

## HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

**BILL #:** HB 915 Board of Trustees of Bay Medical Center, Bay County

**SPONSOR(S):** Patronis

**TIED BILLS:** **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local & Federal Affairs Committee	18 Y, 0 N	Dougherty	Rojas
2) State Affairs Committee	16 Y, 0 N	Moore	Camechis

### SUMMARY ANALYSIS

The Board of Trustees of Bay Medical Center (the Board) is an independent special district created by special act of the Florida Legislature. It served as the governing body of the county hospital and related facilities until 2012, when it entered an asset purchase agreement with several private hospital groups. The Board's only remaining primary functions are managing the approximately \$30 million of net proceeds from the transaction and administering the pension plan.

The independent, nine-member Board is composed of community leaders and medical staff. The Bay County Board of County Commissioners (county commission) nominates one Board member, the Board nominates six members, and medical staff of the primary hospital nominates two members. The county commission maintains confirmation powers over all nine seats. Members may be removed by the Governor for cause.

The bill allows the county commission to remove the single member it appoints to the Board at any time without cause.

Subject to the Governor's veto powers, the bill will take effect upon becoming law.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### **Present Situation**

##### Special District: The Board of Trustees of Bay Medical Center

##### *The Board of Trustees as an Independent Special District*

The Board of Trustees of Bay Medical Center (the Board) is an independent special district established by special act of the Florida Legislature to own and operate the Bay Medical Center and other healthcare facilities.<sup>1</sup> The Bay Medical Center was originally established as the Bay Memorial Hospital of Bay County, Florida, in 1945.<sup>2</sup> As a county hospital, it was controlled by the Bay County Board of County Commissioners (county commission). In 1948, the county commission petitioned the Governor to appoint a board of trustees to administer the hospital under the general laws of the state until the Legislature enacted a special act to establish the terms and authority by which the hospital would be administered and operated. That special act was not enacted until 1995; however, in the meantime, the Legislature repeatedly recognized the existence of the board of trustees.<sup>3</sup> In 1995, the Legislature specifically affirmed the corporate authority of the Board as a body politic in existence and operating without interruption since 1948, thus clarifying and confirming its status as an independent special district.<sup>4</sup>

##### *Bay Medical Center District Act*

The Bay Medical Center District Act (the Act)<sup>5</sup> confirms and codifies the Board's authority to own and operate one or more hospitals in Bay County. The purpose of the Act is to give the Board flexibility and a reasonable opportunity to manage and develop a public hospital to provide health care services to the citizens of Bay County, regardless of ability to pay, in an increasingly competitive and rapidly changing marketplace.<sup>6</sup>

##### *The Board of Trustees*

The independent, nine-member Board is composed of community leaders and medical staff.<sup>7</sup> The county commission nominates one Board member, the Board nominates six members, and medical staff of the primary hospital nominates two members. The county commission maintains confirmation powers over all nine seats.

Approximately 30 days before the expiration of the county-nominated member's term, the county commission must nominate and confirm the next appointee. For the other eight seats, the next appointee must be nominated approximately 60 days before the term expires and the county commission must rule on each of these eight nominees within 30 days. If the county commission rejects three consecutive nominations for a single seat, the county commission makes the appointment

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<sup>1</sup> Chapter 2005-343, L.O.F.

<sup>2</sup> Chapter 23183, L.O.F. (1945). The 1945 act was subsequently amended by special acts of the legislature in 1951, 1955, 1959, 1961, 1993, 1995, and 2005.

<sup>3</sup> The Legislature authorized the board of trustees to organize a medical staff (ch. 27396 (1951), L.O.F.), conferred upon the board of trustees specific powers to provide hospitalization insurance and other fringe benefits for its employees (ch. 61-1871, L.O.F.), and revised the method of appointing its members (ch. 93-375, L.O.F.).

<sup>4</sup> Chapter 95-510, L.O.F.

