

An act to add Sections 5917.7 and 5923.7 to the Corporations Code,
relating to health facilities.

SECURED
COPY



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 5917.7 is added to the Corporations Code, to read:

5917.7. Notwithstanding Section 5917, the Attorney General shall not give conditional consent to any agreement or transaction described in subdivision (a) of Section 5914 upon any condition or conditions that, individually or in aggregate, would reasonably be expected to do all of the following:

(a) Limit or restrain the selling nonprofit corporation from conducting its ordinary course of business, including, but not limited to, freely entering contracts and negotiating rates.

(b) Have a material adverse effect on the financial condition, business, assets, liabilities, properties, operations, or results of operations of the selling nonprofit corporation.

(c) Impose conditions that are unique to the selling nonprofit corporation, and are distinct from conditions that similarly situated selling nonprofit corporations are required to maintain or perform.

SEC. 2. Section 5923.7 is added to the Corporations Code, to read:

5923.7. Notwithstanding Section 5923, the Attorney General shall not give conditional consent to any agreement or transaction described in subdivision (a) of Section 5920 upon any condition or conditions that, individually or in aggregate, would reasonably be expected to do all of the following:

(a) Limit or restrain the selling nonprofit corporation from conducting its ordinary course of business, including, but not limited to, freely entering contracts and negotiating rates.

(b) Have a material adverse effect on the financial condition, business, assets, liabilities, properties, operations, or results of operations of the selling nonprofit corporation.

(c) Impose conditions that are unique to the selling nonprofit corporation, and are distinct from conditions that similarly situated selling nonprofit corporations are required to maintain or perform.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, Jones.

General Subject: Nonprofit health facilities: sale of assets: Attorney General approval: conditional consent.

Existing law requires a nonprofit corporation, as defined, that operates or controls a health facility, as defined, or operates or controls a facility that provides similar health care to provide written notice to, and obtain the written consent of, the Attorney General prior to selling or otherwise disposing of a material amount of its assets to a for-profit corporation or entity, to a mutual benefit corporation or entity, or to another nonprofit corporation or entity. Existing law provides that the Attorney General has discretion to give consent to, give conditional consent to, or to not consent to, the agreement or transaction and requires the Attorney General to consider any factors they deem relevant, including, but not limited to, whether the terms are fair and reasonable.

This bill would prohibit the Attorney General from giving conditional consent to any above-described agreement or transaction upon any condition or conditions that, individually or in aggregate, would reasonably be expected to, among other things, impose conditions that are unique to the selling nonprofit corporation, and are distinct from conditions that similarly situated selling nonprofit corporations are required to maintain or perform.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

