Office of the Attorney General

Benefit-Cost Analysis for the Rules and Regulations Pertaining to the Hospital Conversions Act
110-RICR-30-00-3

I. Background on Hospital Conversions Act Regulations

The Office of the Attorney General (the "Office") proposes targeted amendments to its existing Rules and Regulations Pertaining to the Hospital Conversions Act ("HCA" or "Act"), 110-RICR-30-00-3. The HCA, R.I. Gen. Laws Chapter 23-17.14, establishes a review and oversight framework for covered hospital conversions, including review of proposed transactions, conditions of approval, and monitoring of compliance after approval.

R.I. Gen. Laws § 23-17.14-32(b) provides that the Office may adopt regulations to accomplish the Act's purposes. Section 23-17.14-30 authorizes the Attorney General, after notice and opportunity for a prompt and fair hearing, to take corrective action and impose a fine of up to $2,000,000 for knowing violations or failures to comply with the Act or for willingly or knowingly providing false or incorrect information.

The proposed amendments implement this existing statutory authority and do not establish any new regulatory program or independent penalty authority. Rather, they are designed, in part, to codify the Office's longstanding practices, including notifying parties of apparent noncompliance before the imposition of fines. More broadly, the amendments overarching purpose is to promote uniformity and transparency in enforcement approaches utilized by the Office.

II. Description of the Policy Established by the Rule

The proposed amendments establish a defined process for identifying violations, providing notice, determining fines, and affording an opportunity to contest enforcement action. They provide nonexhaustive examples of conduct subject to penalties, including knowing failures to obtain required approval, comply with approval conditions, meet applicable charity-care requirements, or furnish truthful and complete information in applications and required reporting.

The amendments define key terms used in potential enforcement actions, including letters of deficiency, which notify a transacting party of an actual, suspected, or threatened violation and may provide a compliance deadline, and notices of violation, which identify the alleged legal violation, proposed fine or other relief, and applicable cure options. The amendments also address circumstances for determining knowing or willful noncompliance and include provisions for hearings in contested cases pursuant to R.I. Gen. Laws § 42-35-9.

To promote proportionality, the amendments establish a discretionary penalty matrix based on the type of violation and the extent of deviation from compliance, along with factors relevant to calculating fines. Matrix amounts range up to $25,000 per violation. The proposal preserves the

Attorney General's statutory authority to assess fines of up to $2,000,000 per violation for discrete violations when warranted. It also permits incremental accrual of fines for continuing violations and addresses final orders and enforcement thereof.

III. Assessment of the Proposed Rule's Benefits and Costs to the State of Rhode Island

a. Benefits to the State of Rhode Island

Effective HCA enforcement protects important State interests. Hospital conversions can affect access to health services, the use of charitable assets, and the continued fulfillment of commitments made during the HCA review and monitoring process. The Act's review and monitoring framework enables the Office and Department of Health to evaluate proposed transactions and, where appropriate, condition approval to protect the public interest. Compliance is essential to realizing those statutory protections. The proposed amendments achieve the following benefits to the State:

Improved compliance and oversight. Clear enforcement expectations should encourage transacting parties to supply accurate and timely information during application review, respond to information requests, and submit reliable post-approval reports. Such information is critical to informed review and to determining whether transactions are carried out consistently with approval decisions and any imposed conditions. The Office's ability to pursue meaningful responses to noncompliance also helps protect the integrity of ongoing monitoring, which is essential to ensuring health care services continue to be delivered consistent with regulatory expectations.

Clarity, consistency, and due process. Defined notices, stated hearing rights, and a structured approach to fine calculations should improve predictability for transacting parties and consistency in enforcement decisions. The proposed framework requires identification of the alleged violation and the amount of a proposed fine, while retaining flexibility to address violations outside of the proposed penalty matrix as warranted by the circumstances. These provisions further the statutory requirement of notice and a fair hearing and strengthen the Office's ability to pursue enforceable orders through procedures consistent with the Rhode Island Administrative Procedures Act ("APA").

b. Costs to the State of Rhode Island

The Office anticipates minimal incremental costs to the State and affected parties. The Office already provides notice when addressing apparent violations, and § 23-17.14-30 already requires an opportunity for a prompt and fair hearing in contested cases before penalties are imposed. The proposed amendments standardize these practices. Some staff time may be needed to prepare notices, apply and document the penalty framework, and administer contested-case proceedings in accordance with the APA, but those functions substantially overlap existing responsibilities.

Transacting parties may incur limited administrative costs to review the clarified procedures, respond to notices, or participate in hearings. The amendments do not impose any new fees, create a new category of regulated entities, nor require significant capital expenditures. Potential

fines arise from the Act's preexisting enforcement authority and noncompliance. The Office does not anticipate a significant new economic burden on small businesses.

c. Alternative Approaches

Consistent with R.I. Gen. Laws § 42-35-2.9, the Office considered a range of alternatives to the proposed regulation, including maintaining the existing regulation without amendment or issuing nonbinding guidance. The Office determined that taking no action would leave regulated parties without a sufficiently clear, published framework for notice, hearing procedures, and graduated fine determinations. Nonbinding guidance could describe Office practices, but would not carry the same force of law or provide the same procedural clarity. Accordingly, the Office determined that targeted amendments to the existing regulation were the most effective and least burdensome means of advancing compliance, fairness, and enforceability.

d. Duplication of Regulation

The Office considered potential overlap with other State laws and regulations, including the separate HCA oversight responsibilities of the Department of Health and the procedures established by the APA. In doing so, the Office identified no other State law or regulation that duplicates the proposed Office-specific process for providing notice, determining fines, and adjudicating alleged violations under the Attorney General's HCA authority.

IV. Conclusion: Benefits of the Proposed Rule Justify the Costs

Based on the foregoing analysis, the Office concluded that the proposed amendments provide meaningful benefits in compliance, public protection, and administrative consistency and fairness, without adding any material incremental costs. By defining a clear, transparent, and sufficiently flexible penalty framework, the amendments will improve review and post-approval oversight under the HCA. The benefits of the proposed amendments therefore justify their costs and advance important statutory purposes under the HCA.