<sup>5</sup> Chapter 2005-343, L.O.F. Pursuant to s. 189.429, F.S., the Act constitutes the codification of all special acts relating to Board of Trustees of Bay Medical Center. The Legislative intent of such codification is to provide a single, comprehensive special act charter for the independent special district that ratifies and continues without interruption all powers and authority granted to the board by, or implicit in, the several previous legislative enactments.

<sup>6</sup> Section 10, ch. 2005-343, L.O.F.

<sup>7</sup> Section 3, ch. 2005-343, L.O.F.

alone. Vacancies due to resignation, death, removal, or suspension are filled by a similar process for the remainder of the term or length of suspension.

Board members serve a four-year term. Members who have served two full, consecutive terms are not eligible for reconfirmation until the next regular appointment process, which is approximately two years after their second term ends.

Each member must be a Florida citizen and resident, of sound mind and good moral character, and have no competing interests that may impact Bay Medical Center or the member's fiduciary duties. Other restrictions on Board member eligibility also apply, such as the prohibition from membership for employees of Bay Medical Center and parties governing or with material interests in competing facilities.

Members may be removed by the Governor for cause. The Act does not provide any other removal language.

The Act grants a broad array of powers to the Board, all related to overseeing the on-going operation of a hospital and providing related health care services. As set forth in the Act, the Board is empowered "to establish, lease, acquire, own, and operate one or more hospitals or other health care or ancillary facilities ...; to provide health care services determined by the board or its delegees to be in the best interest of the persons utilizing such facilities and services; to do and perform any and all acts or services that may be incidental or necessary to carry out those purposes intended to improve the physical or mental health of the persons utilizing such facilities and services. . ."<sup>8</sup>

Powers granted to the Board include the following:<sup>9</sup>

- Contract and enter into agreements with public and private entities.
- Acquire, purchase, and develop real and personal property.
- Borrow money and incur indebtedness.
- Establish a medical staff.
- Determine lines and levels of medical services.
- Establish rates and charges for use of services and facilities.
- Provide and pay for employee benefits.
- Make charitable contributions.
- Do all things customarily done by other hospitals.

However, the Board has "neither the power to levy any tax nor the power to appropriate property by eminent domain."<sup>10</sup> Without these two fundamental government powers, the Board relies solely upon its operating revenues to provide health services to the citizens of Bay County.

### Sale/Lease of the Board's Assets

Exercising the above powers, the Board operated for more than 60 years. On March 31, 2012, through an asset purchase agreement and lease, the Board transferred all assets of Bay Medical Center to Bay County Health System, LLC, LHP Hospital Group, Inc., and Sacred Heart Health System, Inc. (collectively the hospital systems). Finalizing a 40-year lease and asset purchase agreement, LHP Hospital Group and Sacred Heart Health System formed a joint venture that leases and operates Bay Medical Center.

After paying off bonds and retiring other debt, the Board retained more than \$30 million from the transaction. The Board's only remaining primary functions are managing these net proceeds from the transaction and administering the Bay Medical Center Pension Plan.

### **Effect of Proposed Changes**

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<sup>8</sup> Section 2, ch. 2005-343, L.O.F.

<sup>9</sup> Section 2, ch. 2005-343, L.O.F.

<sup>10</sup> Section 2, ch. 2005-343, L.O.F.

The bill allows the county commission to remove the single member that it appoints to the Board at any time without cause.

**B. SECTION DIRECTORY:**

Section 1: Provides that the Bay County Board of County Commissioners may remove its single appointee to the Board of Trustees of Bay Medical Center at any time without cause.

Section 2: Provides an effective date.

**II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS**

A. NOTICE PUBLISHED? Yes ☒ No ☐

IF YES, WHEN? December 19, 2013

WHERE? The *Panama City News Herald*, a daily newspaper published at Panama City in Bay County, Florida.

B. REFERENDUM(S) REQUIRED? Yes ☐ No ☒

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED? Yes, attached ☒ No ☐

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached ☒ No ☐

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

None.