



**GOVERNOR'S PRESS RELEASE ON SIGNING:**

Yes

**FOLLOWING WERE PRINTED:**

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext.103 or <mailto:refdesk@njstatelib.org>

**REPORTS:**

Yes

**HEARINGS:**

No

**NEWSPAPER ARTICLES:**

Yes

"Law curbs fees to uninsured," Herald News, 8-9-08, p.A8

"Hospital 'sticker price' billing is history, The Record, 8-9-08, p.L08.

"Corzine signs bills to improve hospitals," Asbury Park Press, 8-9-08, p.A3

"N.J. enacts bills on hospital accountability, The Philadelphia Inquirer, 8-9-08. p.B2

"Early warning system for ailing hospitals become law," The Star Ledger, 8-9-08, p.7.

"Gov. inks Ramos' hospital reform," The Jersey Journal, 8-9-08, p.A6.

974.90 H434, 2007c

Interim report

By New Jersey. Commission on Rationalizing Health Care Resources.  
Trenton, N.J.: New Jersey Dept. of Human Services, 2007

974.90 H434, 2008

Final report

By New Jersey. Commission on Rationalizing Health Care Resources.  
Trenton, N.J.: New Jersey Dept. of Human Services, 2008

LAW

§§2,3 -  
C.26:2H-5.1a &  
26:2H-5.1b  
§§4,5 - Notes to  
§§1-3

P.L. 2008, CHAPTER 58, *approved August 8, 2008*  
Senate, No. 1796 (*First Reprint*)

1 AN ACT concerning fiscal monitoring of hospitals and amending  
2 and supplementing Title 26 of the Revised Statutes.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. Section 5 of P.L.1971, c.136 (C.26:2H-5) is amended to read  
8 as follows:

9 5. a. The commissioner, to effectuate the provisions and purposes  
10 of this act, shall have the power to inquire into health care services  
11 and the operation of health care facilities and to conduct periodic  
12 inspections of such facilities with respect to the fitness and  
13 adequacy of the premises, equipment, personnel, rules and bylaws  
14 and the adequacy of financial resources and sources of future  
15 revenues.

16 b. The commissioner, with the approval of the board, shall  
17 adopt and amend rules and regulations in accordance with the  
18 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
19 seq.) to effectuate the provisions and purposes of this act, including  
20 but not limited to: (1) the establishment of requirements for a  
21 uniform Statewide system of reports and audits relating to the  
22 quality of health care provided, health care facility utilization and  
23 costs; (2) certification by the department of schedules of rates,  
24 payments, reimbursement, grants and other charges for health care  
25 services as provided in section 18; and (3) standards and procedures  
26 relating to the licensing of health care facilities and the institution  
27 of certain additional health care services.

28 c. The commissioner may enter into contracts with any  
29 government agency, institution of higher learning, voluntary  
30 nonprofit agency, or appropriate planning agency or council; and  
31 such entities are authorized to enter into contracts with the  
32 commissioner to effectuate the provisions and purposes of this act.

33 d. The commissioner may provide consultation and assistance  
34 to health care facilities in operational techniques, including but not  
35 limited to, planning, principles of management, and standards of  
36 health care services, and, in the case of a general hospital, to

**EXPLANATION** – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Senate SHH committee amendments adopted May 15, 2008.

1 appoint a monitor if the commissioner determines that a monitor is  
2 warranted for a hospital that is in financial distress or at risk of  
3 being in financial distress, and to participate in the development and  
4 oversight of corrective measures to resolve a hospital's financial or  
5 potential financial difficulties, pursuant to section 2 of P.L. , c.  
6 (C. )(pending before the Legislature as this bill).

7 e. At the request of the commissioner, health care facilities  
8 shall furnish to the Department of Health and Senior Services such  
9 reports and information as it may require to effectuate the  
10 provisions and purposes of this act, excluding confidential  
11 communications from patients.

12 f. The commissioner may institute or cause to be instituted in a  
13 court of competent jurisdiction proceedings to compel compliance  
14 with the provisions of this act or the determinations, rules,  
15 regulations and orders of the commissioner.

16 g. Notwithstanding any rules and regulations governing private  
17 long-term health care facilities and enforcing the 1967 Life Safety  
18 Code, as amended and supplemented, the commissioner shall permit  
19 third floor occupancy of such facilities by owners, members of their  
20 immediate families, and licensed professionals employed at such  
21 facilities.

22 (cf: P.L.1998, c.43, s.3)

23

24 2. (New section) a. The Commissioner of Health and Senior  
25 Services shall prescribe, by regulation: (1) specific indicators by  
26 which a general hospital may be evaluated for financial soundness,  
27 and the thresholds at which it may be considered to be in financial  
28 distress or at risk of being in financial distress; and (2) the  
29 progressive levels of monitoring and department participation in the  
30 development and oversight of corrective measures to resolve a  
31 general hospital's financial or potential financial difficulties,  
32 including the various levels of involvement by an appointed  
33 monitor. <sup>1</sup>The indicators and progressive levels of monitoring and  
34 intervention shall be guided by the indicators and levels of  
35 monitoring and intervention identified in the final report of the New  
36 Jersey Commission on Rationalizing Health Care Resources, issued  
37 on January 24, 2008.<sup>1</sup>

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

42 (1) days cash-on-hand;

43 (2) cushion ratio;

44 (3) days in accounts receivable;

45 (4) average payment period;

46 (5) total margin;

47 (6) earnings before depreciation; and

48 (7) any other factor which the commissioner deems appropriate,

1 including failure to provide required or requested financial  
2 information.

