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Director

State of California—Health and Human Services Agency
California Department of Public Health



ARNOLD SCHWARZENEGGER
Governor

November 29, 2007

AFL 07-32

TO: Licensee of:
General Acute Care Hospitals
Acute Psychiatric Hospitals
Special Hospitals

SUBJECT: **Application Required for Management Companies That Assume Operational Control of a General Acute Care Hospital, Acute Psychiatric Hospital or Special Hospital**

This All Facilities Letter (AFL) serves as a reminder of legislation, Assembly Bill (AB) 330, (Gordon, Statutes of 2005) which expands to management companies the requirement to submit a completed application and obtain Licensing & Certification Program approval to manage a health facility currently licensed as a general acute care hospital (GACH), acute psychiatric hospital (APH) or special hospital (SH).

Pursuant to Section 1265 of the Health and Safety (H&S) Code, if a GACH, APH, or SH is proposed to be operated (in whole or part) under a management agreement or arrangement (between the licensee and a management company), the management company is required to file an application with the California Department of Public Health, Licensing & Certification Program (L&C), and obtain the department's approval prior to managing a hospital. For purposes of this section, "manage" means to assume operational control of the facility.

The department will review the application in accordance with Section 1265.3:

(a) For any individual or entity that seeks approval to operate or manage a health facility licensed pursuant to subdivision (a), (b), or (f) of Section 1250 and is subject to Section 1265, the department shall consider the following:

(1) To determine whether the applicant is of reputable and responsible character, the department shall consider any available information that the applicant has demonstrated a pattern and practice of violations of state or federal laws and regulations. The department shall give particular consideration to those violations that affect the applicant's ability to deliver safe patient care.

(2) To determine whether the applicant has the ability to comply with this chapter and the rules and regulations adopted under this chapter, the department shall consider evidence that shall include all of the following:

(A) If any, prior history of operating in this state any other facility licensed pursuant to Section 1250, and the applicant's history of substantial compliance with the requirements imposed under that license, applicable federal laws and regulations, and requirements governing the operators of those facilities.

(B) If any, prior history of operating in any other state any facility authorized to receive Medicare Program reimbursement or Medicaid Program reimbursement, and the applicant's history of substantial compliance with that state's requirements, and applicable federal laws, regulations, and requirements.

(C) If any, prior history of providing health services as a licensed health professional or an individual or entity contracting with a health care service plan or insurer, and the applicant's history of substantial compliance with state requirements, and applicable federal law, regulations, and requirements.

(b) The department may also require the entity described in subdivision (a) to furnish other information or documents for the proper administration and enforcement of the licensing laws.

Management company **application packages are to be submitted** to the appropriate L&C district office. A listing of L&C district offices is located on the L&C website at:

<http://www.dhs.ca.gov/lnc/org/default.htm>

The L&C district offices will review the management company application and will notify the management company of approval or denial of the application to manage a hospital. If the application is approved, any subsequent changes in the management company's information shall be provided (in writing) to the respective L&C district offices within **30 calendar days** of the change.

If you have any questions, please contact your local L&C district office.

Sincerely,

Original Signed by Kathleen Billingsley, R.N.

Kathleen Billingsley, R.N.
Deputy Director
Center for Healthcare Quality