



January 24, 2002

# HOUSE BILL No. 1259

DIGEST OF HB 1259 (Updated January 22, 2002 6:40 PM - DI 77)

**Citations Affected:** IC 16-22; IC 16-23.

**Synopsis:** Various hospital matters. Removes political affiliation requirements to be appointed to the governing boards of county hospitals and certain municipal hospitals. Amends qualifications to be on the governing board of those hospitals. Allows a county hospital to have audits performed by certified public accountants. Removes certain approval procedures required for a county hospital to operate another hospital or a building in a county that contains a hospital in a third class city. Allows certain municipal and county hospital boards to meet in executive session to discuss certain topics and to purchase group malpractice insurance together. Updates population parameters to reflect changes in the 2000 decennial census.

**Effective:** July 1, 2002.

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## Crawford, Buell

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January 14, 2002, read first time and referred to Committee on Public Health.  
January 23, 2002, amended, reported — Do Pass.

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HB 1259—LS 7210/DI 77+



January 24, 2002

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

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## HOUSE BILL No. 1259

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A BILL FOR AN ACT to amend the Indiana Code concerning health.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 16-22-2-2 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) Except as  
3 otherwise provided in this article or in IC 16-12.1 (before its repeal on  
4 July 1, 1993), each hospital established under this article or IC 16-12.1  
5 (before its repeal on July 1, 1993) must have a board of four (4)  
6 members, appointed by the county executive. ~~Not more than two (2)~~  
7 ~~members may be of the same political party.~~ All four (4) members must  
8 be residents of the county in which the hospital is located and one (1)  
9 member may be a licensed physician who is a member of the medical  
10 staff of the hospital. When appointing a physician member, the county  
11 executive shall consider the recommendation of the medical staff of the  
12 hospital.  
13 (b) The initial appointments made under this section are as follows:  
14 (1) One (1) member holds office for one (1) year.  
15 (2) One (1) member holds office for two (2) years.  
16 (3) One (1) member holds office for three (3) years.  
17 (4) One (1) member holds office for four (4) years.

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1 (c) After the initial appointments, board members shall be appointed  
2 to serve terms of four (4) years.

3 (d) Except as provided in section 11 of this chapter, a vacancy on  
4 the board shall be filled by the county executive, and the appointee  
5 shall be appointed to complete the unexpired term of the member  
6 whose office has been vacated.

7 SECTION 2. IC 16-22-2-3.1 IS AMENDED TO READ AS  
8 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3.1. (a) This section  
9 applies to a hospital operated under IC 16-12-4-2 (before its repeal on  
10 July 1, 1993) that is located in a county having a population of more  
11 than ~~thirty-seven thousand (37,000) but less than thirty-seven thousand~~  
12 ~~eight hundred (37,800):~~ **forty-one thousand (41,000) but less than**  
13 **forty-three thousand (43,000).**

14 (b) The management of a hospital is under the control of a  
15 governing board. The governing board consists of nine (9) members  
16 appointed by the county executive as follows:

17 (1) Three (3) members must be members of the county executive.

18 (2) Six (6) members must be residents of the county, ~~and not more~~  
19 ~~than three (3) members may be from the same political party.~~ One

20 (1) member may be a licensed physician.

21 (c) The term of each member of the governing board is three (3)  
22 years.

23 (d) If a vacancy occurs due to the expiration of an appointed  
24 member's term and the county executive does not fill the vacancy  
25 within sixty (60) days from the date of expiration, the member whose  
26 term has expired is automatically reappointed for another term.

27 SECTION 3. IC 16-22-2-5 IS AMENDED TO READ AS  
28 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 5. (a) This section  
29 applies to county hospitals in counties having a population of more  
30 than eighteen thousand (18,000) but less than eighteen thousand three  
31 hundred (18,300).

32 (b) The hospital and the affairs and business of the hospital shall be  
33 under the management and control of a governing board consisting of  
34 seven (7) members as follows:

35 (1) Three (3) members must be the members of the county  
36 executive.

37 (2) Two (2) members shall be appointed by the county fiscal  
38 body, one (1) of whom may be a licensed physician.

