

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Community Affairs

BILL: SB 1260

INTRODUCER: Senator Gruters

SUBJECT: Conversion of a Public Health Care System

DATE: January 27, 2022

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Looke</u>	<u>Brown</u>	<u>HP</u>	<u>Favorable</u>
2.	<u>Hunter</u>	<u>Ryon</u>	<u>CA</u>	<u>Pre-meeting</u>
3.	_____	_____	<u>RC</u>	_____

I. Summary:

SB 1260 creates s. 155.42, F.S., to allow a public health care system (PHCS) to convert to a nonprofit entity by following the steps that are specified in the bill.

Initially, the governing body of the PHCS must vote by majority plus one to evaluate the potential conversion to a nonprofit entity. After doing so, the PHCS' governing body must allow for public input on a potential conversion and contract with a certified public accounting firm, or other similar firm, to render an independent valuation of the PHCS.

After receiving public input and the valuation from the independent firm, should the PHCS still wish to convert, the PHCS' governing body may negotiate an agreement with the governing authority in the county where the majority of the PHCS is located and its services are rendered. The agreement must specify terms and conditions by which the nonprofit entity that is succeeding the PHCS may acquire title and possession of property rights and other appurtenances owned by the PHCS as well as any other terms governing the conversion. The bill specifies what must be included in such an agreement and that the agreement must be in writing.

Once the agreement is negotiated, the governing bodies of the PHCS and of the county may elect by majority vote plus one to approve the conversion of the PHCS. Prior to doing so, all documents supporting the conversion must be published on the PHCS' website for a period of 20 days. Additionally, the governing bodies may not vote to approve the conversion unless the required valuation was completed within the preceding 18 months, and each member of the governing body of the PHCS must disclose whether he or she intends to serve on the board of the nonprofit entity once converted.

After the assets and liabilities are transferred pursuant to the conversion, the bill specifies that the PHCS and the county's governing authority must jointly submit a notice of completion to the Legislature, at which point the PHCS is deemed dissolved.

The bill provides an effective date of July 1, 2022.

II. Present Situation:

Hospitals

Hospitals are licensed by the Agency for Health Care Administration (AHCA) under ch. 395, F.S., and the general licensure provisions of part II, of ch. 408, F.S. Hospitals offer a range of health care services with beds for use beyond 24 hours by individuals requiring diagnosis, treatment, or care.¹ Hospitals must, at a minimum, make clinical laboratory services, diagnostic X-ray services, and treatment facilities for surgery or obstetrical care, or other definitive medical treatment, regularly available.² Currently, there are 311 hospitals licensed in Florida, of which 153 are for-profit and 158 are nonprofit.³

Public Hospitals

In Florida there are currently 42 hospitals that are either government owned or that have been granted sovereign immunity by Legislative act. Several of these hospitals are owned under the same health care system^{4,5} Some examples of public hospital systems in Florida include: Halifax Health, Lee Health, Memorial Healthcare System, Sarasota Memorial Health Care System, and Broward Health.⁶

Halifax Health

Halifax Health is located in Daytona Beach, Florida, and is the area's largest healthcare provider. It has 944 licensed beds and over 500 physicians on staff. The hospital provides a number of services including having a Level II trauma center, comprehensive stroke center, neonatal and pediatric intensive care units, child and adolescent behavioral services, and kidney transplant program. It also provides psychiatric services, a regional cancer program with four outreach centers, the area's largest hospice organization, and a preferred provider organization. Halifax Health is a legislatively chartered taxing healthcare organization governed by a Board of Commissioners appointed by the Governor.⁷

Lee Health

Lee Health has been open since 1916 and is one of the top five largest public health systems in the United States and the largest community-owned health system in Southwest Florida. The

¹ Section 395.002(13), F.S.

² Id.

³ Florida Health Finder search, available at <https://www.floridahealthfinder.gov/facilitylocator/FacilitySearch.aspx> (last visited Jan. 19, 2022).

