

HB 227

2023

1 A bill to be entitled
2 An act relating to Lee Memorial Health System, Lee
3 County; amending chapter 2000-439, Laws of Florida;
4 providing quorum requirements for system board
5 meetings; removing a requirement that the health
6 system's annual audit and annual budget be filed with
7 the clerk of the circuit court; revising provisions
8 relating to purchasing real property, entering into
9 financial agreements, and managing funds; providing a
10 process by which the health system may convert to a
11 nonprofit entity; providing construction; removing
12 provisions relating to execution and enforcement of
13 liens; providing for severability; providing an
14 effective date.

15
16 Be It Enacted by the Legislature of the State of Florida:

17
18 Section 1. Section 7, subsections (4) and (7) of section
19 10, and sections 13 and 18 of chapter 2000-439, Laws of Florida,
20 are amended, and new sections 18 and 19 are added to that
21 chapter, to read:

22 Section 7. The system board shall elect annually from its
23 members a chair, vice-chair, secretary, and treasurer, who shall
24 be the officers of the system board. The system board shall
25 cause true and accurate minutes and records to be kept of all

HB 227

2023

26 business transacted by the system board and shall keep full,
27 true, and complete books of accounts and records, which minutes,
28 records, and books of account and the current line item budget
29 shall at all reasonable times be open and subject to inspection
30 and copying pursuant to the provisions of the constitution and
31 laws of Florida. A majority of the members of the system board
32 shall constitute a quorum of the system board for the purpose of
33 conducting its business and exercising its powers and for all
34 other purposes. Action may be taken by the system board upon an
35 affirmative vote of a majority of those system board members
36 attending a system board meeting at which a quorum is in
37 attendance. All meetings of the system board shall be open to
38 the general public pursuant to general law. At least once a year
39 the system board shall cause the financial records and accounts
40 of the health care system to be audited by a certified public
41 accountant authorized to practice public accounting in Florida
42 and a certified public account audit report to be prepared. The
43 audit, together with a copy of the health system's current
44 annual budget, shall be filed annually with the Clerk of the
45 Circuit Court of Lee County.

46 Section 10. The Lee Memorial Health System Board of
47 Directors shall have the authority to operate and conduct the
48 business of the public health system, and consistent therewith,
49 shall have the following powers:

50 (4) The system board may make, or authorize its chief

51 executive officer to make, contracts of all kinds, including,
52 but not limited to, the sale or purchase of real property and
53 may enter into leases of real and personal property of any kind
54 or description, either as lessor or lessee. Any such purchase of
55 real property may be obtained, subject to one or more existing
56 mortgages or may be purchased by installment sale or purchase
57 money financing provided that any such assumed mortgage,
58 installment sale, or new mortgage shall be non-recourse to other
59 property of the system board.

60 (7) The system board may enter into any and all types of
61 derivative agreements as may be used by prudent borrowers,
62 lenders, or investors, which are intended to minimize the risk
63 of financial loss or maximize the financial return in connection
64 with its bonds, notes, or investments, or for any other purpose,
65 subject to the system board's investment policy referenced in
66 section 13.

67 Section 13. Funds of the Lee Memorial Health System may be
68 paid out only upon drafts, checks, wire transfers, electronic
69 bank transfers, or warrants signed or approved by persons duly
70 authorized by the system board to execute such instruments for
71 purposes consistent with this act. The system board may adopt
72 rules for the payment of lesser sums in cash, and a petty cash
73 fund or funds may be established for such purpose with the
74 maximum amount payable in cash in one transaction fixed by the
75 system chief executive officer. All funds of the system board

shall be deposited in banks which are qualified under state law to accept deposits of public funds. In addition to any investment ~~The system board may deposit or invest its surplus funds in interest-bearing accounts, instruments, or securities, to the fullest extent permitted by general law, the system board is authorized and empowered to invest any funds in its control or possession in accordance with an investment policy approved by the system board consistent with section 218.415, Florida Statutes, and shall include, among other items, the investment objectives and permitted securities under the policy. Such investment policy shall be designed to maximize the financial return to the fund consistent with the risks incumbent in each investment and shall be designed to preserve the appropriate diversification of the portfolio.~~ In addition, the system board may invest its surplus funds as provided in section 218.415, Florida Statutes, and in such other investments as are authorized by the system board and permitted by the system board investment policy follows:

(1) ~~Without limitation in:~~

(a) ~~Bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof.~~

(b) ~~State bonds pledging the full faith and credit of the state and revenue bonds additionally secured by the full faith~~

HB 227

2023

101 and credit of the state.

