

HOUSE BILL No. 5531

February 19, 1992, Introduced by Rep. Bennane and referred to the Committee on Public Health.

A bill to amend sections 3, 13, and 27a of Act No. 38 of the Public Acts of 1969, entitled "Hospital finance authority act," section 3 as amended by Act No. 48 of the Public Acts of 1983, being sections 331.33, 331.43, and 331.57a of the Michigan Compiled Laws; and to add section 13a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 3, 13, and 27a of Act No. 38 of the
2 Public Acts of 1969, section 3 as amended by Act No. 48 of the
3 Public Acts of 1983, being sections 331.33, 331.43, and 331.57a
4 of the Michigan Compiled Laws, are amended and section 13a is
5 added to read as follows:

6 Sec. 3. As used in this act:

7 (a) "State authority" means the hospital finance authority
8 created by this act.

1 (b) "Local authority" means a public municipal corporation
2 incorporated under this act.

3 (c) "Incorporating unit" means ~~the~~ A county, city, vil-
4 lage, or township or a combination thereof incorporating a local
5 authority pursuant to this act.

6 (d) "Governing body" means the board ~~, by whatever name~~
7 ~~known,~~ charged with the governing of the incorporating unit.

8 (e) "Hospital" means a nonpublic corporation, association,
9 institution, or establishment located within ~~the~~ THIS state for
10 the care of the sick or wounded or of those who require medical
11 treatment, operated without profit to an individual corporation
12 or association. It includes nonprofit corporations or other
13 NONPROFIT organizations engaged solely in some phase of hospital
14 activity or in providing a supporting service to hospitals or
15 public corporations which operate or own hospital facilities.

16 (f) "Hospital facilities" means a building or structure
17 suitable and intended for, or incidental or ancillary to, use by
18 a hospital and includes outpatient clinics, laboratories, laun-
19 dries, nurses', doctors', or interns' residences, administration
20 buildings, facilities for research directly involved with hospi-
21 tal care, maintenance, storage or utility facilities, parking
22 lots, and garages and all necessary, useful, or related equip-
23 ment, furnishings, and appurtenances and all lands necessary or
24 convenient as a site for ~~the foregoing~~ THESE. Hospital facili-
25 ties include an office facility not less than 80% of which is
26 intended for lease to direct providers of health care, and
27 ~~which~~ THAT has been determined by the department of public

1 health to meet a demonstrated need and to be geographically or
2 functionally related to 1 or more other hospital facilities, if
3 the authority ~~which~~ THAT is issuing the bonds determines the
4 financing of the office facility is necessary to accomplish the
5 purposes and objectives of this act.

6 (g) "Hospital loan" means a loan made by the state authority
7 or a local authority to a hospital.

8 (h) "Project costs" means the total of the reasonable or
9 necessary costs incurred for carrying out the works and undertak-
10 ings for the acquisition or construction of hospital facilities
11 under this act. These include ~~all of the following~~ costs ~~—~~
12 OF studies and surveys; plans ~~—~~ AND specifications; ~~—~~ archi-
13 tectural ~~—~~ and engineering services; legal, organization, mar-
14 keting, or other special services; financing, acquisition, demo-
15 lition, construction, equipment, and site development of new and
16 rehabilitated buildings; rehabilitation, reconstruction, repair,
17 or remodeling of existing buildings; interest and carrying
18 charges during construction and before full earnings are achieved
19 and operating expenses before full earnings are achieved or a
20 period of 1 year following the completion of construction, which-
21 ever occurs first; ~~—~~ and a reasonable reserve for payment of
22 principal and interest on bonds or notes of the authority. If
23 the authority ~~has committed~~ COMMITS itself to finance the hos-
24 pital facilities before the completion of the hospital facili-
25 ties, project costs ~~shall also include~~ INCLUDES reimbursement
26 of a hospital for the ~~foregoing~~ costs DESCRIBED IN THIS
27 SUBDIVISION expended by a hospital either from its own funds or

1 from money borrowed by the hospital for such purposes before
2 issuance and delivery of bonds by the authority for the purpose
3 of providing funds to pay the project costs. Project costs also
4 includes the refinancing of any existing debt of a hospital nec-
5 essary in order to permit the hospital to borrow or lease from
6 the authority and give adequate security for the loan or lease.
7 The determination of the authority with respect to the necessity
8 of refinancing and adequate security for a loan or lease is con-
9 clusive except with respect to the approval of the municipal
10 finance commission PURSUANT TO THE MUNICIPAL FINANCE ACT, ACT
11 NO. 202 OF THE PUBLIC ACTS OF 1943, BEING SECTIONS 131.1 TO 139.3
12 OF THE MICHIGAN COMPILED LAWS, or its successor agency when prior
13 approval is required.

14 (i) "Direct provider of health care" means a person or orga-
15 nization whose primary current activity is the provision of
16 health care to individuals, and includes a licensed or certified
17 physician, dentist, nurse, podiatrist, OR physician's assistant,
18 or an organization comprised of these health professionals or
19 employing these health professionals.