3 c. If the commissioner determines that a hospital is in financial  
4 distress or at risk of being in financial distress 'after considering the  
5 specified financial indicators set forth in subsection b. of this  
6 section', then the commissioner may appoint ' , in consultation with  
7 the hospital.' a monitor '[ , at the hospital's expense,]' to prevent  
8 further financial deterioration. 'Payment for the monitor shall be  
9 determined through a contingency contract established between the  
10 hospital and the monitor. The contract shall be subject to approval  
11 by the department with regard to the monitor's responsibilities. In  
12 no case shall a hospital bear financial liability if no savings result  
13 from measures undertaken pursuant to the contract.

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

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

29  
30 3. (New section ) As a condition of licensure under P.L.1971,  
31 c.136 (C.26:2H-1 et seq.), a general hospital shall:

32 a. provide monthly unaudited financial information and annual  
33 audited financial statements to the Department of Health and Senior  
34 Services, and such other financial information as the department  
35 may request; and

36 b. permit the Commissioner of Health and Senior Services, or a  
37 monitor appointed by the commissioner, as applicable, to oversee  
38 its financial operations, and, if the commissioner determines that  
39 the hospital is at risk of being in financial distress or is in financial  
40 distress based on criteria specified by regulation, participate in the  
41 development and implementation of a corrective plan to resolve the  
42 hospital's financial difficulties, pursuant to section 2 of P.L. , c.  
43 (C. )(pending before the Legislature as this bill).

44  
45 4. The Commissioner of Health and Senior Services, pursuant to  
46 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
47 seq.), shall adopt such rules and regulations as are necessary to

1 effectuate the purposes of this act.

2

3 5. This act shall take effect on the 180th day after the date of  
4 enactment, but the Commissioner of Health and Senior Services  
5 may take such anticipatory administrative action in advance thereof  
6 as shall be necessary for the implementation of the act.

7

8

9

10

11 \_\_\_\_\_  
12 Authorizes enhanced DHSS monitoring of hospital financial  
13 performance and intervention in management of identified  
distressed hospitals.

**SENATE, No. 1796**

---

**STATE OF NEW JERSEY**

**213th LEGISLATURE**

---

INTRODUCED MAY 5, 2008

**Sponsored by:**

**Senator ROBERT M. GORDON**

**District 38 (Bergen)**

**Senator THOMAS H. KEAN, JR.**

**District 21 (Essex, Morris, Somerset and Union)**

**Co-Sponsored by:**

**Senator Vitale**

**SYNOPSIS**

Authorizes enhanced DHSS monitoring of hospital financial performance and intervention in management of identified distressed hospitals.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 5/9/2008)**

1 AN ACT concerning fiscal monitoring of hospitals and amending  
2 and supplementing Title 26 of the Revised Statutes.

3

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

6

7 1. Section 5 of P.L.1971, c.136 (C.26:2H-5) is amended to read  
8 as follows:

9 5. a. The commissioner, to effectuate the provisions and purposes  
10 of this act, shall have the power to inquire into health care services  
11 and the operation of health care facilities and to conduct periodic  
12 inspections of such facilities with respect to the fitness and  
13 adequacy of the premises, equipment, personnel, rules and bylaws  
14 and the adequacy of financial resources and sources of future  
15 revenues.

16 b. The commissioner, with the approval of the board, shall  
17 adopt and amend rules and regulations in accordance with the  
18 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
19 seq.) to effectuate the provisions and purposes of this act, including  
20 but not limited to: (1) the establishment of requirements for a  
21 uniform Statewide system of reports and audits relating to the  
22 quality of health care provided, health care facility utilization and  
23 costs; (2) certification by the department of schedules of rates,  
24 payments, reimbursement, grants and other charges for health care  
25 services as provided in section 18; and (3) standards and procedures  
26 relating to the licensing of health care facilities and the institution  
27 of certain additional health care services.

28 c. The commissioner may enter into contracts with any  
29 government agency, institution of higher learning, voluntary  
30 nonprofit agency, or appropriate planning agency or council; and  
31 such entities are authorized to enter into contracts with the  
32 commissioner to effectuate the provisions and purposes of this act.

33 d. The commissioner may provide consultation and assistance  
34 to health care facilities in operational techniques, including but not  
35 limited to, planning, principles of management, and standards of  
36 health care services, and, in the case of a general hospital, to  
37 appoint a monitor if the commissioner determines that a monitor is  
38 warranted for a hospital that is in financial distress or at risk of  
39 being in financial distress, and to participate in the development and  
40 oversight of corrective measures to resolve a hospital's financial or  
41 potential financial difficulties, pursuant to section 2 of P.L. , c.  
42 (C. )(pending before the Legislature as this bill).

43 e. At the request of the commissioner, health care facilities  
44 shall furnish to the Department of Health and Senior Services such

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

**Matter underlined thus is new matter.**



1 reports and information as it may require to effectuate the  
2 provisions and purposes of this act, excluding confidential  
3 communications from patients.

4 f. The commissioner may institute or cause to be instituted in a  
5 court of competent jurisdiction proceedings to compel compliance  
6 with the provisions of this act or the determinations, rules,  
7 regulations and orders of the commissioner.

