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**SUBSTITUTE SENATE BILL 6517**

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**State of Washington**

**62nd Legislature**

**2012 Regular Session**

**By** Senate Health & Long-Term Care (originally sponsored by Senators Pflug and Keiser)

READ FIRST TIME 02/03/12.

1       AN ACT Relating to hospital financing and tax preference  
2 eligibility; amending RCW 70.37.010, 70.37.030, 70.37.090, 84.36.840,  
3 84.36.040, and 82.04.4311; reenacting and amending RCW 70.37.050; and  
4 adding a new section to chapter 70.37 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6       **Sec. 1.** RCW 70.37.010 and 1974 ex.s. c 147 s 1 are each amended to  
7 read as follows:

8       The good health of the people of our state is a most important  
9 public concern. The state has a direct interest in seeing to it that  
10 health care facilities adequate for good public health are established  
11 and maintained in sufficient numbers and in proper locations. The  
12 rising costs of care (~~of the infirm~~) constitute a grave challenge not  
13 only to health care providers but to our state and the people of our  
14 state who will seek such care. It is hereby declared to be the public  
15 policy of the state of Washington to assist and encourage the building,  
16 providing and utilization of modern, well equipped and reasonably  
17 priced health care facilities, and the improvement, expansion and  
18 modernization of health care facilities in a manner that will minimize  
19 the capital costs of construction, financing and use thereof and

1 thereby the costs to the public of the use of such facilities, (~~and to~~  
2 ~~contribute to improving~~) while contributing to improve the quality of  
3 health care available to our citizens and ensuring accountability for  
4 the cost of care. In order to accomplish these and related purposes  
5 this chapter is adopted and shall be liberally construed to carry out  
6 its purposes and objects.

7 **Sec. 2.** RCW 70.37.030 and 2002 c 91 s 1 are each amended to read  
8 as follows:

9 There is hereby established a public body corporate and politic,  
10 with perpetual corporate succession, to be known as the Washington  
11 health care facilities authority. The authority shall constitute a  
12 political subdivision of the state established as an instrumentality  
13 exercising essential governmental functions. The authority is a  
14 "public body" within the meaning of RCW 39.53.010. The authority shall  
15 consist of the lieutenant governor who shall serve as chair(~~man~~),  
16 (~~the lieutenant governor, the insurance commissioner~~) the attorney  
17 general, the secretary of health, and four legislators, one from each  
18 caucus and (~~one~~) five members of the public with no fiduciary  
19 interest or responsibility toward any health care facility or  
20 organization within seven years prior to appointment who shall be  
21 appointed by the governor, subject to confirmation by the senate, on  
22 the basis of the member's interest or expertise in health care  
23 delivery, for a term expiring on the fourth anniversary of the date of  
24 appointment. The lieutenant governor and the four legislative members  
25 are nonvoting members. In the event that any of the offices referred  
26 to shall be abolished the resulting vacancy on the authority shall be  
27 filled by the officer who shall succeed substantially to the powers and  
28 duties thereof. The members of the authority shall be compensated in  
29 accordance with RCW 43.03.240 and shall be entitled to reimbursement,  
30 solely from the funds of the authority, for travel expenses incurred in  
31 the discharge of their duties under this chapter, subject to the  
32 provisions of RCW 43.03.050 and 43.03.060. A majority shall constitute  
33 a quorum.

34 The governor and the insurance commissioner each may designate an  
35 employee of his or her office to act on his or her behalf during the  
36 absence of the governor or the insurance commissioner at one or more of  
37 the meetings of the authority. The vote of the designee shall have the

1 same effect as if cast by the governor or the insurance commissioner if  
2 the designation is in writing and is presented to the person presiding  
3 at the meetings included within the designation.

