
Conversions: A Compendium of State Laws

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FORWARD

Community Catalyst has compiled this overview of Conversion Laws to assist advocates in understanding the array of approaches taken on the state level. Health care is a changing environment, however, and laws and regulations are continually affected by the dominance of local issues and interests. Therefore, we welcome your input on the information provided so that we can ensure the accuracy and timeliness of this compendium. Please send your comments to: Touzin@communitycatalyst.org.

All Conversion Laws: Scope

States	Targets of Law						
	Nonprofit hospital conversions	Nonprofit to nonprofit hospital mergers/consolidations	For-profit to for-profit hospital mergers/consolidations	Nonprofit HMO conversions	Hospital and medical service corporation conversions	Mutualization of hospital and medical service corporations	Demutualization
Arizona Ariz. Rev. Stat. §§ 10-11251 to 10-11254	X	X					
California Cal. Health & Safety Code §§ 1399.70 to 1399.76				X			X
California Cal. Corp. Code §§ 5910 to 5925	X	X					
Colorado Colo. Rev. Stat. § 10-16-324					X		
Colorado Colo. Rev. Stat. §§ 6-19-101 to 6-19-407	X	X	X				
Connecticut Conn. Gen. Stat. §§ 19a-486 to 19a-486h	X						
District of Columbia D.C. Code Ann. §§ 44-601 to 44-610	X			X	X		
Georgia Ga. Code Ann. §§ 31-7-400 to 31-7-412 ¹	X	X					
Hawaii Haw. Rev. Stat. §§ 432C-1 to 432C-7							
Hawaii Haw. Rev. Stat. §§ 323D-71 to 323D-83	X						
Idaho Idaho Code §§ 48-1501 to 48-1512	X						
Louisiana La. Rev. Stat. Ann. §§ 40:2254.1 to 40:2254.12 ¹	X	X	X				
Louisiana La. Rev. Stat. Ann. §§ 40:2115.11 to 40:2115.23	X	X					
Maine Me. Rev. Stat. Ann., tit. 5 § 194-A				X ²	X		
Maine Me. Rev. Stat. Ann., tit. §§ 194-B to 194-K	X ³			X ⁴			
Maryland Md. Code Ann., State Gov't §§ 6.5-101 to 6.5-307	X			X	X		
Massachusetts Mass. Gen. Laws. ch. 180, § 8A	X			X			

All Conversion Laws: Scope (cont'd.)

States	Targets of Law						
	Nonprofit hospital conversions	Nonprofit to nonprofit hospital mergers/consolidations	For-profit to for-profit hospital mergers/consolidations	Nonprofit HMO conversions	Hospital and medical service corporation conversions	Mutualization of hospital and medical service corporations	Demutualization
Nebraska Neb. Rev. Stat. §§ 71-20,102 to 71-20,114	X		X				
New Hampshire N.H. Rev. Stat. Ann. § 7:19-b	X	X		X	X		X
New Jersey N.J. Stat. Ann. §§ 26:2H-7.11 to 26:2H-7:14	X	X					
New Jersey N.J. Stat. Ann. §§ 17:48E-49 to 17:48E-68					X		
New Mexico N.M. Stat. Ann. §§ 59A 37-6; 59A-47-4; 59A-47-22					X	X	
New York N.Y. Ins. Law § 7317					X ⁵		
North Carolina N.C. Gen. Stat. §§ 58-65-131 to 58-65-133					X		
North Dakota N.D. Cent. Code §§ 26.1-17-33.1						X	
Ohio Ohio Rev. Code Ann. §§ 109.34 to 109.35; 109.99	X	X		X			X
Oregon Or. Rev. Stat. §§ 65.800 to 65.815	X	X					
Rhode Island R.I. Gen. Laws §§ 23-17.14-1 to 23-17.14-34	X	X	X				
Rhode Island R.I. Gen. Laws §§ 27-66-1 to 27-66-27				X	X	X	
South Dakota S.D. Codified Laws § 47-24-17	X	X		X	X	X	X
Texas Tex. Ins. Code Ann. §§ 826.001 to 826.206							X
Vermont stat. Ann. tit. 8, §§ 4523 and 4595					X	X	
Virginia Va. Code Ann. §§ 55-531 to 55-533	X	X		X	X	X	
Washington Wash. Rev. Code §§ 70.45.010 to 70.45.900 ¹	X						

All Conversion Laws: Scope (cont'd.)

