.

Fees for Training Displaced Workers

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. A fee must 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 Retraining Fund.

Retraining and Placement of Unemployed Hospital Employees

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 are required to develop regulations to implement the program.

Change of Rate Structures or Charges

HSCRC may temporarily adjust hospital rates for those hospitals that are directly involved in a merger, consolidation, closure, or delicensure to provide sufficient funds for an orderly transition. Funds can cover allowances for those employees who are or would be displaced, allowances to permit a surviving institution in a merger to generate capital to convert the closed facility, and other purposes.

Background: HSCRC advises that a fee has been *calculated* under the statute related to the Hospital Employees Retraining Fund on two occasions. An assessment of \$110,000 was imposed in 1991 when Homewood Hospital closed. In 1993, a letter from the Attorney General advised that sufficient funds still existed in the fund to cover the expenses associated with the closure of Leland Memorial Hospital. Since that time, no funds have been collected or deposited into the fund. When Church Hospital provided notice of intent to close in October 1999, the estimate of closing costs included “Outplacement Services and Other Personnel Expenses” totaling \$228,000. As Church Hospital was a MedStar facility, the closing costs were collected from the remaining MedStar hospitals in the State. Thus, no fee was calculated or assessed at that time.

HSCRC advises that it currently receives data on hospital employees only once a year, covering a two-week period in February. There is currently no real-time reporting for

hospital employment. Thus, hospitals would have to voluntarily report any reduction in workforce stemming from a downsizing initiative at the hospital.

DLLR advises that it currently does not maintain any balance in the Hospital Employees Retraining Fund. 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. DLLR 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.

Additional Information

Prior Introductions: SB 379 of 2017, a related bill, passed the Senate with amendments, but no further action was taken. Its cross file, HB 932, received a hearing in the House Health and Government Operations Committee, but no further action was taken.

Cross File: HB 614 (Delegate Lisanti, *et al.*) - Health and Government Operations.

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

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