102 (e) Bonds of the several counties or districts in the
103 state containing a pledge of the full faith and credit of the
104 county or district involved.

105 (d) Savings accounts in, or certificates of deposit of,
106 any bank, savings bank, or savings and loan association
107 incorporated under the laws of the United States doing business
108 and situated in this state, the accounts of which are insured by
109 the Federal Government or an agency thereof, in an amount that
110 does not exceed 15 percent of the net worth of the institution,
111 provided such savings accounts and certificates of deposit are
112 secured in the manner prescribed in chapter 280, Florida
113 statutes.

114 (e) Obligations of the Federal Farm Credit Banks and
115 obligations of the Federal Home Loan Bank and its district
116 banks.

117 (f) Obligations of the Federal Home Loan Mortgage
118 Corporation including participation certificates.

119 (g) Obligations guaranteed by the Government National
120 Mortgage Association.

121 (h) Commercial paper of prime quality of the highest
122 letter and numerical rating as provided for by at least one
123 nationally recognized rating service.

124 (i) Time drafts or bills of exchange drawn on and accepted
125 by a commercial bank, otherwise known as banker's acceptances,

126 which are accepted by a member bank of the Federal Reserve
127 System having total deposits of not less than \$400 million.

128 (j) Short-term obligations not authorized elsewhere in
129 this section, to be purchased individually or in pooled accounts
130 or other collective investment funds, for the purpose of
131 providing liquidity to any fund or portfolio.

132 (k) Securities of, or other interest in, any open-end or
133 closed-end management type investment company or investment
134 trust registered under the Investment Company Act of 1940, 15
135 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided
136 that the portfolio of such investment company or investment
137 trust is limited to obligations of the United States Government
138 or any agency or instrumentality thereof and to repurchase
139 agreements fully collateralized by such United States Government
140 obligations and provided that such investment company or
141 investment trust takes delivery of such collateral either
142 directly or through an authorized custodian.

143 (2) With no more than 25 percent of its funds in:

144 (a) Bonds, notes, or obligations of any municipality or
145 political subdivision or any agency or authority of this state,
146 if such obligations are rated in any one of the three highest
147 ratings by two nationally recognized rating services. However,
148 if only one nationally recognized rating service shall rate such
149 obligations, then such rating service must have rated such
150 obligations in any one of the two highest classifications

HB 227

2023

151 ~~heretofore mentioned.~~

152 (b) ~~Notes secured by first mortgages on Florida real~~
153 ~~property, insured or guaranteed by the Federal Housing~~
154 ~~Administration or the United States Department of Veterans~~
155 ~~Affairs.~~

156 (c) ~~Mortgage pass-through certificates, meaning~~
157 ~~certificates evidencing ownership of an undivided interest in~~
158 ~~pools of conventional mortgages on real property which is~~
159 ~~improved by a building or buildings used for residential~~
160 ~~purposes for one to four families when:~~

161 1. ~~Such real property is located in this state;~~
162 2. ~~Such mortgages are originated by one or more banks or~~
163 ~~savings and loan associations organized under the laws of this~~
164 ~~state, by national banks or federal savings and loan~~
165 ~~associations having their principal place of business in this~~
166 ~~state, or by a lender that is approved by the Secretary of the~~
167 ~~United States Department of Housing and Urban Development for~~
168 ~~the participation in any mortgage insurance program under the~~
169 ~~National Housing Act and has its principal place of business in~~
170 ~~this state, or by any combination thereof; and~~
171 3. ~~Such mortgages are transferred or assigned to a~~
172 ~~corporate trustee acting for the benefit of the holders of such~~
173 ~~certificates.~~

174 (d) ~~Obligations of the Federal National Mortgage~~
175 ~~Association.~~

176 (e) Group annuity contracts of the pension investment type
177 with insurers licensed to do business in this state, except that
178 amounts invested by the board with any one insurer shall not
179 exceed 3 percent of its assets.