States	Targets of Law							
	Nonprofit hospital conversions	Nonprofit to nonprofit hospital mergers/ consolidations	For-profit to for-profit hospital mergers/ consolidations	Nonprofit HMO conversions	Hospital and medical service corporation conversions	Mutualization of hospital and medical service corporations	Demutualization	
Wisconsin Wis. Stat. § 165.40 ¹	X							

All Conversion Laws: Endnotes

States	Strengths												
	Health Delivery					Procedure							
	Regulator considers health impact	Requires parties to transaction to analyze health impact	Acquirors must submit community benefit plan or maintain free care	Considers acquirors commitment to providing free care	Requires monitoring of impact on health care	Prohibits private inurement	Considers private inurement	Considers conflicts of interest between parties	Considers conflicts of interest in patient referral	Requires regulator to obtain independent valuation	Considers criminal history of officers, directors, and buyers	Requires that public hearing be held	Consumers have standing to appeal approval
Arizona Ariz. Rev. Stat. §§ 10-11251 to 10-11254		X					X						
California Cal. Health & Safety Code §§ 1399.70 to 1399.76			X ⁶				X						
California Cal. Corp. Code §§ 5910 to 5925	X						X					X	
Colorado Colo. Rev. Stat. § 10-16-324							X						X
Colorado Colo. Rev. Stat. §§ 6-19-101 to 6-19-407	X ⁷	X			X	X						X	
Connecticut Conn. Gen. Stat. §§ 19a-486 to 19a-486h	X ⁷		X					X	X			X	
District of Columbia D.C. Code Ann. §§ 44-601 to 44-610			X				X	X		X	X		
Georgia Ga. Code Ann. §§ 31-7-400 to 31-7-412 ⁸		X		X	X		X	X	X			X	
Hawaii HRS § 432C-1 et seq.	X			X	X			X	X				X ⁹
Idaho Idaho Code §§ 48-1501 to 48-1512						X						X ¹⁰	
Louisiana La.R.S. 40:2115.11 et. seq. ²	X ⁷				X								
Louisiana La.R.S. 40:2115.11 et. seq.	X			X	X			X					
Maine 5 Me. Rev. Stat. Ann §194-A			X ⁶				X	X					
Maine 5 Me. Rev. Stat. Ann §194-B to K (2002)	X						X	X		X			

All Conversion Laws: Strengths and Weaknesses (cont'd.)

States	Health Delivery					Strengths			Procedure			
	Regulator considers health impact	Requires parties to transaction to analyze health impact	Acquirors must submit community benefit plan or maintain free care	Considers acquirors commitment to providing free care	Requires monitoring of impact on health care	Prohibits private inurement	Considers private inurement	Considers conflicts of interest between parties	Considers conflicts of interest in patient referral	Requires regulator to obtain independent valuation	Considers criminal history of officers, directors, and buyers	Requires that public hearing be held
Maryland Md. State Government Code ann. § 6.5-101 et. seq.	X	X				X		X				
Massachusetts M.G.L. c. 180 § 8A	X ⁷		X		X ¹¹	X		X			X	
Nebraska R.R.S. Neb § 71-20, 102 et. seq.	X			X	X			X				
New Hampshire R.S.A. 7:19-b; R.S.A. 401-B:3							X	X				

All Conversion Laws: Strengths and Weaknesses (cont'd.)