⁴ Financial Data Dashboard – Operations – government controlled, Florida Health Finder, available at https://bi.ahca.myflorida.com/t/ABICC/views/FinancialDataDashboard/FinancialDataDashboard?embed=y&:showShareOptions=true&:display_count=no&:showVizHome=no (last visited Jan. 20, 2022).

⁵ A list of such hospitals is on file with Senate Health Policy Committee staff.

⁶ Public Hospitals, Safety Net Hospital Alliance of Florida, available at <http://safetynetsflorida.org/public> (last visited Jan. 19, 2022).

⁷ Id.

health system has 1,423 beds and is made up of four acute-care hospitals and two specialty hospitals, as well as outpatient centers, walk-in medical centers and primary care physician offices. Lee Health provides regional programs, such as the only children's hospital, the only Level II trauma center and the only kidney transplant center between Tampa and Miami. The system has a medical staff of nearly 1,200 Lee County physicians, 4,500 volunteers and 9,300 employees. Lee Health is governed by a 10-member publicly elected board.⁸

Memorial Healthcare System

The Memorial Healthcare System has 1,978 beds and is among the nation's largest public healthcare systems. The system consists of a hospital, a freestanding children's hospital, nine primary care centers, four community hospitals, a nursing home, two urgent care centers, a large freestanding 24/7 care center, and a home health agency.

Memorial Regional Hospital, located in Hollywood, is the flagship of the system and one of the largest hospitals in Florida. It offers extensive and diverse services that include Memorial Transplant Institute, Memorial Cardiac and Vascular Institute, Memorial Cancer Institute and Memorial Neuroscience Institute.

Memorial Regional Hospital South is also located in Hollywood and offers medical and surgical services and houses Memorial Rehabilitation Institute, an 89-bed, inpatient comprehensive rehabilitation hospital.

Joe DiMaggio Children's Hospital is located in Broward and Palm Beach counties with major services in pediatric cardiology, including surgery and transplantation, oncology, orthopedics and neurosciences.

Memorial Hospital Miramar and Memorial Hospital Pembroke serve western Broward County as community hospitals. Additionally, Memorial Hospital West, which houses Memorial Cancer Institute, Moffitt Malignant Hematology & Cellular Therapy at Memorial Healthcare System, Memorial Manor nursing home, and a variety of ancillary healthcare facilities rounds out the system. Memorial Healthcare System is governed by a seven-member Board of Commissioners appointed by the Governor.⁹

Sarasota Memorial Health Care System

Sarasota Memorial Health Care System is an 839-bed medical center with over 6,000 staff and 1,000 physicians. Founded in 1925, Sarasota Memorial provides specialized expertise in cardiac, vascular, oncology, maternity and neuroscience services, as well as a complete continuum of care, with a network of outpatient and urgent care centers, physician practices, rehabilitation and skilled nursing, among other programs.

The region's only public hospital, Sarasota Memorial is governed by the Sarasota County Public Hospital Board, made up of nine unpaid citizens elected by local voters. It is the only hospital in Sarasota County providing trauma services, obstetrical care, pediatrics, neonatal intensive care,

⁸ Id.

⁹ Id.

and psychiatric services for patients of all ages. Sarasota Memorial also operates a Community Medical Clinic, which provides specialty care for uninsured and underinsured residents.¹⁰

Broward Health

Broward Health is has been located in South Florida for more than 80 years. Broward Health includes four major hospitals and more than 30 locations and offices overall. The staff of Broward Health includes over 1,800 doctors and 8,000 other healthcare professionals.¹¹

Broward Health is governed by a seven-member Board of Commissioners, each appointed by the governor to a four-year term. The terms are staggered to expire in alternate years. Five commissioners represent specific regions within Broward County while the other two are at-large members. The Board exercises budgetary authority, selects the senior executive management, participates in the fiscal management, provides taxing authority, and determines the scope of services to be provided to the community. The President/CEO of the North Broward Hospital District reports to the Board.¹²

III. Effect of Proposed Changes:

SB 1260 creates s. 155.42, F.S., to allow a PHCS to convert to a nonprofit entity by following the steps that are specified in the bill.