8 g. Notwithstanding any rules and regulations governing private  
9 long-term health care facilities and enforcing the 1967 Life Safety  
10 Code, as amended and supplemented, the commissioner shall permit  
11 third floor occupancy of such facilities by owners, members of their  
12 immediate families, and licensed professionals employed at such  
13 facilities.

14 (cf: P.L.1998, c.43, s.3)

15

16 2. (New section) a. The Commissioner of Health and Senior  
17 Services shall prescribe, by regulation: (1) specific indicators by  
18 which a general hospital may be evaluated for financial soundness,  
19 and the thresholds at which it may be considered to be in financial  
20 distress or at risk of being in financial distress; and (2) the  
21 progressive levels of monitoring and department participation in the  
22 development and oversight of corrective measures to resolve a  
23 general hospital's financial or potential financial difficulties,  
24 including the various levels of involvement by an appointed  
25 monitor.

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

30 (1) days cash-on-hand;

31 (2) cushion ratio;

32 (3) days in accounts receivable;

33 (4) average payment period;

34 (5) total margin;

35 (6) earnings before depreciation; and

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

39 c. If the commissioner determines that a hospital is in financial  
40 distress or at risk of being in financial distress, then the  
41 commissioner may appoint a monitor, at the hospital's expense, to  
42 prevent further financial deterioration. A monitor: (1) shall be  
43 authorized to attend all hospital board meetings, executive  
44 committee meetings, finance committee meetings, steering  
45 committee meetings, turnaround committee meetings, or any other  
46 meetings concerning the hospital's fiscal matters; and (2) may be  
47 authorized to have voting and veto powers over actions taken in the  
48 above mentioned meetings.

1 3. (New section ) As a condition of licensure under P.L.1971,  
2 c.136 (C.26:2H-1 et seq.), a general hospital shall:

3 a. provide monthly unaudited financial information and annual  
4 audited financial statements to the Department of Health and Senior  
5 Services, and such other financial information as the department  
6 may request; and

7 b. permit the Commissioner of Health and Senior Services, or a  
8 monitor appointed by the commissioner, as applicable, to oversee  
9 its financial operations, and, if the commissioner determines that  
10 the hospital is at risk of being in financial distress or is in financial  
11 distress based on criteria specified by regulation, participate in the  
12 development and implementation of a corrective plan to resolve the  
13 hospital's financial difficulties, pursuant to section 2 of P.L. , c.  
14 (C. )(pending before the Legislature as this bill).

15  
16 4. The Commissioner of Health and Senior Services, pursuant to  
17 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
18 seq.), shall adopt such rules and regulations as are necessary to  
19 effectuate the purposes of this act.

20  
21 5. This act shall take effect on the 180th day after the date of  
22 enactment, but the Commissioner of Health and Senior Services  
23 may take such anticipatory administrative action in advance thereof  
24 as shall be necessary for the implementation of the act.

25  
26  
27 STATEMENT

28  
29 This bill authorizes enhanced monitoring by the Department of  
30 Health and Senior Services (DHSS) of the fiscal health of New  
31 Jersey's general hospitals, and authorizes intervention by DHSS in  
32 assisting those hospitals which it determines are in financial  
33 distress, or at risk of financial distress.

34 Specifically, the bill provides as follows:

- 35 •The Commissioner of Health and Senior Services is to prescribe,  
36 by regulation:
- 37 -- specified indicators by which a general hospital may be  
38 evaluated for financial soundness, and the thresholds at  
39 which it may be considered to be in financial distress or at  
40 risk of being in financial distress; and
  - 41 -- the progressive levels of monitoring and department  
42 participation in the development and oversight of corrective  
43 measures to resolve a hospital's financial or potential  
44 financial difficulties, including the various levels of  
45 involvement by an appointed monitor that may include  
46 voting and veto powers over actions at a hospital's board  
47 meetings, executive committee meetings, finance committee

- 1 meetings, or any other meetings concerning the hospital's  
2 fiscal matters.
- 3 • The thresholds of specified financial indicators and corresponding  
4 DHSS involvement that may be triggered by them, shall include,  
5 but are not limited to, measures relating to:
    - 6 -- days cash-on-hand;
    - 7 -- cushion ratio;
    - 8 -- days in accounts receivable;
    - 9 -- average payment period;
    - 10 -- total margin;
    - 11 -- earnings before depreciation.; and
    - 12 -- any other factor which the commissioner deems appropriate,  
13 including failure to provide required or requested financial  
14 information.
  - 15 • The commissioner is authorized to appoint a monitor, at the  
16 hospital's expense, to prevent further financial deterioration if the  
17 commissioner determines that a hospital is in financial distress or  
18 at risk of being in financial distress. The monitor would have  
19 authority to attend all hospital board meetings, executive  
20 committee meetings, finance committee meetings, steering  
21 committee meetings, turnaround committee meetings, or any  
22 other meetings concerning the hospital's fiscal matters; and to  
23 have voting and veto powers over actions taken in those  
24 meetings.
  - 25 • General hospitals are required to: provide monthly unaudited  
26 financial information and annual audited financial statements to  
27 the department, and such other financial information as DHSS  
28 may request; and permit the commissioner, or a monitor  
29 appointed by the commissioner, to oversee its financial  
30 operations.
- 31 This bill is based on a recommendation by the New Jersey  
32 Commission on Rationalizing Health Care Resources that the State  
33 implement a more proactive, structured and formal approach to  
34 assisting distressed hospitals, both profit and nonprofit, in order to  
35 further the State's public policy ensuring the availability of high  
36 quality, efficiently provided hospital services to the State's  
37 residents.

