

# SENATE BILL 619

G2, F2

EMERGENCY BILL

9lr2510

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By: **Senator Carter**

Introduced and read first time: February 4, 2019

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: March 28, 2019

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **University of Maryland Medical System Corporation – Board of ~~Directors~~**  
3 **~~Conflicts of Interest, Prestige of Office, and Financial Disclosure~~**  
4 **Directors, Ethics, and Performance Audits**

5 FOR the purpose of ~~prohibiting a member of the Board of Directors of the University of~~  
6 ~~Maryland Medical System Corporation from being employed by or having a financial~~  
7 ~~interest in an entity subject to the authority of the University of Maryland Medical~~  
8 ~~System Corporation; prohibiting a member of the Board from intentionally using the~~  
9 ~~prestige of office for private gain or the gain of another; altering the financial~~  
10 ~~disclosure requirements for certain members of the Board~~ requiring, on or before a  
11 certain date, the Board of Directors of the University of Maryland Medical System  
12 Corporation to adopt a certain conflict of interest policy; requiring the Board to send  
13 a copy of a certain policy to certain persons at certain times; requiring the Board to  
14 ensure that the Medical System Corporation continues to be a certain independent  
15 corporation; altering the maximum number of members of the Board; requiring  
16 certain members of the Board to be appointed by the Governor with the advice and  
17 consent of the Senate of Maryland; repealing a provision of law requiring a certain  
18 number of voting members of the Board to be members of the General Assembly;  
19 authorizing the Governor to appoint certain additional voting members who  
20 represent certain hospitals; requiring a certain voting member to be the Governor's  
21 designee; adding a certain number of voting members to the Board to be appointed  
22 by the President of the Senate and the Speaker of the House; prohibiting a member  
23 of the Board from intentionally using the prestige of office for private gain or the  
24 gain of another; requiring certain members of the Board annually to submit a certain  
25 disclosure statement to the State Health Services Cost Review Commission;

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 requiring certain new members of the Board to submit a certain disclosure within a  
 2 certain time period; requiring a certain statement to be available to the public on a  
 3 certain website through a certain registration program under certain circumstances;  
 4 requiring the Governor to remove a certain member of the Board if the member files  
 5 a certain false statement; requiring certain statements to be reviewed for compliance  
 6 with a certain policy by the Board and the compliance officer of the Medical System  
 7 Corporation; requiring the State Health Services Cost Review Commission annually  
 8 to send a summary of certain statements to the Governor, the President, and the  
 9 Speaker; prohibiting the Board from using sole source procurement to award certain  
 10 contracts to certain persons; requiring the Governor to remove a certain member of  
 11 the Board under certain circumstances; prohibiting the Board from providing a  
 12 certain preference for the award of certain contracts; requiring the Medical System  
 13 Corporation to employ a certain independent entity with certain expertise to conduct  
 14 a certain performance audit of the administrative and financial offices of the Medical  
 15 System Corporation for a certain purpose on or before a certain date; providing that  
 16 a certain audit does not include certain entities; requiring the Medical System  
 17 Corporation to submit a certified copy of a certain performance audit to the Governor,  
 18 the President, and the Speaker on or before a certain date; requiring the Board to  
 19 conduct a certain internal review and report certain findings and recommendations  
 20 to the Governor, the President, and the Speaker on or before a certain date; requiring  
 21 the terms of certain members of the Board to terminate on certain dates; authorizing  
 22 certain members of the Board to apply for reappointment subject to certain  
 23 provisions of law as enacted by this Act; requiring certain members appointed to the  
 24 Board by the Governor to be subject to the advice and consent of the Senate during  
 25 a certain legislative session; requiring certain members to be considered appointed  
 26 as of a certain date and subject to certain requirements; making this Act an  
 27 emergency measure; making certain conforming changes; and generally relating to  
 28 the ~~Board of Directors of the~~ University of Maryland Medical System Corporation.