39 (3) Two (2) members shall be appointed by the county executive.

40 (c) One (1) of the members initially appointed by the county fiscal  
41 body serves for one (1) year and one (1) of the members initially  
42 appointed serves for two (2) years. After the initial appointment, the

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1 members serve for two (2) years. ~~The members appointed by the county~~  
 2 ~~council may not be affiliated with the same political party.~~

3 (d) One (1) of the members initially appointed by the county  
 4 executive serves for one (1) year and one (1) of the members initially  
 5 appointed serves for two (2) years. After the initial appointment, the  
 6 members serve for two (2) years. ~~The members appointed by the county~~  
 7 ~~executive may not be affiliated with the same political party.~~

8 SECTION 4. IC 16-22-2-6 IS AMENDED TO READ AS  
 9 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. (a) This section  
 10 applies to hospitals established under Acts 1917, c.144, s.1.

11 (b) Except as provided in section 7 of this chapter, the management  
 12 of the hospital shall be under the control of a governing board  
 13 consisting of four (4) members appointed by the county executive. One  
 14 (1) of the members may be a licensed physician. The members shall be  
 15 chosen from the residents of the county. ~~Not more than two (2) of the~~  
 16 ~~members may be residents of the city or town in which the hospital is~~  
 17 ~~to be located; and not more than two (2) members may be of the same~~  
 18 ~~political party or belief.~~

19 (c) The initial terms of the members are as follows:

20 (1) One (1) member has a term of one (1) year.

21 (2) One (1) member has a term of two (2) years.

22 (3) One (1) member has a term of three (3) years.

23 (4) One (1) member has a term of four (4) years.

24 After the initial appointments, the members serve for four (4) years.

25 SECTION 5. IC 16-22-2-7 IS AMENDED TO READ AS  
 26 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. (a) Except as  
 27 provided in subsection (d), a governing board of four (4) members in  
 28 existence on September 2, 1971, may petition the county executive to  
 29 increase the size of the board to five (5), six (6), seven (7), eight (8), or  
 30 nine (9) members. If the county executive approves the petition, the  
 31 county executive shall appoint new members to increase the number of  
 32 board members to the chosen size in the following manner:

33 ~~(1) If a board size of:~~

34 ~~(A) five (5) or six (6) members is chosen; not more than three~~  
 35 ~~(3) members may be of the same political party;~~

36 ~~(B) seven (7) or eight (8) members is chosen; not more than~~  
 37 ~~four (4) members may be of the same political party; and~~

38 ~~(C) nine (9) members is chosen; not more than five (5)~~  
 39 ~~members may be of the same political party.~~

40 ~~(2) (1) All members must be residents of the county in which the~~  
 41 ~~hospital is located.~~