SENATE HEALTH, HUMAN SERVICES AND SENIOR  
CITIZENS COMMITTEE

STATEMENT TO

**SENATE, No. 1796**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 15, 2008

The Senate Health, Human Services and Senior Citizens Committee reports favorably and with amendments Senate Bill No. 1796.

As amended by the committee, this bill authorizes enhanced monitoring by the Department of Health and Senior Services (DHSS) of the fiscal health of New Jersey's general hospitals, and authorizes intervention by DHSS in assisting those hospitals which are determined to be in financial distress, or at risk of financial distress.

Specifically, the bill provides as follows:

- The Commissioner of Health and Senior Services is to prescribe, by regulation:
  - 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
  - the progressive levels of monitoring and department participation in the development and oversight of corrective measures to resolve a hospital's financial or potential financial difficulties, including the various levels of involvement by an appointed monitor that may include voting and veto powers over actions at a hospital's meetings concerning the hospital's fiscal matters.

These indicators and levels of monitoring and intervention shall be guided by the final report of the New Jersey Commission on Rationalizing Health Care Resources, issued on January 24, 2008.

- The thresholds of specified financial indicators and corresponding DHSS involvement that may be triggered by them shall include, but are not limited to, measures relating to:
  - days cash-on-hand;
  - cushion ratio;
  - days in accounts receivable;
  - average payment period;
  - total margin;

-- earnings before depreciation; and  
 -- other factors which the commissioner deems appropriate, including failure to provide required or requested financial information.

- If the commissioner determines that a hospital is in financial distress or at risk of being in financial distress after considering the above specified financial indicators, then the commissioner may appoint, in consultation with the hospital, a monitor to prevent further financial deterioration. Payment for the monitor shall be determined through a contingency contract established between the hospital and the monitor, and the contract shall be subject to approval by DHSS with regard to the monitor's responsibilities. In no case shall a hospital bear financial liability if no savings result from measures undertaken pursuant to the contract.
- The appointed monitor shall have demonstrated expertise in hospital administration, management or operations.
- The monitor 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. In addition, the monitor may be authorized to have voting and veto powers over actions taken in the above mentioned meetings. The monitor shall report to the commissioner and the full hospital board of trustees in a manner prescribed by the commissioner, and 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.
- General hospitals are required to: provide monthly unaudited financial information and annual audited financial statements to the department, and such other financial information as DHSS may request; and permit the commissioner, or a monitor appointed by the commissioner, to oversee its financial operations.

The committee amendments:

- clarify that the commissioner's determination that a hospital is in financial distress or at risk of being in financial distress, and therefore a monitor may be appointed, be based on consideration of the specified financial indicators set forth in the bill, and that the hospital will be consulted regarding the monitor's appointment;
- specify that the indicators and levels of monitoring and intervention shall be guided by the final report of the New Jersey Commission on Rationalizing Health Care Resources issued on January 24, 2008;
- provide that payment for the monitor shall be determined through a contingency contract established between the hospital and the monitor, that the contract shall be subject to the approval of DHSS

with respect to the monitor's responsibilities, and that in no case shall a hospital bear financial liability if no savings result from measures undertaken pursuant to the contract;

- require that the appointed monitor have demonstrated expertise in hospital administration, management or operations;
- require that the monitor report to the commissioner and the full hospital board of trustees in a manner prescribed by the commissioner;
- specify that the monitor shall serve for such period of time as may be determined by the commissioner in consultation with the hospital; and
- provide that the commissioner maintain continuing oversight of the actions and recommendations of the monitor to ensure that the public interest is protected.

This bill is based on a recommendation by the New Jersey Commission on Rationalizing Health Care Resources that the State implement a more proactive, structured and formal approach to assisting distressed hospitals, in order to further the State's public policy ensuring the availability of high quality, efficiently provided hospital services to the State's residents.

This bill is similar to Assembly Bill No. 2608 (Conaway/Caputo/Watson-Coleman/Schaer/Coutinho/Spencer/Chiappone), which is pending in the Assembly Health and Senior Services Committee.