4 The governor may designate a member to preside during the  
5 governor's absence.

6 NEW SECTION. **Sec. 3.** A new section is added to chapter 70.37 RCW  
7 to read as follows:

8 To further the public policy set forth in RCW 70.37.010, the  
9 authority shall require participants in a hospital project to agree, as  
10 minimum conditions of financing, that the hospital must:

11 (1) Provide charity care that exceeds the average expenditures for  
12 charity care, as reported to the department of health, provided by the  
13 peer group of hospitals in this state during the year immediately  
14 preceding the year in which a financing application is submitted under  
15 this chapter;

16 (2) Implement one or more programs to substantially reduce the  
17 number and rate of emergency department visits for nonemergent health  
18 conditions. Such programs may include, but are not limited to:

19 (a) Maintaining full-service primary care capacity outside the  
20 emergency department to serve as an accessible, available alternative  
21 to emergency department care for nonemergent care; or

22 (b) Maintaining an urgent care center as an accessible, available  
23 alternative to emergency department care for nonemergency care;

24 (3) Participate in activities that enhance accountable care such as  
25 providing reports to physicians with seventy-two hours of admission or  
26 emergency room visits, and other measures suggested by the Puget Sound  
27 health alliance and leading quality organizations, and adopted in rule  
28 by the authority;

29 (4)(a) Provide data on community health needs, consistent with the  
30 meaning of community health needs as defined in 26 U.S.C. Sec. 501 and  
31 any implementing regulations and guidance adopted by the federal  
32 internal revenue service as it existed on the effective date of this  
33 section, or such subsequent date as may be provided by the department  
34 by rule. Documentation of the community health needs requires  
35 submission of the following:

36 (i) A description of the community served by the hospital,

1 including both a geographic description and a description of the  
2 general population served by the hospital;

3 (ii) A description of the prioritized health needs of the  
4 community, including:

5 (A) The five most common causes of death in the community; and

6 (B) The extent to which the community experiences ambulatory  
7 sensitive conditions. Ambulatory sensitive conditions are those  
8 preventable conditions, acute illnesses including mental health  
9 illnesses, and chronic diseases that decrease in response to primary  
10 care access, yet are associated with hospitalizations and increased  
11 societal health care costs;

12 (b) The description must identify any existing facilities,  
13 providers, or resources that are owned, operated, or jointly managed by  
14 the hospital or any health system with which the hospital is  
15 affiliated;

16 (c) The description must include copies of the policies for  
17 charging facility fees, the policies on sharing access to electronic  
18 medical records with all community providers, and the policies on  
19 determining charges for the uninsured relative to the best payer rates  
20 that have been negotiated.

21 **Sec. 4.** RCW 70.37.050 and 1983 c 210 s 2 and 1983 c 167 s 171 are  
22 each reenacted and amended to read as follows:

23 (1) The authority shall:

24 (a) Establish rules concerning its exercise of the powers  
25 authorized by this chapter(~~(. The authority shall))~~); and

26 (b) Receive from applicants requests for the providing of bonds for  
27 financing of health care facilities, and ((shall)) investigate and  
28 determine the need and the feasibility of providing such bonds. As  
29 part of its review of requests for financing awarded on or after the  
30 effective date of this section, the authority must consider whether the  
31 applicant submits all the information requested in section 3 of this  
32 act.

33 (2)(a) Whenever the authority deems it necessary or advisable for  
34 the benefit of the public health to provide financing for a health care  
35 facility, it shall adopt a financing plan therefor and shall declare  
36 the estimated cost thereof, as near as may be, including as part of  
37 such cost funds necessary for the expenses incurred in the financing as

1 well as in the construction or purchase or other acquisition or in  
2 connection with the rental or other payment for the use thereof,  
3 interest during construction, reserve funds and any funds necessary for  
4 initial start-up costs, and shall issue and sell its bonds for the  
5 purposes of carrying out the proposed financing plan(~~(+—PROVIDED,~~  
6 ~~That)~~). However, if a certificate of need is required for the proposed  
7 project, no such financing plan shall be adopted until such certificate  
8 has been issued pursuant to chapter 70.38 RCW (~~(by the secretary of the~~  
9 ~~department of social and health services)~~).

10 (b) The authority shall have power as a part of (~~(such)~~) a plan  
11 adopted under this subsection to create a special fund or funds for the  
12 purpose of defraying the cost of such project and for other projects of  
13 the same participant subsequently or at the same time approved by it  
14 and for their maintenance, improvement, reconstruction, remodeling and  
15 rehabilitation, into which special fund or funds it shall obligate and  
16 bind the participant to set aside and pay from the gross revenues of  
17 the project or from other sources an amount sufficient to pay the  
18 principal and interest of the bonds being issued, reserves and other  
19 requirements of the special fund and to issue and sell bonds payable as  
20 to both principal and interest out of such fund or funds relating to  
21 the project or projects of such participant.