180 (f) Certain interest in real property and related personal
181 property, including mortgages and related instruments on
182 commercial or industrial real property, with provisions for
183 equity or income participation or with provisions for
184 convertibility to equity ownership; and interest in collective
185 investment funds. Associated expenditures for acquisition and
186 operation of assets purchased under this provision shall be
187 included as a part of the cost of the investment.

188 1. The title to real property acquired under this
189 paragraph shall be vested in the name of the respective fund.

190 2. For purposes of taxation of property owned by any fund,
191 the provisions of section 196.199(2)(b), Florida Statutes, do
192 not apply.

193 3. Real property acquired under the provisions of this
194 paragraph shall not be considered state lands or public lands
195 and property as defined in chapter 253, Florida Statutes, and
196 the provisions of that chapter do not apply to such real
197 property.

198 (g) General obligations backed by the full faith and
199 credit of a foreign government which has not defaulted on
200 similar obligations for a minimum period of 25 years prior to

HB 227

2023

201 purchase of the obligation and has met its payments of similar
202 obligations when due.

203 (h) Obligations of agencies of the government of the
204 United States, provided such obligations have been included in
205 and authorized by the Florida Retirement System Total Fund
206 Investment Plan established in section 215.475, Florida
207 Statutes.

208 (i) United States dollar-denominated obligations by
209 foreign governments, or political subdivisions or agencies
210 thereof, or foreign corporations or foreign commercial entities.

211 (3) With no more than 50 percent of its funds in common
212 stock, preferred stock, and interest-bearing obligations of a
213 corporation having an option to convert into common stock,
214 provided:

215 (a) The corporation is organized under the laws of the
216 United States, any state or organized territory of the United
217 States, or the District of Columbia.

218 (b) The corporation is listed on any one or more of the
219 recognized national stock exchanges in the United States and
220 conforms with the periodic reporting requirements under the
221 Securities Exchange Act of 1934.

222
223 The system board shall not invest more than 10 percent of the
224 equity assets of its funds in the common stock, preferred stock,
225 and interest-bearing obligations having an option to convert

HB 227

2023

226 ~~into common stock, of any one issuing corporation; and the~~
227 ~~system board shall not invest more than 3 percent of the equity~~
228 ~~assets of any funds in such securities of any one issuing~~
229 ~~corporation except to the extent a higher percentage of the same~~
230 ~~issue is included in a nationally recognized market index, based~~
231 ~~on market values at least as broad as the Standard and Poor's~~
232 ~~Composite Index of 500 Companies, or except upon a specific~~
233 ~~finding by the system board that such higher percentage is in~~
234 ~~the best interest of the system board. The system board may only~~
235 ~~sell listed options to reduce investment risks, to improve cash~~
236 ~~flow, or to provide alternative means for the purchase and sale~~
237 ~~of underlying investment securities. Reversing transactions may~~
238 ~~be made to close out existing option positions.~~

239 ~~(4) With no more than 80 percent of its funds, in~~
240 ~~interest-bearing obligations with fixed maturity of any~~
241 ~~corporation or commercial entity within the United States.~~

242
243 ~~For the purpose of determining the above investment limitations,~~
244 ~~the value of bonds shall be the par value thereof, and the value~~
245 ~~of evidences of ownership and interest-bearing obligations~~
246 ~~having an option to convert to ownership shall be the cost~~
247 ~~thereof. Investments in any securities authorized by this~~
248 ~~section may be under repurchase agreements or reverse repurchase~~
249 ~~agreements. Investments made by the system board may be~~
250 ~~designated to maximize the financial return to the fund~~

251 consistent with the risks incumbent in each investment and shall
252 be designed to preserve an appropriate diversification of the
253 portfolio. The system board is authorized to buy and sell
254 futures and options, provided the instruments for such purpose
255 are traded on a securities exchange or board of trade regulated
256 by the Securities and Exchange Commission or the Commodity
257 Futures Trading Commission, unless the system board by rule
258 authorizes a different market. The system board is authorized to
259 invest in domestic or foreign national principal contracts.

