

SENATE BILL REPORT

SB 5514

As Reported by Senate Committee On:
Health & Long-Term Care, February 21, 2011

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

Brief Description: Concerning the health care facilities authority.

Sponsors: Senators Pflug and Keiser.

Brief History:

Committee Activity: Health & Long-Term Care: 2/09/11, 2/14/11, 2/21/11 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5514 be substituted therefor, and the substitute bill do pass.

Signed by Senators Keiser, Chair; Becker, Ranking Minority Member; Kline, Pflug and Pridemore.

Minority Report: Do not pass.

Signed by Senator Conway, Vice Chair.

Minority Report: That it be referred without recommendation.

Signed by Senators Carrell and Parlette.

Staff: Kathleen Buchli (786-7488)

Background: The Washington Health Care Facilities Authority (Authority) was created by Legislature in 1974 to provide a new source of capital funding for modern, well equipped, and reasonably priced health care facilities. The Authority was further charged with minimizing costs of capital construction, as well as costs to the public for using health care facilities. The Authority offers tax exempt financing to eligible nonprofit health care facilities. Since its inception, the Authority has issued more than \$11 billion in tax exempt revenue bonds, and in 2009 provided nonprofit health care providers with a tax benefit valued at \$79 million.

The Authority is composed of elected and appointed executive branch officers and one member of the public. The Authority receives requests for the providing of bonds for

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financing of health care facilities, and must investigate and determine the need and the feasibility of providing such bonds. If deemed necessary or advisable for the benefit of the public health to provide financing for a health care facilities, it must adopt a financing plan and issue and sell bonds to carry out the plan. The Authority does not determine whether the project will deliver a community benefit.

Summary of Bill (Recommended Substitute): Two public members are added to the Authority, to be appointed by the Governor and to represent consumer advocacy groups. The existing public member must have no fiduciary interest or responsibility toward any health care facility or organization within the last seven years.

EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (Recommended Substitute): The legislative members are removed from the bill and replaced with two public members representing consumer advocacy groups. The existing public member may have no fiduciary interest or responsibility toward any health care facility or organization within the last seven years. The requirements that the Authority determine whether the project will deliver an essential community benefit and further the goal of cost containment are removed.

Appropriation: None.

Fiscal Note: Requested on February 7, 2011.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: We support the effort to ensure that the public member has no fiduciary interest in or responsibility towards any health care entity. We would support a stronger requirement that the public member be chosen from outside the healthcare industry altogether. The interest savings enjoyed by borrowers should be used to benefit the broader public.

CON: This would assign the Authority additional duties that are already undertaken by the Certificate of Need (CON) program. That program has the expertise to undertake the evaluations required by this bill. It is unclear what would happen if the Authority were to deny an applicant if the CON has been approved; the Authority would be duplicating efforts of the CON. Concerns about the review criteria should be raised in the CON review.

OTHER: The Authority provides a way for nonprofits to access the municipal market and facilitates capital projects for health care borrowers. A CON is required for projects reviewed by the Authority and must be received before financing is approved.

Persons Testifying: PRO: Ellie Menzies, Service Employees International Union 1199 NW.

CON: Dan Gottlieb, Gottlieb Fisher; Lew McComb, Washington State Hospital Association; Marcia Fromhold, Seattle Cancer Care Alliance.

OTHER: Donna Fincke, Health Care Facilities Authority.