29 BY repealing and reenacting, without amendments,

30 Article – Education

31 Section 13–301(a), (c), and (m), 13–303(a), and ~~13–304(a) and (b)~~ 13–304(a) and (d)

32 Annotated Code of Maryland

33 (2018 Replacement Volume and 2018 Supplement)

34 BY adding to

35 Article – Education

36 Section ~~13–304(k)~~ 13–303(m) and (n) and 13–304(k), (l), and (m)

37 Annotated Code of Maryland

38 (2018 Replacement Volume and 2018 Supplement)

39 BY repealing and reenacting, with amendments,

40 Article – Education

41 Section ~~13–304(k)~~ 13–304(b), (c), and (k)

42 Annotated Code of Maryland

43 (2018 Replacement Volume and 2018 Supplement)

~~BY repealing and reenacting, without amendments,~~

~~Article — General Provisions~~

~~Section 5—601(a)~~

~~Annotated Code of Maryland~~

~~(2014 Volume and 2018 Supplement)~~

~~BY repealing and reenacting, with amendments,~~

~~Article — General Provisions~~

~~Section 5—601(d)~~

~~Annotated Code of Maryland~~

~~(2014 Volume and 2018 Supplement)~~

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
That the Laws of Maryland read as follows:

### Article – Education

13–301.

(a) In this subtitle, unless the context clearly requires otherwise, the following words have the meanings indicated.

(c) “Board of Directors” means the Board of Directors of the Medical System Corporation.

(m) “Medical System Corporation” means University of Maryland Medical System Corporation, a private, nonprofit, nonstock corporation formed under the general corporation laws of this State.

13–303.

(a) Prior to the transfer date:

(1) The Board of Public Works shall approve the articles of incorporation of the Medical System Corporation which shall reflect the requirements of this subtitle; and

(2) The Board of Regents and the Board of Directors shall take all actions necessary to create and organize the Medical System Corporation, which shall be organized for charitable, scientific, and educational purposes and shall attain and maintain exemption from federal income taxation but which shall not be a State agency, political subdivision, public body, public corporation, or municipal corporation and is not subject to any provisions of law affecting only governmental or public entities.

**(M) THE BOARD OF DIRECTORS SHALL ENSURE THAT THE MEDICAL SYSTEM CORPORATION CONTINUES TO BE A PRIVATE, NONPROFIT, NONSTOCK CORPORATION THAT IS INDEPENDENT FROM ANY STATE AGENCY.**

1            **(N) (1) ON OR BEFORE MAY 31, 2019, THE BOARD OF DIRECTORS SHALL**  
 2 **ADOPT A CONFLICT OF INTEREST POLICY FOR MEMBERS OF THE BOARD THAT**  
 3 **INCLUDES:**

4                    **(I) STANDARDS FOR THE DISCLOSURE OF FINANCIAL**  
 5 **INTERESTS;**

6                    **(II) STANDARDS FOR BOARD MEMBER PARTICIPATION IN**  
 7 **CONTRACTS WITH THE MEDICAL SYSTEM CORPORATION IN ACCORDANCE WITH**  
 8 **THIS SUBTITLE, INCLUDING AN ATTESTATION THAT THE BOARD MEMBER HAS**  
 9 **COMPLIED WITH THE CONFLICT OF INTEREST STANDARDS ADOPTED BY THE BOARD;**

10                   **(III) A REQUIREMENT THAT A BOARD MEMBER MAY NOT USE**  
 11 **THE BOARD MEMBER'S POSITION ON THE BOARD FOR PERSONAL GAIN WHEN**  
 12 **CONTRACTING WITH THE MEDICAL SYSTEM CORPORATION; AND**

13                   **(IV) A REQUIREMENT THAT A BOARD MEMBER PROVIDE AN**  
 14 **ATTESTATION OF ANY BUSINESS RELATIONSHIP WITH THE MEDICAL SYSTEM**  
 15 **CORPORATION OR ANY AFFILIATE OF THE CORPORATION.**

16                   **(2) THE BOARD OF DIRECTORS SHALL SEND A COPY OF THE**  
 17 **CONFLICT OF INTEREST POLICY ADOPTED UNDER PARAGRAPH (1) OF THIS**  
 18 **SUBSECTION TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, AND THE**  
 19 **SPEAKER OF THE HOUSE OF DELEGATES:**

20                   **(I) AFTER THE POLICY IS INITIALLY ADOPTED; AND**

21                   **(II) EACH TIME A CHANGE IS MADE TO THE POLICY.**

22 13-304.