260 Section 18. Conversion to nonprofit entity.—

261 (1) For purposes of this section, "nonprofit entity" means
262 a Florida not-for-profit corporation operating under chapter
263 617, Florida Statutes.

264 (2) The system board may elect, by a majority vote of the
265 members present and voting, to commence an evaluation of the
266 benefits to the residents of Lee County of converting Lee
267 Memorial Health System to a nonprofit entity if the system board
268 and the Lee County Board of County Commissioners execute an
269 agreement that meets the requirements of subsection (5). In
270 evaluating the benefits of converting Lee Memorial Health System
271 to a nonprofit entity, the system board must:

272 (a) Publish notice of and conduct a public meeting in
273 accordance with section 189.015(1), Florida Statutes, to provide
274 the residents of Lee County with the opportunity to publicly
275 testify regarding the conversion. The public hearing must be

HB 227

2023

held at a meeting other than a regularly noticed meeting or an emergency meeting of the system board.

(b) Contract with an independent entity that has at least five years of experience conducting comparable evaluations of hospital organizations similar in size and function to Lee Memorial Health System to conduct the evaluation according to applicable industry best practices. The independent entity may not have any current affiliation with or financial involvement in Lee Memorial Health System or with any current member of the system board.

(c) Publish all documents considered by the system board on the Lee Memorial Health System website.

(3) The evaluation must be completed and a final report presented to the system board no later than 180 days after the date on which the vote is taken by the system board to evaluate the conversion. The final report shall be published on the Lee Memorial Health System website. The final report must include a statement signed by the chair of the system board and the chief executive officer of the independent entity conducting the evaluation that, based on each person's reasonable knowledge and belief, the contents and conclusions of the evaluation are true and correct.

(4) No later than 120 days after the date on which the system board receives the final report, the system board must determine, by a majority vote, whether the interests of Lee

301 County residents are best served by converting to a nonprofit
302 entity. If the system board determines that conversion is in the
303 best interests of Lee County residents, Lee Memorial Health
304 System must negotiate and draft a proposed agreement with the
305 Lee County Board of County Commissioners before conversion may
306 occur.

307 (5) An agreement between the system board and Lee County
308 must be completed no later than 120 days after the date on which
309 the public meeting is held to determine if conversion is in the
310 best interests of Lee County residents. The agreement must be in
311 writing, dispose of all assets and liabilities of Lee Memorial
312 Health System, and include:

313 (a) A description of each asset that will be transferred
314 to Lee County.

315 (b) A description of each liability that will be
316 transferred to Lee County.

317 (c) The estimated total value of the assets that will be
318 transferred to Lee County.

319 (d) The estimated total value of the liabilities that will
320 be transferred to Lee County.

321 (e) A description of all assets that will be transferred
322 to the succeeding nonprofit entity.

323 (f) A description of all liabilities that will be assumed
324 by the succeeding nonprofit entity.

325 (g) The estimated total value of the assets that will be

HB 227

2023

326 transferred to the succeeding nonprofit entity.

327 (h) The total value of the liabilities to be assumed by
328 the succeeding nonprofit entity.

329 (i) If any debts remain, how those debts will be resolved.

330 (j) An enforceable commitment that programs and services
331 provided by Lee Memorial Health System will continue to be
332 provided to residents of Lee County in perpetuity so long as the
333 succeeding nonprofit entity is in operation or, if otherwise
334 agreed to, until the succeeding nonprofit entity has otherwise
335 met all obligations set forth in the agreement.

336 (k) A provision transferring the rights and obligations as
337 agreed to by the system board and Lee County to the succeeding
338 nonprofit entity.

339 (l) Any other terms mutually agreed to by Lee Memorial
340 Health System and Lee County.

341 (6) A current member of the Lee County Board of County
342 Commissioners may not serve on the board of the succeeding
343 nonprofit entity.

344 (7) A current or former member of the system board may
345 serve on the board of the succeeding nonprofit entity.