20 Sec. 13. (1) ~~The~~ SUBJECT TO SECTION 13A, THE state
21 authority may lend money to hospitals for the acquisition, con-
22 struction, improvement, or alteration of hospital facilities. A
23 hospital loan shall not be made unless ~~the~~ ALL OF THE FOLLOWING
24 REQUIREMENTS ARE MET:

25 (A) THE state authority is reasonably satisfied that there
26 will be made available to the hospital from the hospital loan and

1 other sources all the funds necessary to pay ~~all~~ THE project
2 costs. ~~, that the~~

3 (B) THE hospital facility and other revenues pledged will
4 produce sufficient revenues to ~~meet~~ PAY the principal and
5 interest on the hospital loan, other costs, expenses, and charges
6 in connection with the loan, and other charges or obligations of
7 the hospital ~~which may be~~ THAT ARE prior or equal to the loan
8 promptly as they become due. ~~, and that the~~

9 (C) THE hospital is otherwise soundly financed.

10 (2) The hospital loan may be secured by a mortgage of prop-
11 erty of the hospital including the hospital ~~facility~~ FACILITIES
12 and may provide for the appointment of a receiver to operate the
13 hospital facilities in case of default. A hospital loan made
14 pursuant to this section shall not exceed the project costs as
15 determined by the state authority. A loan shall be secured in a
16 manner, be repaid in a period not exceeding 50 years, and bear
17 interest at a rate, as determined by the authority. ~~, which~~ THE
18 INTEREST rate may be decreased or increased so that it is not
19 less than the rate paid by the authority on notes, renewal notes,
20 or bonds issued to fund the loan.

21 SEC. 13A. AFTER DECEMBER 31, 1992, THE STATE AUTHORITY OR A
22 LOCAL AUTHORITY MAY LEND MONEY TO A HOSPITAL ONLY IF THE HOSPITAL
23 UPON RECEIPT OF THAT MONEY WILL MEET ALL OF THE FOLLOWING

24 REQUIREMENTS IN ADDITION TO ANY OTHER REQUIREMENTS OF THIS ACT:

25 (A) IS A MEDICAID PROVIDER PURSUANT TO TITLE XIX OF THE
26 SOCIAL SECURITY ACT, CHAPTER 531, 49 STAT. 620, 42 U.S.C. 1396 TO
27 1396g AND 1396i TO 1396u.

1 (B) IS A PROVIDER IN THE FEDERAL MEDICARE PROGRAM UNDER
 2 TITLE XVIII OF THE SOCIAL SECURITY ACT, CHAPTER 531, 49
 3 STAT. 620, 42 U.S.C. 1395 TO 1395b, 1395b-2, 1395c TO 1395i,
 4 1395i-2 TO 1395i-4, 1395j TO 1395t, 1395u TO 1395w-2, 1395w-4 TO
 5 1395dd, 1395ff TO 1395yy, AND 1395bbb TO 1395ccc.

6 (C) HAS AN INDIGENT VOLUME, AS DEFINED IN SECTION 21551 OF
 7 THE PUBLIC HEALTH CODE, ACT NO. 368 OF THE PUBLIC ACTS OF 1978,
 8 BEING SECTION 333.21551 OF THE MICHIGAN COMPILED LAWS, THAT
 9 EXCEEDS 15.0%.

10 Sec. 27a. (1) ~~A~~ SUBJECT TO SECTION 13A, A local author-
 11 ity may lend money to hospitals for the payment of project
 12 costs. A hospital loan shall not be made unless ~~the~~ ALL OF THE
 13 FOLLOWING REQUIREMENTS ARE MET:

14 (A) THE local authority is reasonably satisfied that there
 15 will be made available to the hospital from the hospital loan and
 16 other sources all the funds necessary to pay the project costs.
 17 ~~, that~~

18 (B) THAT the hospital facility and other revenues pledged
 19 will produce sufficient revenues to ~~meet~~ PAY the principal and
 20 interest on the hospital loan, other costs, expenses, and charges
 21 connected with the loan, and other charges or obligations of the
 22 hospital ~~which may be~~ THAT ARE prior or equal to the loan
 23 promptly as they become due. ~~, and the~~

24 (C) THE hospital is otherwise soundly financed.

25 (2) The hospital loan may be secured by a mortgage of hospi-
 26 tal property, including the hospital ~~facility~~ FACILITIES, and
 27 may provide for the appointment of a receiver to operate the

1 hospital facilities in case of default. A hospital loan made
2 pursuant to this section shall not exceed the project costs as
3 determined by the local authority. A loan shall be secured in a
4 manner, be repaid in a period not exceeding 50 years, and bear
5 interest at a rate, as determined by the local authority. The
6 INTEREST rate may be decreased or increased so that it is not
7 less than the rate paid by the local authority on notes, renewal
8 notes, or bonds issued to fund the loan.