

**SB352 INTRODUCED**



1 SB352  
2 84ILUHF-1  
3 By Senator Albritton  
4 RFD: County and Municipal Government  
5 First Read: 10-Mar-26



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SYNOPSIS:

Public, nonprofit hospitals and health care facilities may be operated by regional health care authorities that are created pursuant to the "Health Care Authorities Act of 1982." The Health Care Authorities Act allows the creation of a new health care authority that is derived from an existing health care authority, but does not specify any procedural steps for taking this action.

This bill would allow a county or municipality to approve the incorporation of a new health care authority to serve an area that is already within an existing health care authority. Other counties or municipalities in the existing health care authority would be required to cooperate with the separation of a new health care authority from the existing authority.

This bill would require the boards of directors of the original health care authority and the newly-established health care authority to negotiate a plan of separation to operate their respective health care authorities, including the transfer of health care facilities to the new authority and a fair division of existing liabilities and assets.

If the two authorities are unable to reach a separation agreement, this bill further provides for



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29 binding arbitration to achieve an agreement under the  
30 jurisdiction of the judge of probate.

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A BILL

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TO BE ENTITLED

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AN ACT

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38 Relating to health care authorities; to add Section  
39 22-21-340.1 to the Code of Alabama 1975, to further provide  
40 for health care authorities by establishing a procedure by  
41 which a new health care authority may be incorporated and  
42 established from an existing health care authority; to provide  
43 for a plan for distribution of assets and liabilities between  
44 an existing health care authority and a new health care  
45 authority; and to provide for settlement by arbitration.

46 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

47 Section 1. Section 22-21-340.1 is added to the Code of  
48 Alabama 1975:

49 §22-21-340.1

50 (a) (1) Pursuant to Section 22-21-340, a governing body  
51 of a political subdivision that has authorized, or that is  
52 located within the service area of, an existing authority, may  
53 authorize the incorporation of a new authority that is  
54 intended to encompass part of the service area of the existing  
55 authority upon application made to the governing body  
56 according to the requirements of Section 22-21-313.



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57           (2) In a resolution authorizing the incorporation of a  
58 new authority pursuant to Section 22-21-313(b), the governing  
59 body of the authorizing subdivision shall include, as part of  
60 the determination that it is wise, expedient, and necessary  
61 that a new authority be incorporated, as many of the following  
62 reasons as may apply:

63           a. In the absence of a separate authority, the  
64 financial viability and survival of existing health care  
65 facilities is in doubt.

66           b. The geographic area proposed to be served by the new  
67 authority may receive more efficient or accessible health care  
68 services and infrastructure than is currently the case under  
69 the existing authority.

70           c. Conflicts concerning priorities in health care  
71 delivery, planning, budgeting, revenue, or allocation of  
72 resources exist between the board of directors or a governing  
73 body of other authorizing subdivisions of the existing  
74 authority, and the authorizing subdivision or individuals  
75 involved in governance or operation of a health care facility  
76 located in the proposed service area of the new authority,  
77 which, after good faith efforts, cannot be satisfactorily  
78 resolved in the existing authority.

79           (3)a. Upon authorization of the incorporation of a new  
80 authority under subdivision (1), the applicants shall file a  
81 certificate of incorporation for the new authority according  
82 to, and in conformity with, the requirements of Section  
83 22-21-314. The certificate of incorporation shall include a  
84 description of the existing health care facilities and other



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85 assets that the new authority intends to acquire and operate  
86 from the existing authority.

87 b. The board of directors of the new authority shall be  
88 comprised of members who do not currently serve on the board  
89 of directors of the existing authority, and shall otherwise be  
90 appointed in accordance with Section 22-21-316(a), including  
91 the requirement that a majority of members be chosen by the  
92 governing body of the authorizing subdivision.

93 (b) (1) The incorporators of the new authority shall  
94 serve by certified U.S. mail, return receipt requested, a copy  
95 of the certificate of incorporation to all of the following:

96 a. The governing body of each authorizing subdivision  
97 of the existing authority.

