
DIGEST

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HB 317 Reengrossed

2025 Regular Session

Echols

Abstract: Prohibits certain acts by lessor hospital owners and lessee hospital operators and establishes penalties including personal liability for hospital executives and board members for certain acts.

Proposed law defines terms.

Proposed law establishes that a hospital owned by a for-profit, publicly traded real estate investment trust and leased to another entity enters into financial distress when the lessee facility does any of the following:

- (1) Experiences a closure or a significant reduction in inpatient or emergency services.
- (2) Fails to pay its employees for 30 days.
- (3) Files for bankruptcy.

Proposed law states that if a lessee facility experiences financial distress, the entity that owns the facility shall do all of the following:

- (1) Provide funds sufficient for the facility to operate for 12 months.
- (2) Reimburse the state for any emergency funds expended to keep the facility operational.
- (3) Provide detailed financial disclosures of any funds received by the facility in the previous five years.

Proposed law states that if a lessee facility experiences financial distress due to unreasonable lease terms, over-leveraging, or financial extractions, the board members and executive officers shall be personally liable for the following:

- (1) Repayment of funds removed from the lessee facility in the five-year period before the financial distress.
- (2) Civil penalties up to \$250,000 per board member for knowingly engaging in activities that contributed to the financial distress.

- (3) Disqualification from serving on the board of any healthcare facility licensed in this state for 10 years.

Proposed law states that a lessee facility operator is prohibited from using funds from Medicaid, Medicare, or other state-funded emergency grants to fulfill lease payments.

Proposed law provides that if a court determines that prohibited funds are used to pay lease obligations, the court shall award damages equal to triple the actual damages.

Proposed law states that the attorney general may investigate and, if a violation is found, may bring a civil action against a lessor entity and its board members.

Proposed law states that the attorney general or a district attorney for the parish in which the lessee facility is located may bring a cause of action for a violation of proposed law.

Proposed law provides that the attorney general or a district attorney may seek, and the court may grant, a legal action to preserve the availability of the personal assets of the executive officers and board members of the lessor entity.

Proposed law provides that venue is proper in the Nineteenth Judicial District in the parish of East Baton Rouge, or the district court of the parish where the lessee facility is domiciled.

Proposed law provides that upon the petition of the attorney general or district attorney, the court may take a rule to show cause why the executives and board members of the lessor facility should not be held personally liable. Proposed law further provides that the hearing to show cause shall be held not more than 30 days from the date the motion is filed.

Proposed law provides that any individual who, in good faith, reports misconduct or provides material evidence of a violation of proposed law is immune from civil liability, retaliation, or adverse employment action.

Proposed law provides that if the court awards damages or assesses a civil penalty, the funds shall be collected by the attorney general.

(Adds R.S. 40:2120.81- 2120.84)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Health and Welfare to the original bill:

1. Provide that a lessee facility means a hospital operating under a lease agreement.
2. Provide that a lessor entity means an entity that leases a hospital to another entity.

3. Make technical changes.

The House Floor Amendments to the engrossed bill:

1. Change the definition of "lessor entity".
2. Clarify that the attorney general may bring an action for violating a proposed law against only a lessor entity.
3. Remove violations described as egregious acts.
4. Make technical changes.