# ASSEMBLY, No. 2608

## STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED MAY 5, 2008

**Sponsored by:**

**Assemblyman HERB CONAWAY, JR.**

**District 7 (Burlington and Camden)**

**Assemblyman RALPH R. CAPUTO**

**District 28 (Essex)**

**Assemblywoman BONNIE WATSON COLEMAN**

**District 15 (Mercer)**

**Assemblyman GARY S. SCHAEER**

**District 36 (Bergen, Essex and Passaic)**

**Assemblyman ALBERT COUTINHO**

**District 29 (Essex and Union)**

**Assemblywoman L. GRACE SPENCER**

**District 29 (Essex and Union)**

**Assemblyman ANTHONY CHIAPPONE**

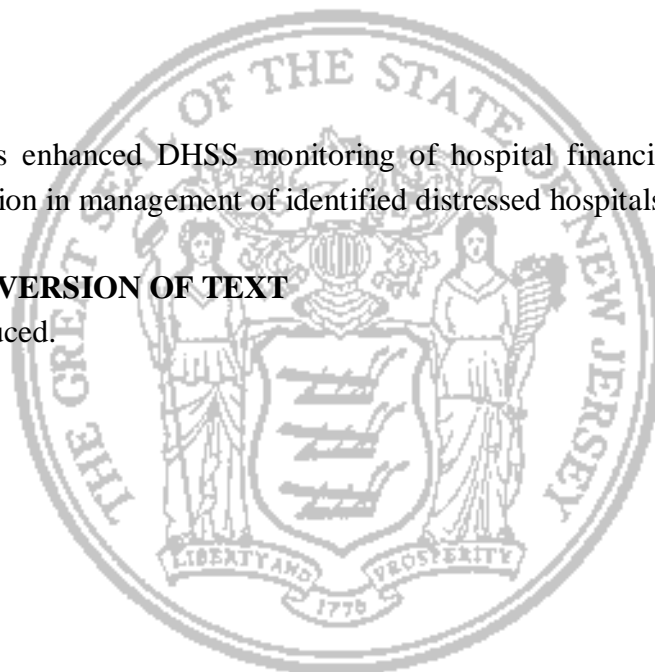
**District 31 (Hudson)**

### **SYNOPSIS**

Authorizes enhanced DHSS monitoring of hospital financial performance and intervention in management of identified distressed hospitals.

### **CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning fiscal monitoring of hospitals and amending  
2 and supplementing Title 26 of the Revised Statutes.

3

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

6

7 1. Section 5 of P.L.1971, c.136 (C.26:2H-5) is amended to read  
8 as follows:

9 5. a. The commissioner, to effectuate the provisions and  
10 purposes of this act, shall have the power to inquire into health care  
11 services and the operation of health care facilities and to conduct  
12 periodic inspections of such facilities with respect to the fitness and  
13 adequacy of the premises, equipment, personnel, rules and bylaws  
14 and the adequacy of financial resources and sources of future  
15 revenues.

16 b. The commissioner, with the approval of the board, shall  
17 adopt and amend rules and regulations in accordance with the  
18 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
19 seq.) to effectuate the provisions and purposes of this act, including  
20 but not limited to: (1) the establishment of requirements for a  
21 uniform Statewide system of reports and audits relating to the  
22 quality of health care provided, health care facility utilization and  
23 costs; (2) certification by the department of schedules of rates,  
24 payments, reimbursement, grants and other charges for health care  
25 services as provided in section 18; and (3) standards and procedures  
26 relating to the licensing of health care facilities and the institution  
27 of certain additional health care services.

28 c. The commissioner may enter into contracts with any  
29 government agency, institution of higher learning, voluntary  
30 nonprofit agency, or appropriate planning agency or council; and  
31 such entities are authorized to enter into contracts with the  
32 commissioner to effectuate the provisions and purposes of this act.

33 d. The commissioner may provide consultation and assistance  
34 to health care facilities in operational techniques, including but not  
35 limited to, planning, principles of management, and standards of  
36 health care services, and, in the case of a general hospital, to  
37 appoint a monitor if the commissioner determines that a monitor is  
38 warranted for a hospital that is in financial distress or at risk of  
39 being in financial distress, and to participate in the development and  
40 oversight of corrective measures to resolve a hospital's financial or  
41 potential financial difficulties, pursuant to section 2 of P.L. \_\_\_\_\_,  
42 c. (C. ) (pending before the Legislature as this bill).

43 e. At the request of the commissioner, health care facilities  
44 shall furnish to the Department of Health and Senior Services such  
45 reports and information as it may require to effectuate the

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

**Matter underlined thus is new matter.**



1 provisions and purposes of this act, excluding confidential  
2 communications from patients.

3 f. The commissioner may institute or cause to be instituted in a  
4 court of competent jurisdiction proceedings to compel compliance  
5 with the provisions of this act or the determinations, rules,  
6 regulations and orders of the commissioner.

7 g. Notwithstanding any rules and regulations governing private  
8 long-term health care facilities and enforcing the 1967 Life Safety  
9 Code, as amended and supplemented, the commissioner shall permit  
10 third floor occupancy of such facilities by owners, members of their  
11 immediate families, and licensed professionals employed at such  
12 facilities.

13 (cf: P.L.1998, c.43, s.3)

14

15 2. (New section) a. The Commissioner of Health and Senior  
16 Services shall prescribe, by regulation: (1) specific indicators by  
17 which a general hospital may be evaluated for financial soundness,  
18 and the thresholds at which it may be considered to be in financial  
19 distress or at risk of being in financial distress; and (2) the  
20 progressive levels of monitoring and department participation in the  
21 development and oversight of corrective measures to resolve a  
22 general hospital's financial or potential financial difficulties,  
23 including the various levels of involvement by an appointed  
24 monitor.

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

29 (1) days cash-on-hand;

30 (2) cushion ratio;

31 (3) days in accounts receivable;

32 (4) average payment period;

33 (5) total margin;

34 (6) earnings before depreciation; and

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

38 c. If the commissioner determines that a hospital is in financial  
39 distress or at risk of being in financial distress, then the  
40 commissioner may appoint a monitor, at the hospital's expense, to  
41 prevent further financial deterioration. A monitor: (1) shall be  
42 authorized to attend all hospital board meetings, executive  
43 committee meetings, finance committee meetings, steering  
44 committee meetings, turnaround committee meetings, or any other  
45 meetings concerning the hospital's fiscal matters; and (2) may be  
46 authorized to have voting and veto powers over actions taken in the  
47 above mentioned meetings.