98 b. The board of directors of the existing authority.

99 c. The board of directors of each health care facility  
100 or hospital corporation located within the service area of the  
101 existing authority.

102 (2) Upon receipt by the parties listed in subdivision  
103 (1) of the certificate of incorporation of the new authority,  
104 all of the following actions shall occur:

105 a. The board of the existing authority, pursuant to  
106 Section 22-21-315, shall amend the certificate of  
107 incorporation to reflect that the service area shall no longer  
108 encompass the service area of the new authority. In so doing,  
109 the board may change the name of the existing authority  
110 pursuant to Section 22-21-314(b) (2) to more accurately reflect  
111 the reduction in area of the existing authority.

112 b. The authorizing subdivisions of the existing



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113 authority shall, by resolution, approve the amendment required  
114 in paragraph a. according to the procedure provided in Section  
115 22-21-315(b).

116 (3) No more than 10 days after the filing and recording  
117 of the amended certificate of incorporation for the existing  
118 authority in the office of the Judge of Probate as required by  
119 Section 22-21-315(c), the Judge of Probate shall enter an  
120 order that contains all of the following:

121 a. Directs the board of directors of the existing  
122 authority and the board of directors of the new authority to  
123 commence development of the plan required by subsection (c),  
124 to be finalized in no more than 12 months from the date of  
125 entry of the order.

126 b. Directs the board of directors of the existing  
127 authority and the board of directors of the new authority to  
128 report periodically to the Judge of Probate on the status of  
129 the plan development required by subsection (c), on no less  
130 than a quarterly basis. Each report shall summarize in writing  
131 the matters upon which the two boards have reached agreement  
132 and the matters upon which agreement has not been attained.

133 (c) (1) The board of directors of the existing authority  
134 shall promptly negotiate in good faith with the board of  
135 directors of the new authority to develop a plan for the  
136 separation, governance, and operation of the two authorities  
137 which shall address, but not be limited to, all of the  
138 following matters:

139 a. The transfer of ownership of health care facilities,  
140 health care services, real property, and other tangible or



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141 intangible assets to the new authority.

142           b. Required changes in corporate ownership or  
143 governance of affected health care facilities or health care  
144 services to be delivered by the new authority, including  
145 amendment, reincorporation, or dissolution of public hospital  
146 corporations that are agents or instrumentalities of, or which  
147 share executives, directors, employees, contractors, or  
148 facilities with, the existing authority.

149           c. With respect to outstanding liabilities of the  
150 existing authority, including, but not limited to, indentures,  
151 securities, coupon payments, or loans, the assumption by the  
152 new authority of an equitable proportion of outstanding  
153 liabilities, including periodic debt service, that reflects  
154 the benefit conferred on health care infrastructure in the  
155 service area of the new authority by any of the obligations.

156           d. With respect to income of the existing authority  
157 from revenue sources, including, but not limited to, loan  
158 proceeds, securities, federal, state, or private grants,  
159 revenue streams from the state and authorizing subdivisions  
160 designated to the existing authority in the form of proceeds  
161 from any property tax, privilege tax, license, or other fees,  
162 allocation to the new authority of an equitable proportion of  
163 the income that reflects the intent or purpose of any of the  
164 revenue as applicable to benefit health care delivery or  
165 infrastructure in the service area of the new authority.

166           e. Distribution to, or sharing between, the two  
167 authorities of outstanding contractual obligations relating to  
168 health care delivery, including physician or other licensed



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169 health care professional service contracts, laboratory  
170 facilities or services, diagnostic or durable medical  
171 equipment, home health delivery, emergency medical service  
172 providers, or urgent care, including free-standing facilities  
173 or clinics.

174 f. Distribution to, or sharing between, the two  
175 authorities of contractual obligations relating to operation  
176 or maintenance of health care delivery infrastructure,  
177 including employment or staffing contracts, capital  
178 improvements, provision or maintenance of information  
179 technology, payroll, insurance, cafeteria, office equipment,  
180 security, furniture, vehicles, janitorial service, or  
181 landscaping.

