



State of California

HEALTH AND SAFETY CODE

Section 128734.1

128734.1. (a) (1) Commencing with fiscal years ending December 31, 2023, an organization that operates, conducts, owns, manages, or maintains a skilled nursing facility or facilities licensed pursuant to subdivision (c) of Section 1250 shall prepare and file with the office, at the times as the office shall require, an annual consolidated financial report.

(2) The annual consolidated financial report required to be prepared pursuant to paragraph (1) shall be reviewed by a certified public accountant in accordance with generally accepted accounting principles and with the Financial Accounting Standards Board's financial reporting requirements, with financial statements prepared using the accrual basis. If the organization has prepared an audit by a certified public accountant of its annual consolidated financial report for any reason, that audit shall be filed with the office, and, in that instance, no review of the consolidated financial report shall be necessary. The reviewed or audited report, as applicable, shall, in addition to the requirements set forth in Section 128735, include, but not be limited to, the following statements:

(A) A balance sheet detailing the assets, liabilities, and net worth at the end of its fiscal year.

(B) A statement of income, expenses, and operating surplus or deficit for the annual fiscal period, and a statement of ancillary utilization and patient census.

(C) A statement detailing patient revenue by payer, including, but not limited to, Medicare, Medi-Cal, and other payers, and revenue center.

(D) A statement of cashflows, including, but not limited to, ongoing and new capital expenditures and depreciation.

(E) A combined financial statement that includes all entities reported in the consolidated financial report, unless the organization is prohibited from including a combined financial statement in a consolidated financial report pursuant to a state or federal law or regulation or a national accounting standard. When applicable, the organization must disclose to the office the applicable state or federal law or regulation or national accounting standard.

(3) In addition to the consolidated financial report, the following information shall be provided to the office as an attachment to the consolidated financial report:

(A) The financial information required by paragraph (2) of subdivision (a) from all operating entities, licenseholders, and related parties in which the organization has an ownership or control interest of 5 percent or more and that provides any service, facility, or supply to the skilled nursing facility.

(B) A detailed document outlining a visual representation of the organization's structure that includes both of the following:

(i) All related parties in which the organization has an ownership or control interest of 5 percent or more and that provides any service, facility, or supply to the skilled nursing facility.

(ii) Unrelated parties that provide services, facilities, or supplies to the skilled nursing facility or facilities that are operated, conducted, owned, managed, or maintained by the organization, including, but not limited to, management companies and property companies, and that are paid more than two hundred thousand dollars (\$200,000) by the skilled nursing facility.

(b) The office shall post reports and related documents submitted pursuant to this section to its internet website.

(c) Any report, document, statement, writing or any other type of record received, owned, used, or retained by the office in connection with this section is a public record within the meaning of Section 7922.505 of the Government Code and is subject to disclosure pursuant to the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

(d) The office shall develop policies and procedures to outline the format of information to be submitted pursuant to this section. The office shall determine if the information submitted pursuant to subdivision (a) is complete, but shall not be required to determine its accuracy.

(e) For the purposes of this section, "related party" has the same meaning as in Section 128734, and may include, but is not limited to, home offices; management organizations; owners of real estate; entities that provide staffing, therapy, pharmaceutical, marketing, administrative management, consulting, and insurance services; providers of supplies and equipment; financial advisors and consultants; banking and financial entities; any and all parent companies, holding companies, and sister organizations; and any entity in which an immediate family member of an owner of those organizations has an ownership interest of 5 percent or more. "Immediate family member" includes spouse, natural parent, child, sibling, adopted child, adoptive parent, stepparent, stepchild, stepsister, stepbrother, father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, daughter-in-law, grandparent, and grandchild.

(f) This section shall not apply to a facility operated by a health care district organized and governed pursuant to the Local Healthcare District Law (Division 23 (commencing with Section 32000)).

(g) This section shall not apply to an organization that has no related parties as defined in subdivision (e), except that the organization is required to submit a detailed document outlining a visual representation of the organization's structure as set forth in subparagraph (B) of paragraph (3) of subdivision (a). This section shall not be construed to require a government entity licenseholder, that is not a related party, to file a consolidated financial report for a nursing home management company that operates under its license.

(h) Consistent with the reports and requirements required for subdivisions (a) to (e), inclusive, of Section 128735 and Section 128740, all information submitted

pursuant to this section shall be accompanied by a report certification signed by a duly authorized official of the health facility or of the health facility's home office that certifies that, to the best of the official's knowledge and information, each statement and amount in the accompanying report is believed to be true and correct.

(Amended by Stats. 2022, Ch. 28, Sec. 108. (SB 1380) Effective January 1, 2023.)