1 3. (New section ) As a condition of licensure under P.L.1971,  
2 c.136 (C.26:2H-1 et seq.), a general hospital shall:

3 a. provide monthly unaudited financial information and annual  
4 audited financial statements to the Department of Health and Senior  
5 Services, and such other financial information as the department  
6 may request; and

7 b. permit the Commissioner of Health and Senior Services, or a  
8 monitor appointed by the commissioner, as applicable, to oversee  
9 its financial operations, and, if the commissioner determines that  
10 the hospital is at risk of being in financial distress or is in financial  
11 distress based on criteria specified by regulation, participate in the  
12 development and implementation of a corrective plan to resolve the  
13 hospital's financial difficulties, pursuant to section 2 of P.L. ,  
14 c. (C. ) (pending before the Legislature as this bill).

15  
16 4. The Commissioner of Health and Senior Services, pursuant  
17 to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-  
18 1 et seq.), shall adopt such rules and regulations as are necessary to  
19 effectuate the purposes of this act.

20  
21 5. This act shall take effect on the 180th day after the date of  
22 enactment, but the Commissioner of Health and Senior Services  
23 may take such anticipatory administrative action in advance thereof  
24 as shall be necessary for the implementation of the act.

25  
26  
27 STATEMENT

28  
29 This bill authorizes enhanced monitoring by the Department of  
30 Health and Senior Services (DHSS) of the fiscal health of New  
31 Jersey's general hospitals, and authorizes intervention by DHSS in  
32 assisting those hospitals which it determines are in financial  
33 distress, or at risk of financial distress.

34 Specifically, the bill provides as follows:

- 35 •The Commissioner of Health and Senior Services is to prescribe,  
36 by regulation:
- 37 -- specified indicators by which a general hospital may be  
38 evaluated for financial soundness, and the thresholds at  
39 which it may be considered to be in financial distress or at  
40 risk of being in financial distress; and
  - 41 -- the progressive levels of monitoring and department  
42 participation in the development and oversight of corrective  
43 measures to resolve a hospital's financial or potential  
44 financial difficulties, including the various levels of  
45 involvement by an appointed monitor that may include  
46 voting and veto powers over actions at a hospital's board  
47 meetings, executive committee meetings, finance committee

- 1 meetings, or any other meetings concerning the hospital's  
2 fiscal matters.
- 3 • The thresholds of specified financial indicators and corresponding  
4 DHSS involvement that may be triggered by them, shall include,  
5 but are not limited to, measures relating to:
    - 6 -- days cash-on-hand;
    - 7 -- cushion ratio;
    - 8 -- days in accounts receivable;
    - 9 -- average payment period;
    - 10 -- total margin;
    - 11 -- earnings before depreciation.; and
    - 12 -- any other factor which the commissioner deems appropriate,  
13 including failure to provide required or requested financial  
14 information.
  - 15 • The commissioner is authorized to appoint a monitor, at the  
16 hospital's expense, to prevent further financial deterioration if the  
17 commissioner determines that a hospital is in financial distress or  
18 at risk of being in financial distress. The monitor would have  
19 authority to attend all hospital board meetings, executive  
20 committee meetings, finance committee meetings, steering  
21 committee meetings, turnaround committee meetings, or any  
22 other meetings concerning the hospital's fiscal matters; and to  
23 have voting and veto powers over actions taken in those  
24 meetings.
  - 25 • General hospitals are required to: provide monthly unaudited  
26 financial information and annual audited financial statements to  
27 the department, and such other financial information as DHSS  
28 may request; and permit the commissioner, or a monitor  
29 appointed by the commissioner, to oversee its financial  
30 operations.
- 31 This bill is based on a recommendation by the New Jersey  
32 Commission on Rationalizing Health Care Resources that the State  
33 implement a more proactive, structured and formal approach to  
34 assisting distressed hospitals, both profit and nonprofit, in order to  
35 further the State's public policy ensuring the availability of high  
36 quality, efficiently provided hospital services to the State's  
37 residents.

# ASSEMBLY HEALTH AND SENIOR SERVICES COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 2608

with committee amendments

# STATE OF NEW JERSEY

DATED: MAY 22, 2008

The Assembly Health and Senior Services Committee reports favorably and with amendments Assembly Bill No. 2608.

As amended by the committee, this bill authorizes the Department of Health and Senior Services (DHSS) to provide enhanced monitoring of the fiscal health of general hospitals in this State, and to participate in the development and oversight of corrective measures to resolve financial or potential financial difficulties faced by a hospital.

The bill provides specifically as follows:

- The Commissioner of Health and Senior Services is to prescribe, by regulation:
  - specified 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
  - the progressive levels of monitoring and DHSS participation in the development and oversight of corrective measures to resolve the financial or potential financial difficulties of the hospital, including the various levels of involvement by an appointed monitor that may include voting and veto powers over actions at hospital board meetings, executive committee meetings, finance committee meetings, or any other meetings concerning fiscal matters.
- The thresholds of specified financial indicators and corresponding DHSS involvement that may be triggered by those indicators, are to include, but not be limited to, measures relating to:
  - days cash-on-hand;
  - cushion ratio;
  - days in accounts receivable;
  - average payment period;
  - total margin;
  - earnings before depreciation; and
  - any other factor that the commissioner deems appropriate, including failure to provide required or requested financial information.