42 ~~(3) (2) If a board size of five (5) members is chosen, a new~~

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- 1 member shall be appointed for an initial term of one (1) year.
- 2 ~~(4)~~ (3) If a board size of six (6) members is chosen, the new
- 3 members shall be appointed in the following order as necessary:
- 4 (A) One (1) new member for an initial term of one (1) year.
- 5 (B) One (1) new member for an initial term of two (2) years.
- 6 ~~(5)~~ (4) If a board size of seven (7) members is chosen, the new
- 7 members shall be appointed in the following order as necessary:
- 8 (A) One (1) new member for an initial term of one (1) year.
- 9 (B) One (1) new member for an initial term of two (2) years.
- 10 (C) One (1) new member for an initial term of three (3) years.
- 11 ~~(6)~~ (5) If a board size of eight (8) members is chosen, the new
- 12 members shall be appointed in the following order as necessary:
- 13 (A) One (1) new member for an initial term of one (1) year.
- 14 (B) One (1) new member for an initial term of two (2) years.
- 15 (C) One (1) new member for an initial term of three (3) years.
- 16 (D) One (1) new member for an initial term of four (4) years.
- 17 ~~(7)~~ (6) If a board size of nine (9) members is chosen, the new
- 18 members shall be appointed in the following order as necessary:
- 19 (A) Two (2) new members for an initial term of one (1) year.
- 20 (B) One (1) new member for an initial term of two (2) years.
- 21 (C) One (1) new member for an initial term of three (3) years.
- 22 (D) One (1) new member for an initial term of four (4) years.
- 23 ~~(8)~~ (7) If a board size of seven (7), eight (8), or nine (9) members
- 24 is chosen, two (2) members may be licensed physicians.
- 25 (b) A governing board that has increased its size may petition the
- 26 county executive to decrease the size of the board. However, a decrease
- 27 under this subsection may only be accomplished through:
- 28 (1) the vacancy of a member's position, either through expiration
- 29 of the member's term or any other cause; or
- 30 (2) removal of a member as provided under applicable law.
- 31 (c) There is no limit to the number of times a governing board may
- 32 seek to increase or decrease its size under this section.
- 33 (d) For a governing board of four (4) members located in a county
- 34 having a population of:
- 35 (1) more than ~~thirteen thousand (13,000)~~ but less than **thirteen**
- 36 **thousand six hundred (13,600); fourteen thousand five hundred**
- 37 **(14,500) but less than fourteen thousand nine hundred**
- 38 **(14,900);**
- 39 (2) more than ~~twenty-three thousand (23,000)~~ but less than
- 40 **twenty-three thousand five hundred (23,500); twenty-five**
- 41 **thousand (25,000) but less than twenty-five thousand five**
- 42 **hundred (25,500); or**

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1 (3) more than ~~thirty thousand six hundred (30,600)~~ but less than  
 2 ~~thirty-one thousand (31,000)~~; **thirty-three thousand eight**  
 3 **hundred (33,800) but less than thirty-four thousand three**  
 4 **hundred (34,300);**

5 the county executive may increase the number of board members to  
 6 five (5), six (6), or seven (7), subject to the limitations of this section.  
 7 After the initial appointments, each board member shall be appointed  
 8 to serve for a term of four (4) years.

9 SECTION 6. IC 16-22-2-8 IS AMENDED TO READ AS  
 10 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 8. (a) This section  
 11 applies to a county where a city hospital is operated under IC 16-23-1.

12 (b) A county hospital may be created by an order of the county  
 13 executive without filing a petition or holding an election.

14 (c) The county executive may create a hospital association under  
 15 IC 16-22-6.

16 (d) An appointing board shall be formed to appoint the members of  
 17 the governing board of the county hospital. The appointing board shall  
 18 consist of three (3) members, as follows:

19 (1) The executive of the city where the city hospital is located.

20 (2) The judge of the circuit court of the county.

21 (3) A member of the county executive chosen by the county  
 22 executive of the county.

23 (e) Each member must take and subscribe an oath for the honest and  
 24 faithful performance of the member's duties, which shall be filed in the  
 25 auditor's office of the county.

26 (f) The governing board consists of seven (7) members with the  
 27 following qualifications:

28 (1) Each member must be a qualified voter in the county.

29 ~~(2) Three (3) members must be residents of the city; and three (3)~~  
 30 ~~members must be residents of the county living outside the~~  
 31 ~~corporate limits of the city. The remaining member may reside~~  
 32 ~~either inside or outside the corporate limits of the city.~~

33 ~~(3) Not more than four (4) members may belong to the same~~  
 34 ~~political party.~~

35 ~~(4) At least one (1) member must; but (2) Not more than two (2)~~  
 36 ~~members may be licensed physicians.~~

37 ~~(5) (3) One (1) member must may be a registered nurse licensed~~  
 38 ~~to practice in Indiana.~~

39 (g) Initial and subsequent appointments to the hospital board shall  
 40 be made for staggered terms ending on February 1 to coincide with the  
 41 terms of members of the city hospital board of directors created by  
 42 IC 16-23-1.



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1 (h) The appointing board members may serve without bond. The  
 2 regular meeting of the appointing board for the appointment of  
 3 members to the hospital board shall be on the third Monday in January  
 4 of each year following the year of the initial appointments. The meeting  
 5 may adjourn periodically until the appointments for all expired or  
 6 vacant memberships are made. Vacancies occurring on the hospital  
 7 board may be filled at a special meeting of the appointing board called  
 8 by the county auditor or by two (2) members of the appointing board  
 9 on five (5) days notice to all appointing board members, or without  
 10 notice if all of the appointing board members are present at the  
 11 meeting. Each meeting of the appointing board shall be held at the  
 12 county executive's room of the county, unless by unanimous consent  
 13 the board determines to hold the meeting at another location.