The bill defines the terms:

- “Affected community” to mean those persons residing within the geographic boundaries of the PHCS.
- “Local governing authority” to mean the governing authority of the county in which the PHCS is primarily located and provides health care services.
- “Public health care system” to mean a county, district, or municipal hospital or health care system created pursuant to special act.

In order to start the process of converting from a PHCS to a nonprofit entity, the bill requires that the governing body of the PHCS must vote by majority plus one to evaluate the potential conversion to a nonprofit entity. If the governing body votes to evaluate the conversion, the governing body must allow for public input by publishing notice of and conducting at least one public hearing in accordance with s. 189.015, F.S., and making publicly available on the PHCS’ website all documents considered by the governing body during its evaluation. Additionally the governing body must contract with a certified public accounting firm or other firm that has substantial expertise in the valuation of the type of activities engaged in by the PHCS to render an independent valuation of the PHCS. The firm must certify its valuation.

Upon completing the evaluation, if the governing body determines that it is in the best interest of the PHCS to convert, the PHCS may negotiate an agreement with the local governing authority which contains terms and conditions by which the nonprofit entity that is succeeding the PHCS

¹⁰ Id.

¹¹ Broward Health Services, Broward Health, available at <https://www.browardhealth.org/services> (last visited Jan 20, 2022).

¹² Broward Health Board Information, Broward Health, available at <https://www.browardhealth.org/pages/board-calendar-2022> (last visited Jan. 20, 2022).

may acquire title and possession of property rights and other appurtenances owned by the PHCS as well as any other terms governing the conversion. The bill specifies that the agreement must be in writing and must include:

- A description of the terms and conditions of all proposed agreements.
- A description of the assets and liabilities, if any, that will be transferred to the local governing authority upon conversion of the PHCS.
- The estimated total value of the assets and liabilities, if any, that will be transferred to the local governing authority upon conversion of the PHCS.
- A description of the assets and liabilities, if any, that will be transferred to the succeeding nonprofit entity upon conversion of the PHCS.
- The estimated total value of the assets and liabilities, if any, that will be transferred to the succeeding nonprofit entity upon conversion of the PHCS.
- A provision that the remaining assets and liabilities, if any, of the PHCS which are not transferred to the local governing authority or the succeeding nonprofit entity, will be resolved upon conversion of the PHCS.
- An enforceable commitment that programs and services provided by the PHCS will continue to be provided to the affected community in perpetuity so long as the nonprofit entity is in operation or, if otherwise agreed to by the PHCS and the local governing authority, until the nonprofit entity has otherwise met all obligations set forth in the agreement.
- A provision that transfers the rights and obligations agreed to by the PHCS and the local governing authority to the successor nonprofit entity upon conversion of the PHCS.
- A provision that prohibits a board member of the local governing authority from serving on the board of the successor nonprofit entity; however, the agreement may allow for members of the governing body of the PHCS to serve on the board of the successor nonprofit entity.
- Any other terms or conditions mutually agreed upon by the PHCS and the local governing authority.

Once the agreement is negotiated, the governing bodies of the PHCS and of the county may elect, by majority vote plus one, to approve the conversion of the PHCS if the following conditions are met:

- The evaluations, agreements, disclosures, and all other documents supporting the conversion must be published on the websites of the PHCS and the local governing authority and made publicly available for a period of at least 20 days before the governing bodies of the PHCS and the local governing authority may vote to approve the conversion of the PHCS to a nonprofit entity pursuant to the terms and conditions of the agreement.
- The governing bodies of the public health care system and the local governing authority may not vote to approve the conversion of the public health care system unless the required valuation conducted by the certified public accounting firm, or other similar firm, was completed within the preceding 18 months.

The bill requires that a member of the governing body of the PHCS must disclose whether he or she intends to serve on the board of the successor nonprofit entity. After the assets and liabilities are transferred pursuant to the conversion, the bill specifies that the PHCS and the county's governing authority must jointly submit a notice of completion to the Legislature, at which point the PHCS is deemed dissolved.

The bill provides an effective date of July 1, 2022.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill creates section 155.42 of the Florida Statutes.

IX. Additional Information:

- A. **Committee Substitute – Statement of Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

- B. **Amendments:**

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
