

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

# HOUSE BILL 2454

AN ACT

AMENDING SECTIONS 36-422 AND 36-425, ARIZONA REVISED STATUTES; RELATING TO  
HEALTH CARE INSTITUTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 36-422, Arizona Revised Statutes, is amended to  
3 read:  
4 36-422. Application for license; notification of proposed  
5 change in status; joint licenses; definitions  
6 A. A person who wishes to be licensed under this chapter to operate a  
7 health care institution shall file with the department an application on a  
8 form prescribed, prepared and furnished by the department. The application  
9 shall contain the following:  
10 1. The name and location of the health care institution.  
11 2. Whether it is to be operated as a proprietary or nonproprietary  
12 institution.  
13 3. The name of the governing authority. The applicant shall be the  
14 governing authority having the operative ownership of, or the governmental  
15 agency charged with the administration of, the health care institution sought  
16 to be licensed.  
17 4. The name and business or residential address of each controlling  
18 person and an affirmation that none of the controlling persons has been  
19 denied a license or certificate issued by a health profession regulatory  
20 board pursuant to title 32 or issued by a state agency pursuant to chapter 6,  
21 article 7 or chapter 17 of this title or a license to operate a health care  
22 institution in this state or another state or has had a license or  
23 certificate issued by a health profession regulatory board pursuant to title  
24 32 or issued by a state agency pursuant to chapter 6, article 7 or chapter 17  
25 of this title or a license to operate a health care institution revoked. If  
26 a controlling person has been denied a license or certificate issued by a  
27 health profession regulatory board pursuant to title 32 or issued by a state  
28 agency pursuant to chapter 6, article 7 or chapter 17 of this title or a  
29 license to operate a health care institution in this state or another state  
30 or has had a health care professional license or a license to operate a  
31 health care institution revoked, the controlling person shall include in the  
32 application a comprehensive description of the circumstances for the denial  
33 or the revocation.  
34 5. The class or subclass of health care institution to be established  
35 or operated.  
36 6. The types and extent of the health care services to be provided,  
37 including emergency services, community health services and services to  
38 indigent patients.  
39 7. The name and qualifications of the chief administrative officer  
40 implementing direction in that specific health care institution.  
41 8. Other pertinent information required by the department for the  
42 proper administration of this chapter and department rules.  
43 B. An application filed pursuant to this section shall be signed as  
44 follows:

1           1. If the applicant is an individual, by the owner of the health care  
2 institution.  
3           2. If the applicant is a partnership or corporation, by two of the  
4 partnership's or corporation's officers.  
5           3. If the applicant is a governmental unit, by the head of the  
6 governmental unit.  
7           C. An application for licensure or relicensure shall be filed at least  
8 sixty but not more than one hundred twenty days before the anticipated  
9 operation or the expiration date of the current license. An application for  
10 a substantial compliance survey submitted pursuant to section 36-425,  
11 subsection ~~C~~ D shall be filed at least thirty days before the date on which  
12 the substantial compliance survey is requested.  
13           D. If a current licensee intends to terminate the operation of a  
14 licensed health care institution or if a change of ownership is planned  
15 either during or at the expiration of the term of the license, the current  
16 licensee shall notify the director in writing at least thirty days before the  
17 termination of operation or change in ownership is to take place. The  
18 current licensee is responsible for preventing any interruption of services  
19 required to sustain the life, health and safety of the patients or residents.  
20 A new owner shall not begin operating the health care institution until the  
21 director issues a license.  
22           E. A licensed health care institution for which operations have not  
23 been terminated for more than thirty days may be relicensed pursuant to the  
24 standards that were applicable under its most recent license.  
25           F. If a person operates a hospital in a setting that includes  
26 facilities of the hospital that are located separately from the main hospital  
27 building, the department at the request of the applicant or licensee shall  
28 issue a single group license to the hospital and its designated facilities  
29 located within one-half mile of the main hospital building if all of the  
30 facilities meet or exceed department licensure requirements for the  
31 designated facilities. At the request of the applicant or licensee, the  
32 department shall also issue a single group license that includes the hospital  
33 and not more than five of its designated satellite facilities that are  
34 located farther than one-half mile from the main hospital building if all of  
35 these facilities meet or exceed applicable department licensure requirements.  
36 Each facility included under a single group license is subject to the  
37 department's licensure requirements that are applicable to that category of  
38 facility. Subject to compliance with applicable licensure or accreditation  
39 requirements the department shall reissue individual licenses for the  
40 facility of a hospital located in separate buildings from the main hospital  
41 building when requested by the hospital. This subsection does not apply to  
42 nursing care institutions and residential care institutions. The department  
43 is not limited in conducting inspections of an accredited health care  
44 institution to ensure that the institution meets department licensure  
45 requirements.

1 G. If a county with a population of more than one million persons or a  
2 special health care district in a county with a population of more than one  
3 million persons operates an accredited hospital that includes the hospital's  
4 accredited facilities that are located separately from the main hospital  
5 building and the accrediting body's standards as applied to all facilities  
6 meet or exceed the department's licensure requirements, the department shall  
7 issue a single license to the hospital and its facilities if requested to do  
8 so by the hospital. If a hospital complies with applicable licensure or  
9 accreditation requirements, the department shall reissue individual licenses  
10 for each hospital facility that is located in a separate building from the  
11 main hospital building if requested to do so by the hospital. This  
12 subsection does not limit the department's duty to inspect a health care  
13 institution to determine its compliance with department licensure standards.  
14 This subsection does not apply to nursing care institutions and residential  
15 care institutions.

16 H. An applicant or licensee must notify the department within thirty  
17 days after any change regarding a controlling person and provide the  
18 information and affirmation required pursuant to subsection A, paragraph 4 of  
19 this section.