346 (8) The members of the system board and the Lee County
347 Board of County Commissioners must disclose all conflicts of
348 interest as required by section 112.313, Florida Statutes,
349 including, but not limited to:

350 (a) Whether the conversion will result in a special

351 private gain or loss to any member of the system board or the
352 Lee County Board of County Commissioners.

353 (b) If any current member of the system board will serve
354 on the board of the succeeding nonprofit entity. Such intent to
355 serve on the board of the succeeding nonprofit entity does not
356 disqualify any member from voting on the proposed conversion.

357 (9) The evaluation, agreements, disclosures, and any other
358 supporting documents related to the conversion of Lee Memorial
359 Health System must be published on the websites of Lee Memorial
360 Health System and Lee County for 45 days before the system board
361 and the Lee County Board of County Commissioners may vote on the
362 proposed agreement identified in subsection (5) to convert Lee
363 Memorial Health System to a nonprofit entity.

364 (10) (a) In a public meeting noticed as required pursuant
365 to subsection (2), the system board may approve, by a majority
366 vote plus one, the agreement identified under subsection (5),
367 which approval shall constitute approval of the conversion of
368 Lee Memorial Health System to a nonprofit entity subject to the
369 terms of the agreement.

370 (b) The agreement identified under subsection (5) must be
371 approved by the Lee County Board of County Commissioners in a
372 properly noticed public meeting.

373 (c) If the system board and the Lee County Board of County
374 Commissioners approve the agreement, Lee Memorial Health System
375 shall file a copy of the agreement with the Florida Department

HB 227

2023

376 of Economic Opportunity no later than 10 days after the date of
377 approval by the Lee County Board of County Commissioners.

378 (11) No later than 30 days after the complete transfer of
379 assets and liabilities as provided in the agreement under
380 subsection (5), Lee Memorial Health System shall notify the
381 Florida Department of Economic Opportunity. The Lee Memorial
382 Health System independent special district shall be dissolved
383 automatically upon receipt of the notice by the department.

384 (12) If the system board and the Lee County Board of
385 County Commissioners fail to approve for any reason an agreement
386 that would result in the conversion of Lee Memorial Health
387 System to a nonprofit entity, Lee Memorial Health System shall
388 continue to exist as an independent special district.

389 Section 19. The provisions of this act shall be construed
390 liberally in order to carry out its purpose effectively. Any of
391 the enumerated powers herein shall not be construed as a
392 limitation against any remaining powers but shall be construed
393 as cumulative.

394 Section 18. Lee Memorial Health System shall be entitled
395 to a lien for all reasonable charges for hospital, physician,
396 and other health care services provided by the Lee Memorial
397 Health System to ill or injured persons, upon the proceeds of
398 all causes of action, suits, claims, counterclaims, and demands
399 accruing to said persons or to their legal representatives, and
400 upon all judgments, settlements, and settlement agreements

401 rendered or entered into by virtue thereof, on account of
402 injuries giving rise to such causes of action, suits, claims,
403 counterclaims, demands, judgments, settlements, or settlement
404 agreements, which injuries shall have necessitated such
405 hospital, physician, and other services provided to such ill or
406 injured persons. Lee Memorial Health System shall perfect and be
407 entitled to enforce such lien as follows:

408 (1) In order to perfect the lien provided for herein, the
409 Lee Memorial Health System chief executive officer or an
410 employee or employees of the Lee Memorial Health System
411 authorized by the chief executive officer shall, before or
412 within 10 days after such ill or injured person shall have been
413 discharged from a Lee Memorial Health System hospital, file in
414 the office of the Lee County Clerk of Circuit Court, a verified
415 written notice of lien setting forth the name and address of the
416 ill or injured person as they may appear in the records of said
417 health system hospital, the name and location of said hospital,
418 the name and address of the employee or other authorized person
419 preparing the notice of lien, the date of admission to said
420 hospital and the date of discharge from said hospital, the
421 amount claimed to be due for hospital, physician, and other
422 services provided, and to the best knowledge of the person
423 preparing the notice of lien, the names and addresses of all
424 persons, firms, or corporations who may be claimed by such ill
425 or injured person or by the legal representative of such person,