22 (~~(Such)~~) (c) Bonds (~~(shall)~~) issued under this subsection must bear  
23 such date or dates, mature at such time or times, be in such  
24 denominations, be in such form, either coupon or registered, or both,  
25 as provided in RCW 39.46.030, carry such registration privileges, be  
26 made transferable, exchangeable, and interchangeable, be payable in  
27 such medium of payment, at such place or places, be subject to such  
28 terms of redemption, bear such fixed or variable rate or rates of  
29 interest, and be sold in such manner, at such price, as the authority  
30 (~~(shall)~~) determines. Such bonds (~~(shall)~~) must be executed by the  
31 chair(~~man~~), by either its duly elected secretary or its executive  
32 director, and by the trustee if the authority determines to utilize a  
33 trustee for the bonds. Execution of the bonds may be by manual or  
34 facsimile signature(~~(+—PROVIDED, That)~~); however, at least one  
35 signature placed thereon (~~(shall)~~) must be manually subscribed. Any  
36 interest coupons appurtenant to the bonds (~~(shall)~~) must be executed by  
37 facsimile or manual signature or signatures, as the authority (~~(shall)~~)  
38 determines.

1       **Sec. 5.** RCW 70.37.090 and 1974 ex.s. c 147 s 9 are each amended to  
2 read as follows:

3       The authority shall have power to:

4       (1) Require persons applying for its assistance in connection with  
5 ((the investigation and financing of)) projects to pay fees and charges  
6 to provide the authority with funds for: (a) Investigation((~~τ~~)) and  
7 financial feasibility studies((~~τ~~)); (b) expenses of issuance and sale  
8 of bonds; (c) review and verification of information provided to verify  
9 compliance with section 3 of this act; and (d) other charges for  
10 services provided by the authority in connection with such projects.  
11 All other expenses of the authority including compensation of its  
12 employees and consultants, expenses of administration and conduct of  
13 its work and business and other expenses shall be paid out of such fees  
14 and charges, out of contributions and grants to it, out of the proceeds  
15 of bonds issued for projects of participants, or out of revenues of  
16 such projects; none of its expenses may be paid by the state of  
17 Washington((~~. The authority shall have power to~~)); and

18       (2) Establish special funds into which ((such)) money received by  
19 the authority shall be ((received)) deposited and out of which it may  
20 be disbursed by the persons and with the procedure and in the manner  
21 established by the authority.

22       **Sec. 6.** RCW 84.36.840 and 2007 c 111 s 305 are each amended to  
23 read as follows:

24       (1) In order to determine whether organizations, associations,  
25 corporations, or institutions, except those exempted under RCW  
26 84.36.020 and 84.36.030, are exempt from property taxes, and before the  
27 exemption ((shall be)) is allowed for any year, the superintendent or  
28 manager or other proper officer of the organization, association,  
29 corporation, or institution claiming exemption from taxation ((shall))  
30 must file with the department of revenue a statement certifying that  
31 the income and the receipts thereof, including donations to it, have  
32 been applied to the actual expenses of operating and maintaining it, or  
33 for its capital expenditures, and to no other purpose. This report  
34 ((shall)) must also include a statement of the receipts and  
35 disbursements of the exempt organization, association, corporation, or  
36 institution.

1 (2) Educational institutions claiming exemption under RCW 84.36.050  
2 (~~shall~~) must also file a list of all property claimed to be exempt,  
3 the purpose for which it is used, the revenue derived from it for the  
4 preceding year, the use to which the revenue was applied, the number of  
5 students who attended the school or college, the total revenues of the  
6 institution with the source from which they were derived, and the  
7 purposes to which the revenues were applied, listing the items of such  
8 revenues and expenditures in detail.

9 (3) A nonprofit hospital that claims an exemption under RCW  
10 84.36.040 must file the documents requested in RCW 84.36.040.

