

SENATE BILL REPORT

SB 6021

As Reported by Senate Committee On:
Government Operations & Security, February 4, 2016

Title: An act relating to requiring the voters to ratify the agreement between public hospital district No. 1 of King county and UW Medicine.

Brief Description: Requiring the voters to ratify the agreement between public hospital district No. 1 of King county and UW Medicine.

Sponsors: Senator Roach.

Brief History:

Committee Activity: Government Operations & Security: 1/18/16, 2/04/16 [DP, DNP].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

Majority Report: Do pass.

Signed by Senators Roach, Chair; Benton, Vice Chair; Dansel and McCoy.

Minority Report: Do not pass.

Signed by Senators Pearson, Vice Chair; Takko.

Staff: Karen Epps (786-7424)

Background: Public hospital districts (Districts) are local government entities that may be created to provide health care facilities and services. Many provide facilities and services in rural areas. Since 1945, when they were authorized in state law, more than 50 Districts have been created in Washington. A public hospital district may be county-wide or include area from one or more counties within its boundaries. However, the boundaries of the District must follow existing precinct boundaries and may not divide a voting precinct. Voters must approve a local ballot proposition to create a District. Each District is governed by a board of elected commissioners (Board).

Districts have statutory authority commonly granted to local government entities, including authority to acquire property by eminent domain, adopt a budget, and employ and manage personnel. To finance operations, districts may levy property taxes, issue bonds, and charge user fees. Districts have statutory authority to contract with other parties, both public and

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private, to provide facilities and services. Several Districts have entered into joint venture agreements pursuant to that authority.

In 2011, Public Hospital District No. 1 of King County entered into a joint cooperative action agreement with UW Medicine. Under the agreement, UW Medicine agreed to assist with the operation of the district's health care system. In addition, the agreement established a board of trustees composed of the five commissioners from the district, five trustees who reside within the boundaries of the district, two trustees from UW Medicine, and the CEO of UW Medicine. In 2012, the board of Public Hospital District No. 1 of King County sued UW, challenging the validity of the agreement on the basis that it impermissibly delegated the district's core governing responsibilities to the board of trustees. A Washington appellate court upheld the agreement, holding that there was no unlawful delegation of the district's powers.

Summary of Bill: A proposition to ratify a joint cooperative action agreement between Public Hospital District No. 1 of King County and UW Medicine must be submitted to the voters of Public Hospital District No. 1 of King County at the next general election.

The voter's pamphlet must include the text of the proposition to ratify the agreement, an explanatory statement describing the measure, and statements for and against the measure. The costs of the election must be paid by Public Hospital District No. 1 of King County and UW Medicine.

If the agreement is not ratified by a majority of the votes cast on the proposition, the agreement must be terminated.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Taxpayers are putting money towards the public hospital district and they may not ever use the public hospital. Folks are paying \$350 to \$900 a year for a hospital that they do not use. The question is whether it is acceptable for an elected board to enter into an agreement that guts their powers and leaves an unelected board to make decisions. Public Hospital District No. 1 of King County has an agreement with UW Medicine that delegates power to a board of trustees, and this has given commissioners a fraction of the power they had before. There are currently two members of the board of trustees of Public Hospital District No. 1 of King County who are former district commissioners who lost their election as commissioners. The district commissioners have no authority over the hiring of the CEO of the hospital and the superintendent, that they have authority to hire, has no power. This agreement completely gutted any power that the elected commissioners have over the management of the district, so that the commissioners have no power over the budget, the hiring of the CEO, or whether to pay bonds early, sell real estate, or retain real estate. Although the agreement tiptoes within the letter of the law, it does not

uphold the meaning of the law. A poll of the district showed that 82 percent of the voters were unaware of the change in governance structure and 71 percent thought there should have been a vote before the governance structure was changed and only 34 percent approved of the governance structure change. This agreement, while legal, is morally corrupt and bad public policy. Passage of this bill will return power to the elected commissioners. Residents of this district did not want this agreement and it should be put to a vote. Voters should have a say on how their tax dollars are spent.

Persons Testifying: PRO: Senator Roach, prime sponsor; Anthony Hemstad, Former Hospital Commissioner, King County Public Hospital District #1; Dr. Paul Joos, President, King County Public Hospital District #1; Steve Finley, citizen.

Persons Signed In To Testify But Not Testifying: CON: Ben Lindekugel, Assn of WA Public Hospital Districts; David Smith, Valley Medical Center; Ian Goodhew, UW Medicine.