HOUSE BILL REPORT
HB 2317

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to financing hospitals by the health care facilities authority.

Brief Description: Financing hospitals by the health care facilities authority.

Sponsors: Representatives Cody, Jinkins, Dickerson and Ormsby.

Brief History:
Committee Activity:
Health Care & Wellness: 1/16/12, 1/23/12 [DPS].

Brief Summary of Substitute Bill

- Establishes a debt limit of $5.5 billion for hospital projects financed by the Health Care Facilities Authority.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Kelley, Moeller and Van De Wege.

Minority Report: Do not pass. Signed by 4 members: Representatives Schmick, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Bailey and Harris.

Staff: Chris Cordes (786-7103).

Background:

Since 1974 the Health Care Facilities Authority (HCFA) has been authorized to issue tax-exempt financing for the construction, purchase, lease, or use of health care facilities. Health care facilities include hospitals, clinics, health maintenance organizations, diagnostic or treatment centers, extended care facilities, comprehensive cancer centers, and other facilities providing health care services. Participants in these projects must be political subdivisions of the state or nonprofit health care facilities.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The HCFA is organized as a political subdivision of the state with the following members:

- the Governor or designee, who is chair;
- the Lieutenant Governor;
- the Insurance Commissioner or designee;
- the Secretary of Health; and
- a member of the public appointed by the Governor.

The HCFA receives requests for providing tax-exempt financing bonds for financing health care facilities, investigates and determines the necessity and feasibility of providing the bonds and, if deemed necessary or advisable for the benefit of the public health, adopts a financing plan and issues and sells bonds. If the project requires a certificate of need, a financing plan may not be adopted until the certificate has been issued.

The HCFA establishes the terms and conditions that apply to the issuance of its bonds. The HCFA may include requirements for establishing and maintaining rates for the project's health services and for fees and other charges adequate to pay the principal and interest on the bonds and establish a reserve.

Bonds issued by the HCFA are not obligations of the state, but are paid from special funds held by the HCFA and derived from operating revenues of the facility being financed. The HCFA is not subject to a statutory debt limit.

Summary of Substitute Bill:

The HCFA's debt limit for hospital projects is set at $5.5 billion. The calculation of the debt limit includes the initial principal amount of an issue and may not include certain interest payments.

Substitute Bill Compared to Original Bill:

The substitute bill removes all provisions that were in the original bill relating to establishing minimum financing conditions for hospital projects.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) None.

(Opposed) There is no state money at issue. The HCFA program just takes advantage of federal tax law that allows this type of funding. The HCFA is not a regulatory entity; any regulation of hospitals is done by the Department of Health (DOH). Financing through the HCFA is not allowed until the DOH grants any required certificate of need. There are several other entities that have authority similar to the HCFA, and they are not subject to this type of policy debate. The debt cap in the bill applies to both new financing and refinancing of facilities.

(Information only) Financing through the HCFA minimizes financing costs by using tax-exempt revenue bonds. This can save 2 to 3 percent of the costs of a project. About $83 million in interest costs was saved for projects in 2011 with a HCFA staff of four. An increase in costs will detract from the benefit to patients.

The total debt for the HFCA is now about $5.4 billion (for all projects), with about $4.6 billion being debt for hospital projects. This leaves only about $800 million for additional projects.

The current statute does not put the HCFA in a regulatory role. If borrowers pay a fee increase to cover regulatory functions, this cost will be passed on to all borrowers on all projects, including non-hospital projects.

Persons Testifying: (Opposed) Len McComb, Washington State Hospital Association.

(Information only) Donna Fincke, Health Care Facilities Authority.

Persons Signed In To Testify But Not Testifying: None.