

2025 Regular Session

HOUSE BILL NO. 317

BY REPRESENTATIVE ECHOLS

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

HEALTH CARE/FACILITIES: Establishes prohibited acts by certain healthcare facility lessors and lessees

1 AN ACT

2 To enact Part II-K of Chapter 11 of Title 40 of the Louisiana Revised Statutes of 1950, to
3 be comprised of R.S. 40:2120.81 through 2120.85, relative to the operation of certain
4 healthcare facilities; to provide for prohibited acts; to provide for enforcement; to
5 establish personal liability for certain actions; to provide for definitions; to provide
6 for penalties; to provide for venue; to provide for judicial proceedings; to provide for
7 immunity for certain individuals; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. Part II-K of Chapter 11 of Title 40 of the Louisiana Revised Statutes of
10 1950, comprised of R.S. 40:2120.81 through 2120.85, is hereby enacted to read as follows:

11 PART II-K. HOSPITAL LEASE ACCOUNTABILITY12 §2120.81. Short title

13 This Part shall be known and may be cited as the "Hospital Lease
14 Accountability Act".

15 §2120.82. Purpose

16 The purpose of this Part is to ensure that individuals in positions of control
17 over essential services providers may not misuse the corporate veil to shield
18 themselves from liability for their own misconduct. The goal is to promote
19 accountability and transparency in the governance of essential service providers in
20 this state and to prevent corporate officers who exploit the protections of juridical

1 entities for personal gain while evading financial accountability and threatening the
2 integrity of the healthcare infrastructure in this state.

3 §2120.83. Definitions

4 As used in this Part, the following terms have the following meanings:

5 (1) "Lessee facility" means a hospital as defined in R.S. 40:2102(2)
6 operating under a lease agreement.

7 (2) "Lessor entity" means any real estate investment trust, private equity
8 firm, or corporate entity that owns and leases hospitals as defined in R.S. 40:2102(2)
9 licensed or certified by this state to provide healthcare services.

10 §2120.84. Prohibited acts; personal liability; penalties

11 A. A court of competent jurisdiction may disregard the separate legal entity
12 and hold executive officers and board members of a lessor entity personally liable
13 if a lessee facility experiences financial distress as a result of an egregious act by the
14 executive officers and board members of a lessor entity and such an act causes or
15 significantly contributes to the financial distress.

16 B. A lessee facility experiences financial distress as a result of any of the
17 following:

18 (1) The closure or significant reduction in emergency or inpatient healthcare
19 services at the lessee facility.

20 (2) A failure to pay the employees of a lessee facility for thirty consecutive
21 days.

22 (3) The lessee facility filing for bankruptcy under the United States
23 Bankruptcy Code.

24 C. If the lessee facility experiences financial distress, as described in
25 Subsection A of this Section, the lessor entity shall do all of the following:

26 (1) Provide funds sufficient to pay for operating expenses to ensure the
27 continued operation of the lessee facility for twelve months from the date the
28 financial distress occurred.

1 (2) Reimburse the state for any funds expended to keep the lessee facility
2 operational.

3 (3) Provide a detailed financial disclosure of any funds received from the
4 lessee facility including but not limited to lease payments, dividends, loans, or other
5 financial transfers for five years prior to the date the financial distress occurred.

6 D. If a lessee facility experiences financial distress, as provided for in
7 Subsection A of this Section, due to the lease agreement with the lessor entity
8 including but not limited to lease terms, over-leveraging, or financial extractions by
9 a lessor entity, the board members and executive officers of the lessor entity shall be
10 personally liable for all of the following:

11 (1) Repayment of any funds paid or otherwise removed from the lessee
12 facility for lease payments for five years prior to the date the financial distress
13 occurred.

14 (2) Civil penalties up to two hundred and fifty thousand dollars per board
15 member or executive officer for knowingly engaging in or approving financial
16 arrangements that contributed to the financial distress.

17 (3) Disqualification from serving on the board of any healthcare facility
18 licensed in this state for ten years from the date the financial distress occurred.

19 E. A lessee facility operator is prohibited from using funds obtained from
20 Title XIX of the Social Security Act or state-funded emergency grants to fulfill lease
21 payments of the lessee facility.

22 F.(1) The attorney general may investigate a lessee facility and a lessor entity
23 for violations of this Section.

24 (2) The attorney general or the district attorney for the parish in which the
25 facility is domiciled may bring a civil action against a lessor entity or individual for
26 violating a provision of this Section.