182 (2) The plan shall be developed to avoid: (i) an  
183 interruption in health care delivery in the communities  
184 affected by the transition from one to two authorities; (ii)  
185 significant disruption in the working conditions or  
186 obligations of employees and contractors; and (iii) default in  
187 servicing outstanding financial obligations.

188 (3) The negotiating boards may retain, as required,  
189 outside legal and accounting services, and other necessary  
190 expertise to advise, recommend, and provide professional  
191 services necessary to formulate, finalize, and implement the  
192 plan required, the fees for which shall be borne equally by  
193 the two authorities.

194 (4) At any time, the negotiating boards may retain a  
195 mediator to facilitate discussion and propose resolution of  
196 issues or terms of the plan.



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197 (5) The plan as finalized shall be a contract that is  
198 enforceable by either authority, any authorizing subdivision  
199 of either authority, or any affected health care facility, by  
200 any remedy available at law or equity in the court of probate  
201 with jurisdiction over the plan as provided in subdivision  
202 (b) (3).

203 (d) (1) At any time during the development of the plan  
204 required by subsection (c), any matter in controversy or  
205 requiring settlement may be referred by the judge of probate  
206 to arbitration by settlement upon:

207 a. Petition filed by the board of either authority, an  
208 authorizing subdivision of either authority, or an affected  
209 health care facility; or

210 b. Upon order entered, sua sponte, by the judge of  
211 probate.

212 (2) The judge of probate shall appoint by order a  
213 disinterested arbitrator who has experience in the resolution  
214 of disputes that involve the acquisition, divestiture, or  
215 dissolution of business or nonprofit entities, assets, and  
216 obligations.

217 (3) The order required in subdivision (2) shall specify  
218 the matters in controversy for resolution.

219 (4)a. The arbitration proceedings shall be conducted in  
220 accordance with the Guidelines for Arbitration Proceedings in  
221 Alabama published by the Alabama Supreme Court Commission on  
222 Dispute Resolution.

223 b. The judge of probate may enter any order concerning  
224 the conduct of the arbitration, on motion of one of the



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225 parties in paragraph (1)a. or the arbitrator, or sua sponte,  
226 relating to enforcement of any order of the arbitrator,  
227 including a finding of civil contempt or appropriate  
228 injunctive relief.

229 (5) The arbitrator shall issue a written award that  
230 resolves the matters referred for arbitration, which shall be  
231 distributed to the negotiating boards. The arbitrator shall  
232 submit the written award to the judge of probate no more 10  
233 days from issuance. The judge of probate may do any of the  
234 following no less than 10 days after submission by the  
235 arbitrator:

236 a. Adopt and enter the award as an order of the court.

237 b. Set aside the award in whole or in part, and refer  
238 the matters in dispute to the same arbitrator with  
239 instructions or to a different arbitrator.

240 c. Schedule a hearing no more than 30 days from the  
241 filing of an objection to the award by one of the negotiating  
242 boards, which objection shall be filed with the judge of  
243 probate no more than 10 days from the arbitrator's issuance of  
244 the award.

245 (6) If a hearing is conducted pursuant to paragraph  
246 (5)c., the judge of probate shall enter an order no more than  
247 10 days after the hearing which:

248 a. Adopts and enters the award as an order of the  
249 court, to include any modification that the judge of probate  
250 deems equitable or appropriate; or

251 b. Sets aside the award in whole or in part, and refers  
252 the matters in dispute to the same arbitrator with



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253 instructions or to a different arbitrator.

254 (7) An order of the judge of probate approving an award  
255 pursuant to subdivision (5) or (6) shall be final and  
256 conclusive on the two boards and authorities, including an  
257 order approving an award in part as to those matters decided  
258 therein. The terms of the award shall be enforceable by either  
259 authority, any authorizing subdivision of either authority, or  
260 any affected health care facility, by any remedy available at  
261 law or equity in the court of probate with jurisdiction over  
262 development of the plan.

263 Section 2. This act shall become effective on October  
264 1, 2026.