

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1275 Session of
2022

INTRODUCED BY CAPPELLETTI, KANE, KEARNEY, A. WILLIAMS, SAVAL,
MUTH, COSTA, FONTANA AND COLLETT, JULY 18, 2022

REFERRED TO FINANCE, JULY 18, 2022

AN ACT

1 Providing for limitations on capital distributions after certain
2 acquisitions of target firm health systems.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the Moratorium on
7 Health System Dividends Act.

8 Section 2. Definitions.

9 The following words and phrases when used in this act shall
10 have the meanings given to them in this section unless the
11 context clearly indicates otherwise:

12 "Capital distribution." A payment made, liability incurred
13 or other consideration given by a target firm health system to
14 an individual for the purchase, acquisition, redemption,
15 repurchase, payment or retirement of any capital stock or other
16 equity interest of the target firm health system or as a
17 dividend, return of capital or other distribution in respect of
18 the target firm health system's capital stock or other equity

1 interest.

2 "Controlling interest." As defined in 4 Pa.C.S. § 1103
3 (relating to definitions).

4 "Debtor." As defined in 13 Pa.C.S. § 9102 (relating to
5 definitions and index of definitions).

6 "Mass layoff." As defined in section 2(a) of the Worker
7 Adjustment and Retraining Notification Act (Public Law 100-379,
8 29 U.S.C. § 2101(a)(3)).

9 "Private fund." A corporation that:

10 (1) is an investment company as defined in section 3 of
11 the Investment Company Act of 1940 (54 Stat. 789, 15 U.S.C. §
12 80a-3);

13 (2) is not a venture capital fund as defined in 17 CFR
14 275.203(1)-1 (relating to venture capital fund defined); and

15 (3) is not an institution selected under section 107 of
16 the Community Development Banking and Financial Institutions
17 Act of 1994 (Public Law 103-325, 108 Stat. 2163).

18 "Target firm health system." A for-profit hospital, hospice
19 or nursing home located in this Commonwealth that is bought by a
20 private fund.

21 Section 3. Limitations.

22 (a) General rule.--A target firm health system may not,
23 either directly or indirectly, during the two-year period
24 beginning on the closing date of a transaction that results in a
25 private fund acquiring a controlling interest in the target firm
26 health system:

27 (1) make a capital distribution or similarly reduce the
28 equity capital of the target firm;

29 (2) incur an obligation that commits the target firm to
30 making a capital distribution or a similar reduction of the

equity capital of the target firm after the end of the two-year period; or

(3) order a plant closing or mass layoff.

(b) Void transfer.--A transfer made, obligation incurred or order issued by a target firm health system in violation of subsection (a) shall be void.

(c) Joint and several liability for aiders and abettors.--A controlling private fund, holder of an active interest in a controlling private fund or affiliate of a target firm health system that aids, abets, facilitates, supports or instructs a target firm health system's violation of subsection (a) shall be jointly and severally liable under this subsection for a transfer made or obligation incurred, including for reasonable attorney fees and costs awarded to a plaintiff under subsection (d) (2).

(d) Cause of action.--

(1) An employee, creditor, debtor or representative of an employee, creditor or debtor of a target firm health system may bring an action against the direct or indirect transferee, obligee or beneficiary of the transfer or obligation to void the transfer, obligation or order and recover any transferred property of the target firm health system.

(2) In a successful action to void or recover a transfer under paragraph (1), the court shall award the plaintiff reasonable attorney fees and costs.

Section 4. Effective date.

This act shall take effect in 60 days.