

AMENDED IN ASSEMBLY AUGUST 9, 2010

AMENDED IN SENATE APRIL 28, 2010

AMENDED IN SENATE APRIL 13, 2010

SENATE BILL

No. 1240

Introduced by Senator Corbett

February 19, 2010

An act to add Section 32121.6 to the Health and Safety Code, relating to local health care districts.

LEGISLATIVE COUNSEL'S DIGEST

SB 1240, as amended, Corbett. Local health care districts: operation of facility by another entity.

Existing law, the Local Health Care District Law, provides for the formation of local health care districts and, until January 1, 2011, authorizes each local district to transfer, at fair market value, any part of its assets to one or more corporations to operate and maintain the assets. After January 1, 2011, existing law changes that provision to restrict these transfers only to nonprofit corporations.

This bill would, notwithstanding any provision of law, require, with certain exceptions, ~~a contract for operation of a district facility by another entity~~ *when a district is under contract with a public or private entity to operate a district facility, the district and the public or private entity that operates the district facility* to (1) preclude assets, including, but not limited to, all revenue generated by the district facility, from being used for the benefit of any person or entity other than a hospital within the jurisdiction of the district, (2) require the hospital and the operating entity to annually undergo an independent financial audit and that the resulting report be made public, and (3) preclude, in the case

of a subsequent sale of the facility or any assets of the district to the operating entity, any losses incurred by the entity in the operation of the facility from being used as a credit against the purchase price of the facility or other district assets. By requiring that districts comply with these requirements, this bill would impose a state-mandated local program.

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.~~

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 32121.6 is added to the Health and Safety
- 2 Code, to read:
- 3 32121.6. (a) Notwithstanding any provision of law, when a
- 4 district ~~contracts~~ *is under contract* with another public or private
- 5 entity to operate one or more of its health facilities, the ~~contract~~
- 6 *district and the public or private entity that operates the district*
- 7 *facility* shall comply with all of the following requirements:
- 8 (1) No assets of the district, including, but not limited to, all
- 9 revenue generated by the district facility or facilities being operated
- 10 by the other entity shall be used for the benefit of any person or
- 11 entity other than a hospital within the jurisdiction of the district.
- 12 (2) The hospital and the operating entity shall annually undergo
- 13 an independent financial audit and the resulting report shall be
- 14 made public by the district.
- 15 (3) (A) In the case of a subsequent sale of the hospital facility
- 16 or any other assets of the district to the operating entity, any losses

1 incurred by the entity in the operation of the facility shall not be
2 used as a credit against the purchase price of the facility or other
3 district assets.

4 (B) This paragraph does not apply to a sale of a hospital facility
5 that is otherwise in compliance with paragraph (1) of subdivision
6 (p) of Section 32121.

7 ~~(b) Subdivision (a) shall apply to all existing and future~~
8 ~~contracts, unless there has been full performance by both parties~~
9 ~~prior to January 1, 2011. For purposes of this section, “full~~
10 ~~performance” means the complete execution by all parties of all~~
11 ~~terms and conditions of a contract.~~

12 ~~(e) Subdivisions (a) and (b) do not apply to a contract by a local~~
13 ~~health care district that meets all of the following criteria:~~

14 ~~(1) The contract is between the district and a tax-exempt~~

15 ~~(b) Subdivision (a) does not apply to a local health care district~~
16 ~~and a nonprofit corporation that meet all of the following criteria:~~

17 ~~(1) The district has a contract with the tax-exempt nonprofit~~
18 ~~corporation, qualified under Section 501(c)(3) of the Internal~~
19 ~~Revenue Code.~~

20 ~~(2) The nonprofit corporation operates one or more general~~
21 ~~acute care hospitals, as defined in subdivision (a) of Section 1250,~~
22 ~~that are the subject of the contract.~~

23 ~~(3) The general acute care hospital or hospitals that are operated~~
24 ~~by the nonprofit corporation are owned by the district.~~

25 ~~(4) The district is the nonprofit corporation’s sole corporate~~
26 ~~member.~~

27 ~~SEC. 2. If the Commission on State Mandates determines that~~
28 ~~this act contains costs mandated by the state, reimbursement to~~
29 ~~local agencies and school districts for those costs shall be made~~
30 ~~pursuant to Part 7 (commencing with Section 17500) of Division~~
31 ~~4 of Title 2 of the Government Code.~~

32 *SEC. 2. No reimbursement is required by this act pursuant to*
33 *Section 6 of Article XIII B of the California Constitution because*
34 *a local agency or school district has the authority to levy service*
35 *charges, fees, or assessments sufficient to pay for the program or*
36 *level of service mandated by this act, within the meaning of Section*
37 *17556 of the Government Code.*