States	Strengths													
	Health Delivery						Procedure							
	Regulator considers health impact	Requires parties to transaction to analyze health impact	Acquirors must submit community benefit plan or maintain free care	Considers acquirors commitment to providing free care	Requires monitoring of impact on health care	Requires moratorium on subsequent hospital purchases	Prohibits private inurement	Considers private inurement	Considers conflicts of interest between parties	Considers conflicts of interest in patient referral	Requires regulator to obtain independent valuation	Considers criminal history of officers, directors, and buyers	Requires that public hearing be held	Consumers have standing to appeal approval
New Jersey N.J. Stat. § 17:48E-49 et. seq.	X				X ¹⁰		X		X				X	X ¹²
New Jersey N.J. Stat. § 26:2H-7.11	X ¹³						X							
New Mexico N.M. Stat. Ann. §59A 37-6														
New York N.Y. Ins. Laws §7317 (Consol. 2001)	X	X					X	X		X ¹⁴			X	
North Carolina N.C. Gen. Stat. § 58-65-131 et. seq.	X						X							X
North Dakota N.D. Cent. Code, § 26.1-17-33.1 et. seq.														
Ohio ORC Ann. 109.34 et. seq.					X		X		X				X	
Oregon ORS § 65.803 et. seq.	X ⁷						X							
Rhode Island RI Gen. Laws § 23-17.14-1 et. seq	X	X	X ⁶		X	3 yrs.		X	X	X		X		
Rhode Island RI Gen. Laws § 27-66-1 et. seq.	X		X ⁶	X				X	X					
South Dakota S.D. Codified Laws § 47-21-24 et. seq.														
Texas Tex. Ins. Code art. 15.22 et. seq.							X							
Vermont 8 V.S.A. § 4523; 8 V.S.A. § 4595	X													
Virginia H.B. Va. Code § 55-531 et. seq.														
Washington Rev. Code Wash. § 70.44.007 et. seq. ²	X ⁷		X		X				X				X	
Wisconsin Wis. Stat. § 50.35 et. seq. ²													X	X

All Conversion Laws: Strengths and Weaknesses (cont'd.)

States	Strengths							
	Charitable Set-Aside							
	Yes or No?	501(c)(3)	501(c)(4) with restrictions	Foundation governance based in community	Considers conflict of interest between foundation and officers	Foundation independence	Requires monitoring of charitable assets	Foundation purposes outlined
Arizona A.R.S. § 10-11251 et. seq.	N							
California § 1399.70 et. seq.	Y ¹⁵	X	X		X		X	
California Cal Corp Code, prec § 5910	Y ¹⁶							
Colorado C.R.S. 10-16-324 et. seq.	Y	X	X		X	X		X
Colorado C.R.S. 10-16-324 et. seq.	Y	X		X	X	X	X	X
Connecticut Conn. Gen. Stat. §38a-153 et. seq.	Y				X	X		X
District of Columbia D.C. Code § 35-3515 & §44-601	Y ¹⁷			X	X	X	X	
Georgia O.C.G.A. § 31-7-400 et. seq.	Y						X	
Hawaii HRS § 432C-1 et seq.	Y ¹⁴							X
Idaho Idaho Code §§ 48-1501 to 48-1512	Y ¹⁴							
Louisiana La.R.S. 40:2115.11 et. seq. ²	N							
Louisiana La.R.S. 40:2115.11 et. seq.	Y			X			X	X
Maine 5 Me. Rev. Stat. Ann §194-A	Y ¹³	X	X		X		X	X
Maine 5 Me. Rev. Stat. Ann §194-B to K (2002)	Y	X	X		X	X	X	
Maryland Md. State Government Code ann. § 6.5-101 et. seq.	Y	X ¹⁸			X	X	X	X
Massachusetts M.G.L. c. 180 § 8A	Y			X		X		
Nebraska R.R.S. Neb § 71-20, 102 et. seq.	Y						X	X
New Hampshire R.S.A. 7:19-b; R.S.A. 401-B:3	Y							

All Conversion Laws: Strengths and Weaknesses (cont'd.)

States	Strengths							
	Charitable Set-Aside							
	Yes or No?	501(c)(3)	501(c)(4) with restrictions	Foundation governance based in community	Considers conflict of interest between foundation and officers	Foundation independence	Requires monitoring of charitable assets	Foundation purposes outlined
New Jersey N.J. Stat. § 17:48E-49 et. seq.	Y	X			X	X	X	X
New Jersey N.J. Stat. § 26:2H-7.11	Y	X		X ¹⁹	X	X	X	X
New Mexico N.M. Stat. Ann. §59A 37-6	Y ²⁰							
New York N.Y. Ins. Laws §7317 (Consol. 2001)	Y ²¹	X		X	X	X	X	X
North Carolina N.C. Gen. Stat. § 58-65-131 et. seq.	Y		X	X ²²	X	X	X	X
North Dakota N.D. Cent. Code, § 26.1-17-33.1 et. seq.	N							
Ohio ORC Ann. 109.34 et. seq.	Y	X	X				X	
Oregon ORS § 65.803 et. seq.	Y							
Rhode Island RI Gen. Laws § 23-17.14-1 et. seq	Y				X	X	X	X
Rhode Island RI Gen. Laws § 27-66-1 et. seq.	Y				X	X	X	X
South Dakota S.D. Codified Laws § 47-21-24 et. seq.	N							
Texas Tex. Ins. Code art. 15.22 et. seq.	N							
Vermont 8 V.S.A. § 4523; 8 V.S.A. § 4595	N							
Virginia H.B. Va. Code § 55-531 et. seq.	N							
Washington Rev. Code Wash. § 70.44.007 et. seq. ²	Y			X	X		X	X
Wisconsin Wis. Stat. § 50.35 et. seq. ²	Y							X

All Conversion Laws: Endnotes

¹ This law also governs the sale of public hospitals.

