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**HOUSE BILL NO. 2335**

**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the Senate Committee for Courts of Justice  
on February 12, 1997)

(Patron Prior to Substitute—Delegate Croshaw)

A BILL to amend the Code of Virginia by adding in Title 55 a chapter numbered 30, consisting of sections numbered 55-531, 55-532 and 55-533, relating to disposition of assets by nonprofit health care entities.

**Be it enacted by the General Assembly of Virginia:**

**1. That the Code of Virginia is amended by adding in Title 55 a chapter numbered 30, consisting of sections numbered 55-531, 55-532, and 55-533, as follows:**

**CHAPTER 30.**

**DISPOSITION OF ASSETS BY NONPROFIT HEALTH CARE ENTITIES.**

**§ 55-531. Definitions.**

As used in this chapter, the following words shall have the following meanings:

"Disposition of assets" means any action undertaken by a nonprofit entity to dispose of control of all or substantially all of its assets pursuant to an agreement of sale, transfer, lease, exchange, option, joint venture, or partnership, or to restructure the nonprofit entity or its assets resulting in a change in control or governance of the entity or assets.

"Nonprofit entity" means an entity that is exempt from taxation under 26 U.S.C. § 501(c)(3), and is one of the following: a hospital licensed under Chapter 5 (§ 32.1-123 et seq.) of Title 32.1 or Chapter 8 (§ 37.1-179 et seq.) of Title 37.1, a health services plan licensed under Chapter 42 (§ 38.2-4200 et seq.) of Title 38.2, or a health maintenance organization licensed under Chapter 43 (§ 38.2-4300 et seq.) of Title 38.2

**§ 55-532. Obligations of nonprofit entity.**

Prior to disposition of assets, any nonprofit entity shall provide to the Attorney General written notice, on a form provided by the Attorney General, of its intent to dispose of such assets, including the terms of the proposal. The notice shall be given at least sixty days in advance of the effective date of such proposed transaction in order that the Attorney General may exercise his common law and statutory authority over the activities of these organizations. The Attorney General may employ expert assistance in reviewing any proposed transaction and such reasonable expenses incurred by the Attorney General shall be paid by a party to the proposed transaction.

Within ten days of receipt of the notice from the entity, the Attorney General shall give general notice of the proposed transaction to the local governing body of the jurisdiction in which the entity is located and shall cause a public notice of the transaction to be published in a newspaper in which legal notices may be published in that jurisdiction. Notice given to a local governing body pursuant to this section shall confer no substantive or procedural rights or obligations.

Notice to the Attorney General pursuant to this section shall be given for State Corporation Commission approval sought pursuant to Article 11 (§ 13.1-898.1) of Chapter 10 of Title 13.1 and §§ 38.2-203 and 38.2-1322 through 38.2-1328 and subdivision A 1 of § 38.2-4316. Such notice need not be given where the State Corporation Commission determines, in its sole discretion, that there is a reasonable expectation that the health services plan or health maintenance organization referenced herein will not be able to meet its obligations to subscribers or enrollees.

The provisions of this section shall not apply to any disposition of assets subject to the provisions of § 38.2-4214.1, or § 38.2-4317 or any of the provisions of Chapter 15 ( § 38.2-1500 et seq.) of Title 38.2.

**§ 55-533. Applicability of chapter.**

This chapter shall apply to any disposition of assets proposed to take effect on or after July 1, 1997.