20 I. This section does not limit the application of federal laws and  
21 regulations to an applicant or licensee certified as a medicare or an Arizona  
22 health care cost containment system provider under federal law.

23 J. For the purposes of this section:

24 1. "Accredited" means accredited by a nationally recognized  
25 accreditation organization.

26 2. "Satellite facility" means an outpatient facility at which the  
27 hospital provides outpatient medical services.

28 Sec. 2. Section 36-425, Arizona Revised Statutes, is amended to read:

29 36-425. Inspections; issuance of license; posting of  
30 deficiencies; provisional license; denial of license

31 A. On receipt of a properly completed application for initial  
32 licensure or relicensure, the director shall conduct an inspection of the  
33 health care institution as prescribed by this chapter. If an application for  
34 a license is submitted due to a planned change of ownership, the director  
35 shall determine the need for an inspection of the health care  
36 institution. Based on the results of the inspection, the director shall  
37 either deny the license or issue a regular or provisional license. A license  
38 issued by the department shall be conspicuously posted in the reception area  
39 of that institution. If the health care institution is an accredited  
40 hospital at the time of licensure, the licensure term is three years from the  
41 expiration date of the hospital's current license, or in the case of an  
42 initial license based on a change of ownership, the licensure term is three  
43 years beginning on the effective date of the hospital's current  
44 accreditation.

1           B. The director shall issue a regular license if the director  
2 determines that an applicant and the health care institution for which the  
3 license is sought substantially comply with the requirements of this chapter  
4 and rules adopted pursuant to this chapter and the applicant agrees to carry  
5 out a plan acceptable to the director to eliminate any deficiencies. The  
6 license is valid for up to two years from the date it is issued if the  
7 facility, on expiration of the initial one-year license, has no deficiencies  
8 at the time the department conducts the subsequent licensing  
9 inspections. The director shall not require a health care institution that  
10 was designated as a critical access hospital to make any modifications  
11 required by this chapter or rules adopted pursuant to this chapter in order  
12 to obtain an amended license with the same licensed capacity the health care  
13 institution had before it was designated as a critical access hospital if all  
14 of the following are true:

15           1. The health care institution has subsequently terminated its  
16 critical access hospital designation.

17           2. The licensed capacity of the health care institution does not  
18 exceed its licensed capacity prior to its designation as a critical access  
19 hospital.

20           3. The health care institution remains in compliance with the  
21 applicable codes and standards that were in effect at the time the facility  
22 was originally licensed with the higher licensed capacity.

23           C. THE DIRECTOR SHALL PERMIT A HOSPITAL LICENSED AS A RURAL GENERAL  
24 HOSPITAL TO PROVIDE INTENSIVE CARE SERVICES IN EXISTING MEDICAL-SURGICAL BEDS  
25 IN CONFORMITY WITH DEPARTMENTAL REGULATIONS FOR THE PROVISION OF INTENSIVE  
26 CARE SERVICES.

27           ~~C.~~ D. The director shall issue a provisional license for a period of  
28 not more than one year if an inspection or investigation of a currently  
29 licensed health care institution or a health care institution for which an  
30 applicant is seeking initial licensure reveals that the institution is not in  
31 substantial compliance with department licensure requirements and the  
32 director believes that the immediate interests of the patients and the  
33 general public are best served if the institution is given an opportunity to  
34 correct deficiencies. The applicant or licensee shall agree to carry out a  
35 plan to eliminate deficiencies that is acceptable to the director. The  
36 director shall not issue consecutive provisional licenses to a single health  
37 care institution. The director shall not issue a regular license to the  
38 current licensee or a successor applicant before the expiration of the  
39 provisional license unless the health care institution submits an application  
40 for a substantial compliance survey and is found to be in substantial  
41 compliance. The director may issue a regular license only if the director  
42 determines that the institution is in substantial compliance with the  
43 licensure requirements of the department and this chapter. This subsection  
44 does not prevent the director from taking action to protect the safety of  
45 patients pursuant to section 36-427.

1           ~~D.~~ E. Subject to the confidentiality requirements of articles 4 and 5  
2 of this chapter, title 12, chapter 13, article 7.1 and section 12-2235, the  
3 licensee shall keep current department inspection reports at the health care  
4 institution. Unless federal law requires otherwise, the licensee shall  
5 conspicuously post a notice that identifies the location at that institution  
6 where the inspection reports are available for review.

7           ~~E.~~ F. A health care institution shall immediately notify the  
8 department in writing when there is a change of the chief administrative  
9 officer specified in section 36-422, subsection A, paragraph 7.

10          ~~F.~~ G. When the department issues an original regular license or an  
11 original provisional license to a health care institution it shall notify the  
12 owners and lessees of any agricultural land within one-fourth mile of the  
13 health care institution. The health care institution shall provide the  
14 department with the names and addresses of owners or lessees of agricultural  
15 land within one-fourth mile of the proposed health care institution.

16          ~~G.~~ H. In addition to the grounds for denial of licensure prescribed  
17 pursuant to subsection A of this section, the director may deny a license  
18 because an applicant or anyone in a business relationship with the applicant,  
19 including stockholders and controlling persons, has had a license to operate  
20 a health care institution denied, revoked or suspended or a license or  
21 certificate issued by a health profession regulatory board pursuant to title  
22 32 or issued by a state agency pursuant to chapter 6, article 7 or chapter 17  
23 of this title denied, revoked or suspended or has a licensing history of  
24 recent serious violations occurring in this state or in another state that  
25 posed a direct risk to the life, health or safety of patients or residents.

26          ~~H.~~ I. In addition to the requirements of this chapter, the director  
27 may prescribe by rule other licensure requirements and may prescribe  
28 procedures for conducting investigations into an applicant's character and  
29 qualifications.