

CHAPTER 512

AN ACT concerning hospitals and amending P.L.2008, c.58.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. Section 2 of P.L.2008, c.58 (C.26:2H-5.1a) is amended to read as follows:

C.26:2H-5.1a Regulations for oversight of hospitals.

2. a. The Commissioner of Health shall prescribe, by regulation: (1) specific indicators by which a general hospital may be evaluated for financial soundness, and the thresholds at which it may be considered to be in financial distress or at risk of being in financial distress; and (2) the progressive levels of monitoring and department participation in the development and oversight of corrective measures to resolve a general hospital's financial or potential financial difficulties, including the various levels of involvement by an appointed monitor. The indicators and progressive levels of monitoring and intervention shall be guided by the indicators and levels of monitoring and intervention identified in the final report of the New Jersey Commission on Rationalizing Health Care Resources, issued on January 24, 2008.

b. The thresholds of specified financial indicators and corresponding Department of Health involvement that may be triggered by them shall include, but are not limited to, measures relating to:

- (1) days cash-on-hand;
- (2) average daily census;
- (3) days in accounts receivable;
- (4) average payment period;
- (5) operating margin;

(6) operating margin adjusted to account for fees, allocations, and other business interactions with interested persons as those terms are defined in IRS Form 990, with the term "interested person" to include owners for the purposes of a for-profit hospital; and

(7) any other factor which the commissioner deems appropriate, including failure to provide required or requested financial information.

c. If the commissioner determines that a hospital is in financial distress or at risk of being in financial distress after considering the specified financial indicators set forth in subsection b. of this section, then the commissioner may provide notice of the hospital's financial state to the mayor, city administrator, and members of the Legislature who represent the municipality in which the hospital is located. The commissioner may appoint, in consultation with the hospital, a monitor to prevent further financial deterioration, in which case the commissioner, within 30 days of making the appointment, shall provide notice of the appointment of the monitor to the mayor, city administrator, and members of the Legislature who represent the municipality in which the hospital is located.

The appointed monitor shall have demonstrated expertise in hospital administration, management, or operations. A monitor: (1) shall be authorized to attend all hospital board meetings, executive committee meetings, finance committee meetings, steering committee meetings, turnaround committee meetings, or any other meetings concerning the hospital's fiscal matters; (2) may be authorized to have voting and veto powers over actions taken in the above mentioned meetings; (3) shall report to the commissioner and the full hospital board of trustees in a manner prescribed by the commissioner; and (4) shall serve for such period of time as may be determined by the commissioner in consultation with the hospital.

The commissioner shall maintain continuing oversight of the actions and recommendations of the monitor to ensure that the public interest is protected.

2. This act shall take effect immediately.

Approved January 21, 2020.