

House Engrossed Senate Bill

~~health facilities; anonymous complaints; prohibition~~  
(now: health facilities; licensure; surveys)

State of Arizona  
Senate  
Fifty-seventh Legislature  
Second Regular Session  
2026

# SENATE BILL 1345

AN ACT

AMENDING SECTIONS 36-405 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 36-405, Arizona Revised Statutes, is amended to  
3 read:

4 36-405. Powers and duties of the director

5 A. The director shall adopt rules to establish minimum standards  
6 and requirements for constructing, modifying and licensing health care  
7 institutions necessary to ensure the public health, safety and welfare.  
8 The standards and requirements shall relate to the construction,  
9 equipment, sanitation, staffing for medical, nursing and personal care  
10 services, and recordkeeping pertaining to administering medical, nursing,  
11 behavioral health and personal care services, in accordance with generally  
12 accepted practices of health care. The standards shall require that a  
13 physician who is licensed pursuant to title 32, chapter 13 or 17 medically  
14 discharge patients from surgery and shall allow an outpatient surgical  
15 center to require that either an anesthesia provider who is licensed  
16 pursuant to title 32, chapter 13, 15 or 17 or a physician who is licensed  
17 pursuant to title 32, chapter 13 or 17 remain present on the premises  
18 until all patients are discharged from the recovery room. Except as  
19 otherwise provided in this subsection, the director shall use the current  
20 standards adopted by the joint commission on accreditation of hospitals  
21 and the commission on accreditation of the American osteopathic  
22 association or those adopted by any recognized accreditation organization  
23 approved by the department as guidelines in prescribing minimum standards  
24 and requirements under this section.

25 B. The director, by rule, may:

26 1. Classify and subclassify health care institutions according to  
27 character, size, range of services provided, medical or dental specialty  
28 offered, duration of care and standard of patient care required for the  
29 purposes of licensure. Classes of health care institutions may include  
30 hospitals, infirmaries, outpatient treatment centers, health screening  
31 services centers and residential care facilities. Whenever the director  
32 reasonably deems distinctions in rules and standards to be appropriate  
33 among different classes or subclasses of health care institutions, the  
34 director may make such distinctions.

35 2. Prescribe standards for determining a health care institution's  
36 substantial compliance with licensure requirements.

37 3. Prescribe the criteria for the licensure inspection process.

38 4. Prescribe standards for selecting health care-related  
39 demonstration projects.

40 5. Establish nonrefundable application, **INITIAL LICENSURE**  
41 **INSPECTION** and licensing fees for health care institutions, including a  
42 grace period and a fee for the late payment of licensing fees.

43 6. Establish a process for the department to notify a licensee of  
44 the licensee's licensing fee due date.

1           7. Establish a process for a licensee to request a different  
2 licensing fee due date, including any limits on the number of requests by  
3 the licensee.

4           C. The director, by rule, shall adopt licensing provisions that  
5 facilitate the colocation and integration of outpatient treatment centers  
6 that provide medical, nursing and health-related services with behavioral  
7 health services consistent with article 3.1 of this chapter.

8           D. The director shall establish a model in rule for the department  
9 to monitor health care institutions on-site that are found to not be in  
10 substantial compliance with the applicable licensure requirements. The  
11 director shall establish on-site monitoring fees for health care  
12 institutions that are subject to the on-site monitoring requirements. The  
13 department may not charge a fee pursuant to this subsection for a  
14 complaint or compliance-related survey or inspection if a health care  
15 institution is in substantial compliance.

16           E. The department may provide in-service training to health care  
17 institutions that request in-service training relating to regulatory  
18 compliance outside of the survey process. The director shall establish in  
19 rule in-service training fees for health care institutions that request  
20 in-service training from the department.

21           F. Ninety percent of the fees collected pursuant to this section  
22 shall be deposited, pursuant to sections 35-146 and 35-147, in the health  
23 services licensing fund established by section 36-414 and ten percent of  
24 the fees collected pursuant to this section shall be deposited, pursuant  
25 to sections 35-146 and 35-147, in the state general fund.

26           G. Subsection B, paragraph 5 of this section does not apply to a  
27 health care institution operated by a state agency pursuant to state or  
28 federal law or to adult foster care residential settings.

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

31           36-425. Inspections; issuance of license; posting  
32           requirements; provisional license; denial of  
33           license

34           A. On receipt of a properly completed application for a health care  
35 institution license, the director shall conduct an inspection of the  
36 health care institution as prescribed by this chapter. If an application  
37 for a license is submitted due to a planned change of ownership, the  
38 director shall determine the need for an inspection of the health care  
39 institution. Based on the results of the inspection and after the  
40 submission of the applicable licensing fee, the director shall either deny  
41 the license or issue a regular or provisional license. A license issued by  
42 the department shall be posted in a conspicuous location in the reception  
43 area of that health care institution.