14 (i) The county executive shall choose the board's member of the  
 15 appointing board each year following the year of initial appointments  
 16 at the board's regular January meeting.

17 (j) The governing board may operate the county hospital jointly with  
 18 the city hospital operated in the same county under IC 16-23-1. The  
 19 joint operation may include joint employment of an administrator and  
 20 other personnel, joint policies, joint purchases, joint services, and other  
 21 programs to deliver health care at a reduced cost. The governing board  
 22 of the county hospital may contract with the governing board of the city  
 23 hospital to allocate revenues and expenditures and for the  
 24 administration of the hospitals, but records must be kept that reflect the  
 25 separate ownership, financial obligations, and existence of the county  
 26 hospital and the city hospital.

27 SECTION 7. IC 16-22-3-2 IS AMENDED TO READ AS  
 28 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) The governing  
 29 board may purchase, construct, remodel, repair, enlarge, or acquire  
 30 buildings and real or personal property for hospital purposes, upon  
 31 terms and conditions acceptable to the board.

32 (b) The governing board may use hospital funds if adequate  
 33 provision is made for working capital and other known and anticipated  
 34 hospital needs.

35 (c) If the building or real property is located outside the county and  
 36 in a county with a hospital organized or operated under this article  
 37 (except IC 16-22-8) or IC 16-23, the board must receive the approval  
 38 of the county executives of both the county in which the hospital is  
 39 located and the county in which the building or real property is located:

40 (d) The approval under subsection (c) is not required if the building  
 41 or real property is acquired by hospitals in the affected counties as  
 42 participants in an organization or activity described under section 1(b)



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1 of this chapter or as participants in an arrangement in which at least  
 2 two (2) hospitals participate for the provision of any hospital or related  
 3 services, including participation or ownership as a tenant in common  
 4 with other hospitals. All hospitals in the affected counties that are  
 5 organized or operated under this article (except IC 16-22-8) or  
 6 IC 16-23 are also participants.

7 SECTION 8. IC 16-22-3-12 IS AMENDED TO READ AS  
 8 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 12. (a) The state board  
 9 of accounts:

10 (1) shall approve or prescribe the manner in which the hospital  
 11 records are kept;

12 (2) **except as provided in subsection (c)**, shall audit the records  
 13 of the hospital; and

14 (3) may approve forms for use by all hospitals or groups of  
 15 hospitals.

16 (b) The governing board may use the calendar year or a fiscal year  
 17 for maintaining hospital financial records. A hospital that receives a  
 18 financial subsidy from the county for hospital operations, excluding  
 19 mental health or ambulance services, during the preceding calendar or  
 20 fiscal year must file with the county executive and the county fiscal  
 21 body an annual report showing the income and expenses of the  
 22 operating fund for the preceding calendar or fiscal year by major  
 23 classification according to the chart of accounts approved by the state  
 24 board of accounts. If the hospital uses a calendar year for maintaining  
 25 financial records, the report must be filed not later than the last  
 26 Monday in March of each year. If the hospital uses a fiscal year for  
 27 maintaining financial records, the report must be filed not later than  
 28 ninety (90) days after the close of the fiscal year. The annual report  
 29 shall be published one (1) time. Hospital financial records may be kept  
 30 in hard copy, on microfilm, or via another data system acceptable to the  
 31 state board of accounts.