27 §2120.85. Venue; judicial proceedings; immunity; damages

28 A. A civil action instituted pursuant to this Part may be brought in the
29 following courts:

1 (1) The Nineteenth Judicial District Court for the parish of East Baton
2 Rouge.

3 (2) A district court in the parish in which a lessee facility is domiciled.

4 B. Upon application of the attorney general or the district attorney, the court
5 may enter a restraining order or injunction or take any action to preserve the
6 availability of the personal assets of the executive officers and board members of the
7 lessor entity until a judicial determination is made in accordance with the provisions
8 of this Part.

9 C.(1) Upon the petition of the attorney general or the district attorney, a
10 court shall take a rule to show cause why the executive officers and board members
11 of the lessor entity should not be personally liable as provided for in this Part.

12 (2) The hearing on the rule to show cause shall be tried by preference and
13 shall be held not more than thirty days from the date the motion is filed.

14 D.(1) The court shall enter a judgment holding the executive officers and
15 board members of the lessor entity personally liable if the court finds, by a
16 preponderance of the evidence from the facts and evidence provided at the hearing,
17 that the individual executive officers and board members caused or contributed
18 materially to the lessee facility's financial distress.

19 (2) If a court determines that the lessee facility operator utilized funds
20 prohibited by this Section, the court shall award three times the actual damages
21 sustained.

22 E. Any individual who, in good faith, reports misconduct or provides
23 material evidence of a violation of this Part shall be immune from civil liability,
24 retaliation, or adverse employment action.

25 F. If the court awards damages or assesses a civil penalty, the funds shall be
26 collected by the attorney general.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 317 Engrossed

2025 Regular Session

Echols

Abstract: Prohibits certain acts by lessor hospital owners and lessee hospital operators and establishes penalties including personal liability for hospital executives and board members for certain acts.

Proposed law defines terms.

Proposed law establishes that if a hospital owned by a private entity enters into financial distress when the hospital fails to pay its employees for 30 days, experiences a closure or a significant reduction in inpatient or emergency services, or files for bankruptcy.

Proposed law states that if a lessee facility experiences financial distress, the entity that owns the facility shall provide funds sufficient for the facility to operate for 12 months, reimburse the state for any emergency funds expended to keep the facility operational, and provide detailed financial disclosures of any funds received by the facility in the previous five years.

Proposed law states that if a lessee facility experiences financial distress due to unreasonable lease terms, over-leveraging, or financial extractions, the board members and executive officers shall be personally liable for the following:

- (1) Repayment of funds removed from the lessee facility in the five-year period before the financial distress.
- (2) Civil penalties up to \$250,000 per board member for knowingly engaging in activities that contributed to the financial distress.
- (3) Disqualification from serving on the board of any healthcare facility licensed in this state for 10 years.

Proposed law states that a lessee facility operator is prohibited from using funds from Medicaid, Medicare, or other state-funded emergency grants to fulfill lease payments.

Proposed law provides that if a court determines that prohibited funds are used to pay lease obligations, the court shall award damages equal to triple the actual damages.

Proposed law states that the attorney general may investigate and, if a violation is found, may bring a civil action against the violating entity.

Proposed law states that the attorney general or a district attorney for the parish in which the lessee facility is located may bring a cause of action for a violation of proposed law.

Proposed law provides that the attorney general or a district attorney may seek and the court may grant a legal action to preserve the availability of the personal assets of the executive officers and board members of the lessor entity.

Proposed law provides that venue is proper in the Nineteenth Judicial District in the parish of East Baton Rouge, or the district court of the parish where the lessee facility is domiciled.

Proposed law provides that upon the petition of the attorney general or district attorney, the court may take a rule to show cause why the executives and board members of the lessor

facility should not be held personally liable. Proposed law further provides that the hearing to show cause shall be held not more than 30 days from the date the motion is filed.

Proposed law provides that any individual who, in good faith, reports misconduct or provides material evidence of violation of proposed law is immune from civil liability, retaliation, or adverse employment action.

Proposed law provides that if the court awards damages or assesses a civil penalty, the funds shall be collected by the attorney general.

(Adds R.S. 40:2120.81- 2120.85)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Health and Welfare to the original bill:

1. Provide that a lessee facility means a hospital operating under a lease agreement.
2. Provide that a lessor entity means an entity that leases a hospital to another entity.
3. Make technical changes.