11 (4) The reports required under (~~subsections (1) and (2) of~~) this  
12 section may be submitted electronically, in a format provided or  
13 approved by the department, or mailed to the department. Except as  
14 otherwise provided in subsection (3) of this section, the reports  
15 (~~shall~~) must be submitted on or before March 31st of each year. The  
16 department (~~shall~~) must remove the tax exemption from the property of  
17 any organization, association, corporation, or institution that does  
18 not file the required report with the department on or before the due  
19 date. However, the department (~~shall~~) must allow a reasonable  
20 extension of time for filing upon receipt of a written request on or  
21 before the required filing date and for good cause shown therein.

22 **Sec. 7.** RCW 84.36.040 and 2010 c 106 s 305 are each amended to  
23 read as follows:

24 (1)(a) The real and personal property used by, and for the purposes  
25 of, the following nonprofit organizations is exempt from property  
26 taxation:

27 (~~(a)~~) (i) Child day care centers (~~as defined in subsection (4)~~  
28 ~~of this section~~);

29 (~~(b)~~) (ii) Free public libraries;

30 (~~(c)~~) (iii) Orphanages and orphan asylums;

31 (~~(d)~~) (iv) Homes for the sick or infirm;

32 (~~(e)~~) (v) Hospitals for the sick that meet the requirements in  
33 subsection (4) of this section; and

34 (~~(f)~~) (vi) Outpatient dialysis facilities.

35 (b) For the purposes of this subsection, "hospitals for the sick"  
36 does not include freestanding emergency rooms nor other facilities

1 acquired by the hospital that are not physically connected or adjacent  
2 to a licensed hospital under chapter 70.41 RCW.

3 (2) The real and personal property leased to and used by a hospital  
4 for hospital purposes is exempt from property taxation if the hospital  
5 is established under chapter 36.62 RCW or is owned and operated by a  
6 public hospital district established under chapter 70.44 RCW.

7 (3) To be exempt under this section, the property must be used  
8 exclusively for the purposes for which exemption is granted, except as  
9 provided in RCW 84.36.805, and the benefit of the exemption must inure  
10 to the user.

11 (4) To be exempt under this section, a nonprofit hospital, with the  
12 exception of facilities that are operated by institutions that have  
13 been designated as a part of a comprehensive cancer center by the  
14 national cancer institute, must:

15 (a) Provide documentation of the charity care provided including  
16 costs of care as well as charges of care;

17 (b) Provide documentation of the salaries of the top five highest  
18 paid officials; and

19 (c) Document the availability of inpatient mental health beds,  
20 voluntary and involuntary, in their hospital is relative to the  
21 community needs for such services. The beds must be reported as a  
22 percentage of available hospital beds in the hospital and in the  
23 region. Hospitals within a region may make arrangements to trade the  
24 availability of mental health beds with another facility in the region  
25 in exchange for a funding offset or other agreement that must be  
26 provided with the above documentation.

27 (5) For purposes of (~~subsection (1) of~~) this section, "child day  
28 care center" means a nonprofit organization that regularly provides  
29 child day care and early learning services for a group of children for  
30 periods of less than twenty-four hours.

31 **Sec. 8.** RCW 82.04.4311 and 2005 c 86 s 1 are each amended to read  
32 as follows:

33 (1) A public hospital that is owned by a municipal corporation or  
34 political subdivision, or a nonprofit hospital, or a nonprofit  
35 community health center, or a network of nonprofit community health  
36 centers, that qualifies as a health and social welfare organization as  
37 defined in RCW 82.04.431, may deduct from the measure of tax amounts

1 received as compensation for health care services covered under the  
2 federal medicare program authorized under Title XVIII of the federal  
3 social security act; medical assistance, children's health, or other  
4 program under chapter 74.09 RCW; or for the state of Washington basic  
5 health plan under chapter 70.47 RCW, so long as the hospital submits  
6 the documentation required in RCW 84.36.040. The deduction authorized  
7 by this section does not apply to amounts received from patient  
8 copayments or patient deductibles.

9 (2) As used in this section, "community health center" means a  
10 federally qualified health center as defined in 42 U.S.C. 1396d as  
11 existing on August 1, 2005.

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