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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO HEALTH AND SAFETY -- DISTRESSED ESSENTIAL COMMUNITY
HOSPITALS

Introduced By: Representatives Fierro, Baldelli-Hunt, Brien, Newberry, and Pacheco

Date Introduced: February 25, 2010

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 23 of the General Laws entitled "HEALTH AND SAFETY" is hereby
2 amended by adding thereto the following chapter:

3 CHAPTER 17.25

4 DISTRESSED ESSENTIAL COMMUNITY HOSPITALS

5 23-17.25-1. Legislative findings. – (1) Certain community hospitals act as the sole
6 source of immediate access to hospital care for residents of the areas they serve and are essential
7 to the maintenance of public health and safety;

8 (2) The diversity of services provided by these essential community hospitals are
9 necessary for the overall health and safety of the community, but result in financial distress for
10 the hospitals that must serve large uninsured or governmentally insured populations;

11 (3) The distressed essential community hospitals generally report a loss from operations
12 and are in such a position that their liabilities exceed their assets;

13 (4) Because of the important medical services provided by such hospitals, restoring and
14 ensuring the continued financial viability of these distressed essential community hospitals is
15 necessary for the public health and safety;

16 (5) Landmark Medical Center, located in Woonsocket, Rhode Island, is a distressed
17 essential community hospital, currently under the supervision of the Rhode Island superior court
18 pursuant to a special mastership;

1 (6) In fiscal year 2009, Landmark Medical Center provided care for nearly forty thousand
2 (40,000) emergency room patients, seven thousand (7,000) inpatient cases and seventy-five
3 thousand (75,000) outpatient visits, proving that the financial viability of Landmark Medical
4 Center is vital to the public health and safety of the community it serves;

5 (7) Ensuring the financial viability of Landmark Medical Center will preserve one
6 thousand three hundred (1,300) jobs and benefit the State of Rhode Island;

7 (8) Landmark Medical Center, or its successor-in-interest, if any, must be permitted a
8 sufficient amount of time to use any funds allocated to it for the purposes of financial assistance
9 to restore its financial viability and ensure its stability in the future; and

10 (9) To preserve the viability of an essential community hospital, it may be necessary for
11 purposes of certain Medicare classifications to designate such a hospital as a rural hospital.

12 **23-17.25-2. Payment to distressed essential community hospital.** – In recognition of
13 Landmark Medical Center’s status as a distressed essential community hospital, the department of
14 revenue shall annually pay Landmark Medical Center an amount equal to one quarter percent
15 (.25%) of the revenues derived from taxes imposed in accordance with section 44-17-1 for the
16 period of fiscal year 2011 through fiscal year 2014 (the “Recovery Period”). During the recovery
17 period, all payments authorized under this section shall be paid to Landmark Medical Center or
18 its successor-in-interest, if any, and shall not be subject to reduction or elimination due to
19 improved financial conditions at Landmark Medical Center or its successor-in-interest, if any.

20 **23-17.25-3. Rural hospital designation.** – The State of Rhode Island designates
21 Landmark Medical Center as a rural hospital for purposes of satisfying special payment
22 designations under the Medicare program, if Landmark Medical Center or its successor-in-
23 interest, if any, should choose to seek such special designations.

24 SECTION 2. Section 44-17-1 of the General Laws in Chapter 44-17 entitled "Taxation of
25 Insurance Companies" is hereby amended to read as follows:

26 **44-17-1. Companies required to file -- Payment of tax -- Retaliatory rates.** -- (a)
27 Every domestic, foreign, or alien insurance company, mutual association, organization, or other
28 insurer, including any health maintenance organization, as defined in section 27-41-1, any
29 nonprofit dental service corporation as defined in section 27-20.1-2 and any nonprofit hospital or
30 medical service corporation, as defined in chapters 27-19 and 27-20, except companies mentioned
31 in section 44-17-6, and organizations defined in section 27-25-1, transacting business in this state,
32 shall, on or before March 1 in each year, file with the tax administrator, in the form that he or she
33 may prescribe, a return under oath or affirmation signed by a duly authorized officer or agent of
34 the company, containing information that may be deemed necessary for the determination of the

1 tax imposed by this chapter, and shall at the same time pay an annual tax to the tax administrator
2 of two percent (2%) of the gross premiums on contracts of insurance, except:

3 (1) Entities subject to chapter 27-19, 27-20 and 27-20.1 shall pay the following for fiscal
4 years 2011 through 2014: two and one quarter percent (2.25%) of the gross premiums on
5 contracts of insurance, excluding any business related to the administration or programs under
6 Title XIX of the Social Security Act, 42 U.S.C.; one quarter percent (.25%) of which shall be
7 annually paid to Landmark Medical Center for the period of fiscal years 2011 through 2014
8 pursuant to chapter 23-17.24. After fiscal year 2014, payments from entities subject to 27-19, 27-
9 20 and 27-20.1 shall equal two percent (2%) of the gross premiums on contracts of insurance,
10 excluding any business related to the administration of programs under Title XIX of the Social
11 Security Act, 42 U.S.C.;

12 (2) Health maintenance organizations as defined in section 24-41-1, shall pay the
13 following: two and one quarter percent (2.25%) of the gross premiums on contracts of insurance,
14 excluding any business related to the administration of programs under Title XIX of the Social
15 Security Act, 42 U.S.C., one quarter percent (.25%) of which shall be annually paid to Landmark
16 Medical Center for the period of fiscal years 2011 through 2014 pursuant to chapter 23-17.24.
17 After fiscal year 2014, payments from health maintenance organizations shall equal two percent
18 (2%) of the gross premiums on contracts of insurance, excluding any business related to the
19 administration of programs under Title XIX of the Social Security Act, 42 U.S.C.; or

20 (3) Ocean marine insurance, as referred to in section 44-17-6, covering property and risks
21 within the state, written during the calendar year ending December 31st next preceding, but in the
22 case of foreign or alien companies, except as provided in section 27-2-17(d) the tax is not less in
23 amount than is imposed by the laws of the state or country under which the companies are
24 organized upon like companies incorporated in this state or upon its agents, if doing business to
25 the same extent in the state or country.

26 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
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- 1 This act would allocate a quarter percent (.25%) of the taxes on the premiums of health
- 2 insurers to assisting a distressed essential community hospital.
- 3 This act would take effect upon passage.

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