23            (a) The government of the Medical System Corporation is vested in the Board of  
 24 Directors.

25            (b) (1) Subject to ~~paragraph~~ **PARAGRAPHS (2) AND (3)** of this subsection, the  
 26 Board of Directors consists of 6 nonvoting members and not less than 22 and not more than  
 27 ~~27~~ **25** voting members appointed by the Governor **WITH THE ADVICE AND CONSENT OF**  
 28 **THE SENATE.**

29            (2) (i) On or after October 1, 2014, the Medical System Corporation may  
 30 amend its articles of incorporation to add up to three voting members to the Board of  
 31 Directors as the Medical System Corporation determines to be necessary and appropriate.

1 (ii) Nominations of additional voting members shall be made by the  
2 Board of Directors and submitted to the Board of Regents for comment and to the Governor  
3 for consideration.

4 (iii) Any member added to the Board of Directors under  
5 subparagraph (i) of this paragraph shall:

6 1. Represent an entity that affiliates with the Medical  
7 System Corporation on or after October 1, 2014;

8 2. Be appointed by the Governor WITH THE ADVICE AND  
9 CONSENT OF THE SENATE; and

10 3. Be designated as an affiliate board member.

11 (iv) ~~The voting membership of the Board of Directors may not exceed~~  
12 ~~30 members.~~

13 ~~(v)~~ Nothing in this paragraph may be construed to require the  
14 Medical System Corporation to nominate a representative of an entity that affiliates with  
15 the Medical System Corporation on or after October 1, 2014, to be an additional board  
16 member.

17 **(3) NOTWITHSTANDING THE PROVISIONS OF PARAGRAPH (1) OF THIS**  
18 **SUBSECTION, FOR EACH HOSPITAL THAT AFFILIATES WITH THE MEDICAL SYSTEM**  
19 **ON OR AFTER JUNE 1, 2019, THE GOVERNOR MAY APPOINT AN ADDITIONAL VOTING**  
20 **MEMBER WHO IS A REPRESENTATIVE FROM THE HOSPITAL.**

21 ~~**(k) (1) A MEMBER OF THE BOARD MAY NOT BE EMPLOYED BY OR HAVE A**~~  
22 ~~**FINANCIAL INTEREST IN:**~~

23 ~~**(i) A BUSINESS ENTITY SUBJECT TO THE AUTHORITY OF THE**~~  
24 ~~**MEDICAL SYSTEM CORPORATION OR THE UNIVERSITY SYSTEM OF MARYLAND; OR**~~

25 ~~**(ii) A BUSINESS ENTITY THAT IS ACTIVELY NEGOTIATING A**~~  
26 ~~**CONTRACT, HAS ENTERED INTO A CONTRACT, OR IS A SUBCONTRACTOR ON A**~~  
27 ~~**CONTRACT WITH THE MEDICAL SYSTEM CORPORATION OR THE UNIVERSITY**~~  
28 ~~**SYSTEM OF MARYLAND.**~~

29 ~~**(2) A MEMBER OF THE BOARD MAY NOT INTENTIONALLY USE THE**~~  
30 ~~**PRESTIGE OF OFFICE OR PUBLIC POSITION FOR THAT MEMBER'S PRIVATE GAIN OR**~~  
31 ~~**THAT OF ANOTHER.**~~

~~(3) A MEMBER OF THE BOARD SHALL FILE A FINANCIAL DISCLOSURE STATEMENT IN ACCORDANCE WITH § 5-607 OF THE GENERAL PROVISIONS ARTICLE.~~

(c) (1) Each member shall be a resident of this State.