426 to be liable on account of such illness or injuries. When the
427 notice of lien is filed, a copy thereof shall be sent by United
428 States Postal Service to the ill or injured person, to said
429 person's attorney, if known, and to all persons, firms, or
430 corporations named in such notice of lien. The filing and
431 mailing of the notice of lien in accordance with this section
432 shall be notice thereof to all persons, firms, or corporations
433 who may be liable on account of such illness or injuries, and to
434 any other persons, firms, or corporations that may have an
435 interest in the aforesaid causes of action, suits, claims,
436 counterclaims, demands, judgments, settlements, or settlement
437 agreements, whether or not they are named in the notice of lien,
438 and whether or not a copy of the notice of lien shall have been
439 received by them.

440 (2) The Lee County Clerk of Circuit Court shall endorse on
441 the written notice of lien the date and hour of filing and shall
442 record said notice of lien in the Official Records of Lee
443 County. The Clerk of Circuit Court shall be entitled to a fee
444 from the Lee Memorial Health System for filing and recording the
445 notice of lien that shall be the same fee as provided by general
446 law for the filing and recording of other instruments.

447 (3) No release or satisfaction of any cause of action,
448 suit, claim, counterclaim, demand, judgment, settlement, or
449 settlement agreement shall be valid or effectual as against the
450 lien of Lee Memorial Health System unless the lienholder shall

HB 227

2023

451 join therein or execute a release of its lien prior to the
452 payment of any proceeds thereof. Any acceptance of a release or
453 satisfaction of any cause of action, suit, claim, counterclaim,
454 demand, judgment, settlement, or settlement agreement in the
455 absence of a release or satisfaction of the lien of Lee Memorial
456 Health System shall prima facie constitute an impairment of such
457 lien and the lienholder shall be entitled to a cause of action
458 for damages against any and all persons, firms, or corporations
459 giving or accepting such release or satisfaction, or paying or
460 accepting the proceeds from the same. In such action, Lee
461 Memorial Health System may recover the full amount of its
462 charges for such hospital, physician, or other health care
463 services; regardless of the amount of proceeds paid or received
464 in impairment of its lien. Satisfaction of a judgment rendered
465 in favor of Lee Memorial Health System in such action shall
466 operate as a satisfaction of the lien. The action by the
467 lienholder shall be brought in the court in Lee County having
468 jurisdiction of the amount of the lienholder's claim. If Lee
469 Memorial Health System shall prevail in such action, it shall be
470 entitled to recover from the defendant or defendants, in
471 addition to costs otherwise allowable by law, all reasonable
472 attorney fees and expenses.

473 (4) No person shall be entitled to recover or receive
474 damages based on the expense of hospital, physician, or other
475 health care services provided by Lee Memorial Health System

HB 227

2023

476 unless that person shall affirmatively show that Lee Memorial
477 Health System's charges have been paid. Provided, however, that
478 in any action, suit, or counterclaim brought on account of
479 illness or injury, the plaintiff or counterclaimant may include
480 as an item of damages the expense of such hospital, physician,
481 or other health care services provided by Lee Memorial Health
482 System, if prior to trial he or she shall have notified Lee
483 Memorial Health System in writing of the pendency of such
484 action, suit, or counterclaim; whereupon the lienholder shall
485 have the right, without leave of court, to intervene in the case
486 and prove the amount of its charges for such hospital,
487 physician, or other health care services. Any judgment rendered
488 in favor of the plaintiff or counterclaimant shall provide that
489 the amount proved by the lienholder to be due shall be deducted
490 from the damages awarded and paid to the Lee Memorial Health
491 System.

492 (5) The provisions of this section shall not be applicable
493 to accidents or injuries within the purview of the workers'
494 compensation laws of Florida.

495 Section 2. If any section, paragraph, sentence, clause,
496 phrase, or other part of this act is declared unconstitutional,
497 or if this act is declared inapplicable in any case, such
498 declaration does not affect the remainder of the act or the
499 applicability of the act in any other case.

500 Section 3. This act shall take effect upon becoming a law.