32 (c) **A hospital may elect to have an audit required under**  
 33 **subsection (a) performed by an independent certified public**  
 34 **accounting firm that is experienced in auditing hospitals. The audit**  
 35 **report must be kept on file at the hospital and a copy must be**  
 36 **provided to the state board of accounts. An audit by a certified**  
 37 **accounting firm must be performed pursuant to auditing standards**  
 38 **established in guidelines by the state board of accounts. However,**  
 39 **this subsection does not prevent the state board of accounts from**  
 40 **auditing a hospital while investigating a complaint against the**  
 41 **hospital.**

42 (d) **If a hospital elects to use an independent certified accounting**

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1 firm under subsection (c), the hospital shall provide written notice  
 2 to the state board of accounts not less than one hundred eighty  
 3 (180) days before the beginning of the hospital's fiscal year in  
 4 which the hospital elects to be audited by an accounting firm. For  
 5 the hospital's fiscal year, and each following fiscal year, the  
 6 hospital shall use an independent certified public accounting firm.  
 7 A hospital may terminate its use of an accounting firm under  
 8 subsection (c) by providing written notice to the state board of  
 9 accounts not less than one hundred eighty (180) days before the  
 10 beginning of the hospital's fiscal year in which the hospital elects  
 11 not to be audited by an accounting firm. For any fiscal year in  
 12 which the hospital does not use an independent certified public  
 13 accounting firm, the hospital shall be audited by the state board of  
 14 accounts.

15 SECTION 9. IC 16-22-3-21 IS AMENDED TO READ AS  
 16 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 21. (a) The governing  
 17 board may contract for and purchase, for the protection of the hospital,  
 18 all types of insurance provided for in the Indiana insurance law in  
 19 amounts and under terms and conditions the board considers  
 20 reasonable and necessary. The insurance may include liability or  
 21 malpractice coverage for the members of the board, the officers,  
 22 employees, volunteers, and members of medical staff committees while  
 23 performing services for the hospital. The board may, for the purpose of  
 24 acquiring malpractice coverage, assist in the formation of a  
 25 nonassessable mutual insurance company under IC 27-1-6 and  
 26 IC 27-1-7-19.

27 (b) The governing board of a hospital organized or operated  
 28 under this article may enter into a group purchasing agreement to  
 29 purchase medical malpractice insurance with the following:

30 (1) One (1) or more hospitals organized or operated under  
 31 this article.

32 (2) One (1) or more hospitals organized or operated under  
 33 IC 16-23.

34 SECTION 10. IC 16-22-3-28 IS AMENDED TO READ AS  
 35 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 28. (a) The governing  
 36 board may enter into agreements with credit card companies or  
 37 organizations authorized to do business in Indiana and may accept  
 38 credit card payments from patients for services provided.

39 (b) The board may, in the establishment and maintenance of hospital  
 40 records, use automated data processing systems and purchase, lease,  
 41 operate, or contract for the use of automated data processing equipment  
 42 subject to section 6 of this chapter and section 22 of this chapter.



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1 (c) In addition to IC 5-14-1.5-6.1(b), a hospital organized or  
 2 operated under this article ~~or IC 16-23-1~~ may hold executive sessions  
 3 to do any of the following:

- 4 (1) Discuss and prepare bids, proposals, or arrangements that will
- 5 be competitively awarded among health care providers.
- 6 (2) Discuss recruitment of health care providers.
- 7 (3) Discuss and prepare competitive marketing strategies.
- 8 (4) Engage in strategic planning.
- 9 (5) Participate in a motivational retreat with staff or personnel, if
- 10 the hospital does not conduct any official action (as defined in
- 11 IC 5-14-1.5-2(d)).

12 (d) IC 5-14-1.5-5, IC 5-14-1.5-6.1, and IC 5-14-1.5-7 apply to  
 13 executive sessions held under subsection (c).

14 (e) A hospital organized or operated under this article ~~or under~~  
 15 ~~IC 16-23-1~~ may hold confidential, until the information contained in  
 16 the records is announced to the public, records of a proprietary nature  
 17 that if revealed would place the hospital at a competitive disadvantage,  
 18 such as the following:

- 19 (1) Terms and conditions of preferred provider arrangements.
- 20 (2) Health care provider recruitment plans.
- 21 (3) Competitive marketing strategies regarding new services and
- 22 locations.