(2) Three voting members shall be members of the Board of Regents.

~~[(3) Two voting members shall be members of the General Assembly, 1 nominated by the President of the Senate and 1 nominated by the Speaker of the House of Delegates.]~~

~~(3) ONE VOTING MEMBER SHALL BE THE GOVERNOR'S DESIGNEE.~~

~~(4) TWO VOTING MEMBERS SHALL BE APPOINTED AS FOLLOWS:~~

~~(I) ONE APPOINTED BY THE PRESIDENT OF THE SENATE OF MARYLAND; AND~~

~~(II) ONE APPOINTED BY THE SPEAKER OF THE HOUSE OF DELEGATES.~~

~~[(4) (5) At least 1 voting member of the Board shall be appointed by the Governor, upon nomination by the membership of the Community Advisory Council, from the membership of the Community Advisory Council.]~~

~~[(5) (6) At least 1 voting member of the Board of Directors shall have expertise in the hospital field.]~~

~~[(6) (7) In appointing the voting members of the Board of Directors, the Governor shall [insure] ENSURE that the composition of the Board fairly represents the minority composition of the State.]~~

~~[(7) (8) The nonvoting members shall be, ex officio, the Chancellor of the University System of Maryland, the President, the Chief Executive Officer, the Dean of the School of Medicine, the President of the medical staff organization of the medical system, and the Associate Director of nursing services for the medical system.]~~

(d) (1) The term of a member is 5 years and begins on the 1st Monday in June of the year of appointment.

(2) The terms of members are staggered as required by the terms provided for members of the Board on the transfer date.

(3) At the end of a term, a member continues to serve until a successor is appointed and qualifies.

1           (4) A member appointed to fill a vacancy in an unexpired term serves only  
2 for the remainder of that term and until a successor is appointed and qualifies.

3           (5) A member may be reappointed, but may not serve more than 2  
4 consecutive full terms.

5           (K) A MEMBER OF THE BOARD MAY NOT INTENTIONALLY USE THE  
6 PRESTIGE OF OFFICE OR PUBLIC POSITION FOR THAT MEMBER'S PRIVATE GAIN OR  
7 THAT OF ANOTHER.

8           (L) (1) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (III) OF THIS  
9 PARAGRAPH, EACH MEMBER ANNUALLY SHALL SUBMIT A DISCLOSURE OF  
10 FINANCIAL INTEREST, INCLUDING ANY POTENTIAL CONFLICTS OF INTEREST, TO  
11 THE STATE HEALTH SERVICES COST REVIEW COMMISSION.

12                   (II) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF  
13 THIS SUBPARAGRAPH, THE STATE HEALTH SERVICES COST REVIEW COMMISSION  
14 SHALL MAKE FREELY AVAILABLE TO THE PUBLIC ON ITS WEBSITE, THROUGH AN  
15 ONLINE REGISTRATION PROGRAM, THE STATEMENT SUBMITTED UNDER  
16 SUBPARAGRAPH (I) OF THIS PARAGRAPH.

17                           2. THE STATE HEALTH SERVICES COST REVIEW  
18 COMMISSION MAY NOT PROVIDE PUBLIC ACCESS TO THE PORTION OF THE  
19 STATEMENT THAT INCLUDES AN ADDRESS THAT THE MEMBER HAS IDENTIFIED AS  
20 THE MEMBER'S HOME ADDRESS.

21                   (III) A NEWLY APPOINTED MEMBER SHALL SUBMIT A  
22 DISCLOSURE OF FINANCIAL INTEREST WITHIN 60 DAYS AFTER THE MEMBER'S  
23 APPOINTMENT TO THE BOARD.

24           (2) IF THE GOVERNOR DETERMINES THAT A MEMBER HAS  
25 WILLFULLY FILED A FALSE STATEMENT UNDER PARAGRAPH (1)(I) OF THIS  
26 SUBSECTION, THE GOVERNOR SHALL REMOVE THE MEMBER FROM THE BOARD.

