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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 2712 Session of  
2022

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INTRODUCED BY KRUEGER, MADDEN, ZABEL, DELLOSO, O'MARA,  
D. WILLIAMS, CURRY, SAPPEY, BRADFORD, LEE, DALEY AND KINKEAD,  
JUNE 28, 2022

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REFERRED TO COMMITTEE ON COMMERCE, JUNE 28, 2022

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AN ACT

1 Providing for limitations on capital distributions after certain  
2 acquisitions of target firm health systems.

3 The General Assembly of the Commonwealth of Pennsylvania  
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the Moratorium on  
7 Health System Dividends Act.

8 Section 2. Definitions.

9 The following words and phrases when used in this act shall  
10 have the meanings given to them in this section unless the  
11 context clearly indicates otherwise:

12 "Capital distribution." A payment made, liability incurred  
13 or other consideration given by a target firm health system to  
14 an individual for the purchase, acquisition, redemption,  
15 repurchase, payment or retirement of any capital stock or other  
16 equity interest of the target firm health system or as a  
17 dividend, return of capital or other distribution in respect of

1 the target firm health system's capital stock or other equity  
2 interest.

3 "Controlling interest." As defined in 4 Pa.C.S. § 1103  
4 (relating to definitions).

5 "Debtor." As defined in 13 Pa.C.S. § 9102 (relating to  
6 definitions and index of definitions).

7 "Mass layoff." As defined in section 2(a) of the Worker  
8 Adjustment and Retraining Notification Act (Public Law 100-379,  
9 29 U.S.C. § 2101(a)(3)).

10 "Private fund." A corporation that:

11 (1) is an investment company as defined in section 3 of  
12 the Investment Company Act of 1940 (54 Stat. 789, 15 U.S.C. §  
13 80a-3);

14 (2) is not a venture capital fund as defined in 17 CFR  
15 275.203(1)-1 (relating to venture capital fund defined); and

16 (3) is not an institution selected under section 107 of  
17 the Community Development Banking and Financial Institutions  
18 Act of 1994 (Public Law 103-325, 108 Stat. 2163).

19 "Target firm health system." A for-profit hospital, hospice  
20 or nursing home located in this Commonwealth that is bought by a  
21 private fund.

22 Section 3. Limitations.

23 (a) General rule.--A target firm health system may not,  
24 either directly or indirectly, during the two-year period  
25 beginning on the closing date of a transaction that results in a  
26 private fund acquiring a controlling interest in the target firm  
27 health system:

28 (1) make a capital distribution or similarly reduce the  
29 equity capital of the target firm;

30 (2) incur an obligation that commits the target firm to

1 making a capital distribution or a similar reduction of the  
2 equity capital of the target firm after the end of the two-  
3 year period; or

4 (3) order a plant closing or mass layoff.

5 (b) Void transfer.--A transfer made, obligation incurred or  
6 order issued by a target firm health system in violation of  
7 subsection (a) shall be void.

8 (c) Joint and several liability for aiders and abettors.--A  
9 controlling private fund, holder of an active interest in a  
10 controlling private fund or affiliate of a target firm health  
11 system that aids, abets, facilitates, supports or instructs a  
12 target firm health system's violation of subsection (a) shall be  
13 jointly and severally liable under this subsection for a

14 transfer made or obligation incurred, including for reasonable  
15 attorney fees and costs awarded to a plaintiff under subsection  
16 (d) (2).

17 (d) Cause of action.--

18 (1) An employee, creditor, debtor or representative of  
19 an employee, creditor or debtor of a target firm health  
20 system may bring an action against the direct or indirect  
21 transferee, obligee or beneficiary of the transfer or  
22 obligation to void the transfer, obligation or order and  
23 recover any transferred property of the target firm health  
24 system.

25 (2) In a successful action to void or recover a transfer  
26 under paragraph (1), the court shall award the plaintiff  
27 reasonable attorney fees and costs.

28 Section 4. Effective date.

29 This act shall take effect in 60 days.