23 SECTION 11. IC 16-22-8-6.5 IS ADDED TO THE INDIANA  
 24 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 25 [EFFECTIVE JULY 1, 2002]: **Sec. 6.5. (a) In addition to**  
 26 **IC 5-14-1.5-6.1(b), the corporation may hold executive sessions**  
 27 **concerning the division of public hospitals to do any of the**  
 28 **following:**

- 29 (1) Discuss and prepare bids, proposals, or arrangements that
- 30 will be competitively awarded among health care providers.
- 31 (2) Discuss recruitment of health care providers.
- 32 (3) Discuss and prepare competitive marketing strategies.
- 33 (4) Engage in strategic planning.
- 34 (5) Participate in a motivational retreat with staff or
- 35 personnel if the corporation does not conduct any official
- 36 action (as defined in IC 5-14-1.5-2(d)).

37 (b) IC 5-14-1.5-5, IC 5-14-1.5-6.1, and IC 5-14-1.5-7 apply to  
 38 executive sessions held under subsection (a).

39 (c) The corporation may hold confidential, until the information  
 40 contained in the records is announced to the public, records of a  
 41 proprietary nature that if revealed would place the corporation at  
 42 a competitive disadvantage, including the following:

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- (1) Terms and conditions of preferred provider arrangements.**
- (2) Health care provider recruitment plans.**
- (3) Competitive marketing strategies regarding new services and locations.**

SECTION 12. IC 16-22-8-34.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 34.5. The governing board of the corporation may enter into a group purchasing agreement to purchase medical malpractice insurance with the following:**

- (1) One (1) or more hospitals organized or operated under this article.**
- (2) One (1) or more hospitals organized or operated under IC 16-23.**

SECTION 13. IC 16-22-13-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 1.** This chapter applies to a nonprofit hospital corporation that meets the following conditions:

- (1) Is established in or within one (1) mile of a city.
- (2) Has articles of incorporation or a constitution or bylaws that provide the following:
  - (A) The incorporators shall be the first board of trustees, which is the sole governing board, and which elects successors at stated periods from reputable citizens of the city and vicinity who meet the following conditions:
    - (i) Include one (1) licensed physician.
    - (ii) Are persons interested in the benevolent work of the hospital, chosen without reference to political or sectarian influence.
    - (iii) Receive no compensation for services.
  - (B) The corporation's general corporate powers will be exercised by a board of directors, who meet the following conditions:
    - (i) May include one (1) licensed physician.
    - (ii) Are residents of the **city county** in which the hospital is located and elected by a board of electors consisting of representatives from each organized church, religious association, labor union and fraternal, charitable, military, patriotic, and civic organization in the city.
- (3) The revenue derived from the care of persons able to pay for services and from all other sources is expended in the maintenance of the hospital and for the care of persons who are unable to pay, to the extent of the hospital's ability to assist, so that revenues are insufficient to support and maintain the hospital

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1 and enable the hospital to supply the demand for hospital care and  
2 nursing in the city and community.

3 SECTION 14. IC 16-23-1-3 IS AMENDED TO READ AS  
4 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) A governing  
5 board shall manage the hospital. The board consists of ~~the following~~  
6 seven (7) members, all of whom must be qualified voters of the county  
7 in which the hospital is located.

8 ~~(1) Three (3) members must be residents of the city:~~

9 ~~(2) Three (3) members must be residents of the county living~~  
10 ~~outside the corporate limits of the city:~~

11 ~~(3) The seventh member may reside either inside or outside the~~  
12 ~~city:~~

13 ~~(b) Not more than four (4) members may be affiliated with one (1)~~  
14 ~~political party:~~

15 ~~(c) (b) One (1) or two (2) of the members must may be a licensed~~  
16 ~~and practicing physician. One (1) member must may be a registered~~  
17 ~~nurse.~~

18 ~~(d) (c) The governing board is a separate legal entity under the name~~  
19 ~~and style of "Board of Directors of \_\_\_\_\_ Hospital, \_\_\_\_\_,~~  
20 ~~Indiana".~~

21 SECTION 15. IC 16-23-1-19 IS AMENDED TO READ AS  
22 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 19. (a) The governing  
23 board shall do the following:

24 (1) Control and manage the city hospital.