27           (3) THE BOARD OF DIRECTORS AND THE COMPLIANCE OFFICER FOR  
28 THE MEDICAL SYSTEM CORPORATION SHALL REVIEW EACH STATEMENT  
29 SUBMITTED UNDER PARAGRAPH (1) OF THIS SUBSECTION FOR COMPLIANCE WITH  
30 THE BOARD'S CONFLICT OF INTEREST POLICY.

31           (4) THE STATE HEALTH SERVICES COST REVIEW COMMISSION  
32 ANNUALLY SHALL SEND A SUMMARY OF EACH STATEMENT SUBMITTED UNDER  
33 PARAGRAPH (1) OF THIS SUBSECTION TO THE GOVERNOR, THE PRESIDENT OF THE  
34 SENATE, AND THE SPEAKER OF THE HOUSE.





1           (a)   (1)   On or before May 15, 2019, the University of Maryland Medical System  
2 Corporation shall employ an independent entity ~~with~~ that has expertise in nonprofit  
3 corporate governance and has certified public accountants to conduct a performance audit  
4 consistent with professional auditing standards of the administrative and financial offices  
5 of the University of Maryland Medical System Corporation to evaluate the efficiency and  
6 effectiveness of the financial management practices, including procurement and  
7 contracting processes, of the University of Maryland Medical System Corporation.

8           (2)   The performance audit required under paragraph (1) of this subsection  
9 does not include the administrative and financial offices of the University of Maryland  
10 Medical System or any subsidiaries or affiliated hospitals of the University of Maryland  
11 Medical System Corporation.

12           (b)   On or before December 31, 2019, the University of Maryland Medical System  
13 Corporation shall submit a certified copy of the performance audit to the Governor and, in  
14 accordance with § 2–1246 of the State Government Article, the President of the Senate and  
15 the Speaker of the House.

16           SECTION 3. AND BE IT FURTHER ENACTED, That the Board of Directors of the  
17 University of Maryland Medical System Corporation shall:

18           (1)   conduct an internal review of the Board’s policies and procedures; and

19           (2)   on or before December 31, 2019, report the findings and any  
20 recommendations for improvements to the policies and procedures of the Board to the  
21 Governor and, in accordance with § 2–1246 of the State Government Article, the President  
22 of the Senate and the Speaker of the House.

23           SECTION 4. AND BE IT FURTHER ENACTED, That:

24           (a)   The terms of the members of the Board of Directors of the University of  
25 Maryland Medical System Corporation who are in office on the effective date of this Act  
26 shall terminate as follows:

27           (1)   the terms of approximately one-third of the members of the Board shall  
28 terminate on July 1, 2019;

29           (2)   the terms of approximately one-third of the members of the Board shall  
30 terminate on October 1, 2019; and

31           (3)   the terms of the remaining members of the Board shall terminate on  
32 January 1, 2020.

33           (b)   (1)   Subject to the provisions of § 13–301 of the Education Article, as  
34 enacted by Section 1 of this Act, a member of the Board whose term is terminated under  
35 subsection (a) of this section may apply for reappointment.

1           (2) The appointment of a member under paragraph (1) of this subsection  
2 who is appointed by the Governor is subject to the advice and consent of the Senate during  
3 the legislative session immediately following the date of appointment.

4           (3) A member reappointed under this subsection shall be considered  
5 appointed on the date of the member's initial appointment and is subject to the  
6 requirements of § 13-304(d) of the Education Article.

7           SECTION ~~2~~ 5. AND BE IT FURTHER ENACTED, That this Act ~~shall take effect~~  
8 ~~October 1, 2019~~ is an emergency measure, is necessary for the immediate preservation of  
9 the public health or safety, has been passed by a yea and nay vote supported by three-fifths  
10 of all the members elected to each of the two Houses of the General Assembly, and shall  
11 take effect from the date it is enacted.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.