- The commissioner is authorized to appoint a monitor to prevent further financial deterioration 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 the bill.
- The indicators and progressive levels of monitoring and intervention to be prescribed by regulation of the commissioner are to 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.
- Payment for the monitor is to be determined through a contingency contract established between the hospital and the monitor, subject to approval by DHSS with regard to the monitor's responsibilities, and in no case is a hospital to bear financial liability if no savings result from measures undertaken pursuant to the contract.
- The appointed monitor must have demonstrated expertise in hospital administration, management, or operations.
- The monitor:
  - is authorized to attend all hospital board meetings, executive committee meetings, finance committee meetings, steering committee meetings, turnaround committee meetings, or any other meetings concerning hospital fiscal matters;
  - may be authorized to have voting and veto powers over actions taken in those meetings;
  - is to report to the commissioner and the full hospital board of trustees in a manner prescribed by the commissioner; and
  - is to serve for such period of time as may be determined by the commissioner in consultation with the hospital.
- Each general hospital is required to: provide monthly unaudited financial information and annual audited financial statements to DHSS, and such other financial information as DHSS may request; and permit DHSS, or a monitor appointed by the commissioner, to oversee its financial operations.
- The commissioner is to maintain continuing oversight of the actions and recommendations of the monitor to ensure that the public interest is protected.
- The bill takes effect on the 180th day after enactment, but authorizes the Commissioner of Health and Senior Services to take anticipatory administrative action in advance as necessary for its implementation.

The provisions of this bill are based on recommendations from the *New Jersey Commission on Rationalizing Health Care Resources Final Report, 2008*.

#### COMMITTEE AMENDMENTS

The committee amendments to the bill provide that:

- A hospital monitor:

-- is to be appointed by the Commissioner of Health and Senior Services, in consultation with the hospital, if the commissioner determines that the hospital is in financial distress or at risk of being in financial distress after considering the specified financial indicators set forth in the bill;

-- must have demonstrated expertise in hospital administration, management, or operations;

-- is to report to the commissioner and the full hospital board of trustees in a manner prescribed by the commissioner; and

-- is to serve for such period of time as may be determined by the commissioner in consultation with the hospital;

- The indicators and progressive levels of monitoring and intervention to be prescribed by regulation of the commissioner are to 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;
- Payment for the monitor is to be determined through a contingency contract established between the hospital and the monitor, subject to approval by DHSS with regard to the monitor's responsibilities, and in no case is a hospital to bear financial liability if no savings result from measures undertaken pursuant to the contract; and
- The commissioner is to maintain continuing oversight of the actions and recommendations of the monitor to ensure that the public interest is protected.



THE STATE OF NEW JERSEY  
OFFICE OF THE GOVERNOR

[Governor](#)
[Home](#)
[Meet the](#)
[Governor](#)
[Governor's Office](#)

# Newsroom

[Executive Staff](#)
[Event Photos](#)
[Press Releases](#)
[Featured Videos](#)
[Audio Clips](#)
[Newsletters](#)
[Speeches](#)
[Reports](#)
[Executive Orders](#)
[Newsroom](#)
[Newsroom](#) > [Press Releases](#) > [2008](#) > [Aug-08-08 Governor Corzine Signs Hospital Reform Legislation](#)

JON S. CORZINE

*Governor*

[En Español](#)

**For Immediate Release:**

[For Kids](#)

**Release Date:** August 8, 2008

**For More Information:**

Sean Darcy

Jim Gardner

**Phone:** 609-777-2600

## Governor Corzine Signs Hospital Reform Legislation

**Hamilton** – Governor Jon S. Corzine today signed a package of four bills that will improve access to health care, protect the uninsured and strengthen the accountability and transparency of the health care delivery system in the Garden State. The legislation was signed at Robert Wood Johnson University Hospital Hamilton.

“The series of hospital reform bills I am signing reflects a re-prioritization of New Jersey’s health care system,” said Governor Corzine. “These measures, combined with the stabilization fund we formally enacted in June, ensure that there is increased transparency, better financial management and long-term planning in place for all New Jersey hospitals.”

The legislation addresses several key recommendations made by the Commission on Rationalizing Health Care Resources, a panel appointed by the governor to review the state's hospitals and other health care services.

"With the signing of this bill package, New Jersey takes an important step forward in improving access to health care, protecting the uninsured and strengthening the fiscal monitoring and transparency of hospital operations," said Health and Senior Services Commissioner Heather Howard. "These key legislative reforms will strengthen New Jersey's health care system."

A2609/ S1797 will ensure that working poor families without health insurance are not overcharged for needed hospital care. Because the uninsured often pay the highest prices for services, this bill eliminates that unfair practice by requiring hospitals to charge no more than 15 percent above the Medicare rate. Uninsured families qualify for this rate if their income is less than 500 percent of the federal poverty level.

"When avoidable financial hardships force hospitals to shut their doors, New Jerseyans in need are forced to travel longer distances to receive immediate medical care," said Assemblyman Herb Conaway, Jr. (D-Burlington). "We cannot allow fiscal issues to cause another hospital to close its doors and further jeopardize the quality and availability of health care in New Jersey."

Primary sponsors of the bill were Assemblymen Herb Conaway, Jr., (D-Burlington) and Paul D. Moriarity (Camden, Gloucester). In the Senate, primary sponsors were Senators Loretta Weinberg (D-Bergen) and Bill Baroni (R-Mercer, Middlesex).

Another bill, S1796/A2608 creates an Early Warning System that will provide the Department of Health and Senior Services with the authority and the information needed to adequately monitor hospital finances, identify distressed hospitals early, and institute a system of progressive monitoring.

