



**TESTIMONY OF
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BEFORE THE PUBLIC HEALTH COMMITTEE
Thursday, March 11, 2004**

SB 562, An Act Concerning The Conversion Of Nonprofit Hospitals

SB 563, An Act Concerning The Certificate Of Need Process

Good morning Senator Murphy, Representative Feltman, and members of the Public Health Committee. My name is Pat Monahan and I am Vice President and General Counsel of the Connecticut Hospital Association (CHA). CHA appreciates this opportunity to testify on behalf of Connecticut's not-for-profit hospitals regarding **SB 562, An Act Concerning The Conversion Of Nonprofit Hospitals** and **SB 563, An Act Concerning The Certificate Of Need Process**.

Hospitals recognize and respect the appropriate oversight role of the Attorney General regarding the use of charitable assets and the protection of the public interest with respect to the conversion of charitable healthcare entities or their assets to the for-profit sector. We are concerned, however, that the proposed amendment to SB 562 would go too far, making the oversight process unworkable, potentially interfering with appropriate hospital operations and contracting decisions, and actually impeding the ability of hospital administrators to make and implement sound decisions for the benefit of patient care.

The present statute requires a not-for-profit hospital to file a letter of intent with the Office of Health Care Access (OHCA) Commissioner and the Attorney General if it desires to transfer a material amount of its assets or operations or a change in control of operations to a for-profit entity, and then the Attorney General is to decide whether the transfer requires statutory approval. This is a manageable standard and procedure.

The amendment, however, complicates and confuses the process, because it provides that the Attorney General must evaluate any proposed transaction taking into account "any previous transfers of assets, operations or control." Even though a hospital might have no intention of making a transfer covered by the statute, the amendment can arguably be interpreted as requiring hospitals to inform the Attorney General of every transaction involving an outside vendor or service provider, past and present, so that the Attorney General can conduct the historical review called for in the amendment. If a hospital were to take this approach, it would of course unnecessarily, and inappropriately, involve the Attorney General in the ordinary course of hospital management. If a hospital does not take this approach, it runs the risk of being second-guessed by the Attorney General and accused of violating the statute and having its contracts voided.

We do not believe the intent of the conversion statute was to have the Attorney General and OHCA scrutinize the daily business affairs of hospitals, which involve contracting with a variety of appropriate professionals, service providers and vendors to perform necessary operations, without the hospital relinquishing control over or responsibility for the services being rendered. In addition to state law

requirements, federal regulations require a hospital's governing body to oversee all hospital services, including those services provided under contract by a vendor.

CHA submits that SB 562 causes the statute to go beyond the proper scope of oversight of transactions involving the conversion of not-for-profit assets to for-profit entities, and unnecessarily reaches into perfectly lawful and appropriate hospital operations.

CHA also has concerns regarding section 1 of SB 563, which amends the definition of "affiliate". The existing statute is unclear, but the amendment does not provide any clarity. CHA supports section 2 of SB 563, however, which will streamline the appeal process for entities involved in OHCA proceedings.

Thank you for your consideration of our position.

PJM:pas