² If the nonprofit HMO is designated as an insurance company, this law will apply.

³ This statute applies to all public charities.

⁴ If the nonprofit HMO is designated as a non-insurance entity, this law will apply.

⁵ This is a boutique law that is specifically tailored to allow only the conversion of Empire Blue Cross and Blue Shield. The law prohibits all other nonprofit Blue Cross and Blue Shield from converting.

⁶ Only California (Cal. Health & Safety Code §§ 1399.70 to 1399.76), Maine (Me. Rev. Stat. Ann., tit. 5 § 194-A), and Rhode Island (both laws) require a community benefit plan.

⁷ These states **require** the regulator to consider health impact.

⁸ This law also governs the sale of public hospitals.

⁹ Language implies that consumers may appeal.

¹⁰ In Idaho, the AG is not required to hold a public hearing, but if s/he does, one must be held in the county where the hospital's assets are located.

¹¹ In Massachusetts and New Jersey (N.J. Stat. Ann. §§ 26:2H-7.11 to 26:2H-7:14), the regulator(s) will determine whether such monitoring is necessary.

¹² In New Jersey hospital conversions, any person that participated in the public hearing has standing in the proceeding before the Superior Court to approve the proposed transaction.

¹³ In New Jersey health service corporation conversions, a Temporary Advisory Commission is established in anticipation of a conversion to examine issues relating to access to affordable, quality health care for underserved individuals and promoting fundamental improvements in the health status of New Jersey residents

¹⁴ If 100% of the stock is transferred, then fair market value is simply 100% of the value of this stock.

¹⁵ While California (Cal. Health & Safety Code §§ 1399.70 to 1399.76) and Maine (Me. Rev. Stat. Ann., tit. 5 § 194-A) do require a charitable set-aside, the set-aside will only be created after a conversion has occurred. Because both states have a narrow definition of conversion, the public will only receive the charitable assets in limited circumstances.

¹⁶ California (Cal. Corp. Code §§ 5910 to 5925), Hawaii, Idaho, New Hampshire, Oregon, and Wisconsin do not explicitly provide for charitable set-aside. Rather, they require the use of the proceeds to be consistent with the mission and purposes of the health facility. California (Cal. Corp. Code §§ 5910 to 5925) does not require a charitable set-aside in the case of nonprofit to nonprofit transactions.

¹⁷ The D.C. law contains a provision stating, “[a] conversion or management or service contract with a for-profit entity shall not be approved by the Corporation Counsel unless charitable assets, if any, have been adequately protected.” Blue Cross Blue Shield of the National Capital Area has interpreted this provision to mean that the nonprofit health care entity may not have any charitable assets.

¹⁸ In Maryland, for the conversion of a nonprofit health service plan or HMO, the fair value of the public or charitable assets must be distributed to the Maryland Health Care Foundation, a 501(c)(3) corporation. For the conversion of a nonprofit hospital, 40% of the fair value of the public or charitable assets must be distributed to the Maryland Health Care Foundation and 60% of the fair value of the public or charitable assets must be distributed to a public or nonprofit charitable entity or trust, the law does not specify whether this entity must be a 501(c)(3) or (c)(4) corporation.

¹⁹ In New Jersey health service corporation conversions, designated Foundation board members include public members, labor representatives and representatives of community based organizations.

²⁰ The New Mexico law does not specifically require a charitable set-aside; it provides that the Superintendent of Insurance “shall ensure, by impositions of conditions if necessary, that New Mexico charitable assets are protected and preserved for the benefit of the people of New Mexico.”

²¹ Only 5% of the assets are set aside for a charitable organization. 95% of the assets will be placed in a fund administered by the state.

²² Although the North Carolina law does not require foundation governance to be based in the community, it does provide for a community advisory committee.