25 (2) Make and establish all necessary or proper bylaws and rules  
26 for the maintenance and operation of the hospital.

27 (3) Fix reasonable rates to patients for rooms, care, treatment, and  
28 service that are necessary or proper to fulfill the purposes and  
29 functions of the hospital.

30 **(b) In addition to IC 5-14-1.5-6.1(b), a hospital organized or**  
31 **operated under this article may hold executive sessions to do any**  
32 **of the following:**

33 **(1) Discuss and prepare bids, proposals, or arrangements that**  
34 **will be competitively awarded among health care providers.**

35 **(2) Discuss recruitment of health care providers.**

36 **(3) Discuss and prepare competitive marketing strategies.**

37 **(4) Engage in strategic planning.**

38 **(5) Participate in a motivational retreat with staff or**  
39 **personnel if the hospital does not conduct any official action**  
40 **(as defined in IC 5-14-1.5-2(d)).**

41 **(c) IC 5-14-1.5-5, IC 5-14-1.5-6.1, and IC 5-14-1.5-7 apply to**  
42 **executive sessions held under subsection (b).**



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**(d) A hospital organized or operated under this article may hold confidential, until the information contained in the records is announced to the public, records of a proprietary nature that if revealed would place the hospital at a competitive disadvantage, including the following:**

- (1) Terms and conditions of preferred provider arrangements.**
- (2) Health care provider recruitment plans.**
- (3) Competitive marketing strategies regarding new services and locations.**

**SECTION 16. IC 16-23-1-19.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 19.5. The governing board of a hospital organized or operated under this article may enter into a group purchasing agreement to purchase medical malpractice insurance with the following:**

- (1) One (1) or more hospitals organized or operated under this article.**
- (2) One (1) or more hospitals organized or operated under IC 16-22.**

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## COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Health, to which was referred House Bill 1259, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 5, line 35, delete "(2)".

Page 5, line 35, strike "At least one (1) member, but" and insert **"(2)"**.

Page 5, line 35, delete "not" and insert "Not".

Page 5, line 36, delete ",".

Page 5, line 37, after "(5)" insert **"(2)"**.

Page 5, line 37, reset in roman "One (1) member".

Page 5, line 37, after "must" insert **"may"**.

Page 5, line 37, reset in roman "be a registered nurse licensed to".

Page 5, reset in roman line 38.

Page 6, delete lines 27 through 31.

Page 7, line 41, after "accounts." insert **"An audit by a certified accounting firm must be performed pursuant to auditing standards established in guidelines by the state board of accounts."**

Page 8, between lines 1 and 2, begin a new paragraph and insert:

**"(d) If a hospital elects to use an independent certified accounting firm under subsection (c), the hospital shall provide written notice to the state board of accounts not less than one hundred eighty (180) days before the beginning of the hospital's fiscal year in which the hospital elects to be audited by an accounting firm. For the hospital's fiscal year, and each following fiscal year, the hospital shall use an independent certified public accounting firm. A hospital may terminate its use of an accounting firm under subsection (c) by providing written notice to the state board of accounts not less than one hundred eighty (180) days before the beginning of the hospital's fiscal year in which the hospital elects not to be audited by an accounting firm. For any fiscal year in which the hospital does not use an independent certified public accounting firm, the hospital shall be audited by the state board of accounts."**

Page 8, line 15, delete "an" and insert **"a group purchasing"**.

Page 8, line 15, delete "the".

Page 8, line 16, delete "hospital's group".

Page 8, delete lines 41 through 42.

Page 9, delete lines 1 through 7.

Page 9, line 22, after "sessions" insert **"concerning the division of public hospitals"**

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Page 9, delete lines 32 through 40.

Page 10, delete lines 9 through 35.

Page 10, line 39, delete "an" and insert "**a group purchasing**".

Page 10, line 39, delete "the".

Page 10, line 40, delete "corporation's group".

Page 12, delete lines 31 through 39.

Page 13, line 12, delete "an" and insert "**a group purchasing**".

Page 13, line 13, delete "the hospital's group".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1259 as introduced.)

BROWN C, Chair

Committee Vote: yeas 13, nays 0.

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