44           B. The director shall issue a license if the director determines  
45 that an applicant and the health care institution for which the license is

1 sought substantially comply with the requirements of this chapter and  
2 rules adopted pursuant to this chapter and the applicant agrees to carry  
3 out a plan acceptable to the director to eliminate any deficiencies. The  
4 director shall not require a health care institution that was designated  
5 as a critical access hospital to make any modifications required by this  
6 chapter or rules adopted pursuant to this chapter in order to obtain an  
7 amended license with the same licensed capacity the health care  
8 institution had before it was designated as a critical access hospital if  
9 all of the following are true:

10 1. The health care institution has subsequently terminated its  
11 critical access hospital designation.

12 2. The licensed capacity of the health care institution does not  
13 exceed its licensed capacity before its designation as a critical access  
14 hospital.

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

18 C. A health care institution license does not expire and remains  
19 valid unless:

20 1. The department subsequently revokes or suspends the license.

21 2. The license is considered void because the licensee did not pay  
22 the licensing fee, civil penalties or provider agreement fees before the  
23 relevant due date or did not enter into an agreement with the department  
24 before the relevant due date to pay all outstanding fees or civil  
25 penalties.

26 D. Except as provided in section 36-424, subsection B and  
27 subsection E of this section, the department shall conduct a compliance  
28 inspection of a health care institution to determine compliance with this  
29 chapter and rules adopted pursuant to this chapter at least once annually.

30 E. If the department determines a facility, except for a  
31 residential care institution or a nursing care institution that does not  
32 have the same direct owner or indirect owner as a hospital licensed  
33 pursuant to this chapter, to be deficiency free on a compliance survey,  
34 the department shall not conduct a compliance survey of that facility for  
35 twenty-four months after the date of the deficiency free survey. This  
36 subsection does not prohibit the department from enforcing licensing  
37 requirements as authorized by section 36-424.

38 F. A hospital licensed as a rural general hospital may provide  
39 intensive care services.

40 G. The director shall issue a provisional license for a period of  
41 not more than one year if an inspection or investigation of a currently  
42 licensed health care institution or a health care institution for which an  
43 applicant is seeking a license reveals that the health care institution is  
44 not in substantial compliance with department licensure requirements and  
45 the director believes that the immediate interests of the patients and the

1 general public are best served if the health care institution is given an  
2 opportunity to correct deficiencies. The applicant or licensee shall  
3 agree to carry out a plan to eliminate deficiencies that is acceptable to  
4 the director. The director shall not issue consecutive provisional  
5 licenses to a single health care institution. The director shall not  
6 issue a license to the current licensee or a successor applicant before  
7 the expiration of the provisional license unless the health care  
8 institution submits an application for a substantial compliance survey and  
9 is found to be in substantial compliance. The director may issue a  
10 license only if the director determines that the health care institution  
11 is in substantial compliance with the licensure requirements of the  
12 department and this chapter. This subsection does not prevent the  
13 director from taking action to protect the safety of patients pursuant to  
14 section 36-427.

15 H. Subject to the confidentiality requirements of articles 4 and 5  
16 of this chapter, title 12, chapter 13, article 7.1 and section 12-2235,  
17 the licensee shall keep current department inspection reports at the  
18 health care institution. Unless federal law requires otherwise, the  
19 licensee shall post in a conspicuous location a notice that identifies the  
20 location at that health care institution where the inspection reports are  
21 available for review.

22 I. A health care institution shall immediately notify the  
23 department in writing when there is a change of the chief administrative  
24 officer specified in section 36-422, subsection A, paragraph 1,  
25 subdivision (g).

26 J. When the department issues an original license or an original  
27 provisional license to a health care institution, it shall notify the  
28 owners and lessees of any agricultural land within one-fourth mile of the  
29 health care institution. The health care institution shall provide the  
30 department with the names and addresses of owners or lessees of  
31 agricultural land within one-fourth mile of the proposed health care  
32 institution.

33 K. In addition to the grounds for denial of licensure prescribed  
34 pursuant to subsection A of this section, the director may deny a license  
35 because an applicant or anyone in a business relationship with the  
36 applicant, including stockholders and controlling persons, has had a  
37 license to operate a health care institution denied, revoked or suspended  
38 or a license or certificate issued by a health profession regulatory board  
39 pursuant to title 32 or issued by a state agency pursuant to chapter 6,  
40 article 7 or chapter 17 of this title denied, revoked or suspended or has  
41 a licensing history of recent serious violations occurring in this state  
42 or in another state that posed a direct risk to the life, health or safety  
43 of patients or residents.

- 1           L. THE DEPARTMENT SHALL:  
2           1. WITHIN NINETY DAYS AFTER RECEIVING A COMPLETE INITIAL  
3 APPLICATION FOR A HEALTH CARE INSTITUTION LICENSE, APPROVE OR DENY THE  
4 APPLICATION.  
5           2. WITHIN THIRTY DAYS AFTER RECEIVING SURVEY RESULTS COMPLETED BY A  
6 THIRD-PARTY ACCREDITATION ORGANIZATION, REVIEW AND SUBMIT TO THE MEDICARE  
7 ADMINISTRATIVE CONTRACTOR FOR CERTIFICATION SURVEY RESULTS THAT MEET THE  
8 REQUIREMENTS OF THE CENTERS FOR MEDICARE AND MEDICAID SERVICES.  
9           ~~L.~~ M. In addition to the requirements of this chapter, the  
10 director may prescribe by rule other licensure requirements.