"New Jersey has faced an epidemic of hospital closures in recent years," said Senator Bob Gordon (D-Bergen), the prime sponsor of S-1796. "Through this legislation, the Department of Health will have an early warning when a hospital becomes fiscally unstable, and will be able to take the appropriate action to ensure that the health care needs of the community are met. Hopefully, we will be able to intervene before fiscal instability gives way to fiscal insolvency, and yet another health care facility in the Garden State has to close its doors forever."

"Closer scrutiny of how health care dollars are spent at hospitals in dire financial straits can help turn around poor



management and prevent a hospital from shutting its doors for good," said Assemblyman Ralph R. Caputo (D-Essex).

"Audits and monitoring by state officials will bring accountability and transparency to New Jersey's healthcare industry," said Assembly Majority Leader Bonnie Watson Coleman (D-Mercer). "The state has a responsibility to step in and hold hospitals accountable for how health care dollars are spent and managed."

Primary sponsors of the legislation were Senators Robert M. Gordon (D-Bergen) and Thomas H. Kean, Jr., (R-Essex, Morris, Somerset, Union). In the Assembly, primary sponsors included Assemblymen Herb Conaway, Jr. (D-Burlington), Ralph R. Caputo (D-Essex), Gary S. Schaer (D-Bergen, Essex, Passaic), Albert Coutinho (D-Essex, Union) Anthony Chiappone (D-Hudson), Assemblywoman Grace L. Spencer (D-Essex, Union) and Assembly Majority Leader Bonnie Watson Coleman (D-Mercer).

Through A2607 / S1794, each general hospital and State psychiatric hospital is required to annually conduct a public meeting for the community it serves. The goal is to improve communication between a hospital and the community it serves.

"Our local hospitals serve as safe havens for the residents who live nearby, and they play a vital role in the communities they serve," said Senator Dana Redd (D-Camden, Gloucester), who is a prime sponsor of S-1794.

"Hospitals can only continue to provide this necessary care if they are in tune with the needs of residents, so it is imperative that the lines of communication are open between hospital administration and the public."

It is imperative that New Jersey communities are part of the decision-making process regarding the delivery of health care services to ensure that hospitals are providing quality care to the communities that rely on its services the most," said Assemblyman Jerry Green (D-Union).

Primary sponsors of the bill were Assemblymen Jerry Green (D-Middlesx, Somerset, Union), Herb Conaway, Jr. (D-Burlington), Albert Coutinho (D-Essex, Union), Anthony Chiappone (D-Hudson) and Assemblywoman Grace L. Spencer (D-Essex, Union). In the Senate, primary sponsors were Senators Dana L. Redd (D-Camden) and Diane B. Allen (R-Burlington, Camden).

Finally, S1795/A2606 requires that all general hospital trustees complete comprehensive training to ensure effective financial oversight and to hold hospital management accountable. As a result, New Jersey is now the first

State to require hospital trustee training for all board members.

"This law was based on recommendations from the Commission on Rationalizing Health Care Resources, which was established to examine regulatory, financing and market mechanisms that affect the long-term stability of the State's health care delivery system," said Senator Jim Whelan (D-Atlantic). "It is vital that all hospital board members are aware of every aspect of their facilities, and in order to do so, they must complete this training program which will help clarify the roles and duties of a hospital trustee."

"Hospital trustee members should be properly trained to fulfill their duties," said Senator Ronald L. Rice (D-Essex). "Trustees must ensure that hospitals are operating efficiently and are financially responsible. Sufficient education and training are vital to ensuring that hospitals are staffed with the most qualified individuals in order to prevent mismanagement of resources."

"Hospital trustees must be trained in their role and responsibilities to ensure that a hospital is operating efficiently and managing its finances responsibly," said Assemblywoman Connie Wagner (D-Bergen). "Appropriate education and training are key to ensuring that hospital boards are staffed with the most capable and knowledgeable individuals to prevent mismanagement of precious hospital resources."

Primary sponsors of the legislation were Senators Jim Whelan (D-Atlantic) and Ronald L. Rice (D-Essex). In the Assembly, primary sponsors were Assemblywomen Connie Wagner (D-Bergen) and Linda R. Greenstein (Mercer, Middlesex) and Assemblymen Herb Conaway, Jr. (D-Burlington), Anthony Chiappone (D-Hudson) and Ruben J. Ramos, Jr. (D-Hudson).

Governor Corzine recently signed legislation establishing the Health Care Stabilization Fund with an appropriation of \$44 million to address the financial stability of the state's hospitals. The Health Care Stabilization Fund will provide critical support and a mechanism for working with hospitals and other financially distressed facilities that face closure or significant service reductions.

###

Photos from Governor Corzine's public events are available in the [Governor's Newsroom section](#) on the State of New Jersey web page.

[Contact Us](#)

[Privacy Notice](#)

[Legal Statement](#)

[Accessibility Statement](#)



[Statewide: NJ Home](#) | [Services A to Z](#) | [Departments/Agencies](#) | [FAQs](#)

[Office of the Governor: Governor Home](#) | [Meet the Governor](#) | [Executive Staff](#) | [Cabinet](#) | [Newsroom](#) | [Boards, Commissions and Authorities](#) | [Photo Blog](#) | [For Kids](#)

Copyright © State of New Jersey, 1996-2009

Office of the Governor

PO Box 001

Trenton, NJ 08625

609-292-6000