

Legislative Analysis



PUBLIC HOSPITAL FINANCING

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Senate Bill 1304 as passed by the Senate

Sponsor: Sen. Tony Stamas

House Committee: Health Policy

Senate Committee: Health Policy

First Analysis (9-12-08)

BRIEF SUMMARY: The bill would give public hospitals the same access to financing by the State Hospital Finance Authority that is currently enjoyed by nonpublic facilities.

FISCAL IMPACT: The bill would have no fiscal impact to the State of Michigan or local units of government.

THE APPARENT PROBLEM:

Nonprofit, privately-owned providers of health care services, such as hospitals and nursing homes, are eligible under the Hospital Finance Authority Act to receive low-cost capital financing through two programs operated by the Michigan State Hospital Finance Authority (MSHFA). The Healthcare Facility Financing program is a bond program for hospitals, nursing homes, hospices, homes for the aged, and certain retirement housing providers to finance or refinance the purchase, construction, or alteration of their facilities. The Healthcare Equipment Loan Program (HELP), according to information on the MSHFA website, is a "tax-exempt financing plan that offers Michigan health care organizations a low-cost alternative to conventional methods of borrowing for a variety of capital-related purposes."

The problem the proposed legislation seeks to address is that the act that created the Authority—the Hospital Finance Authority Act—limits participation in MSHFA programs to nonpublic health care entities. This means that the state's 15 publicly owned hospitals, as well as other publicly-owned health care facilities, are forced to seek higher-interest financing for building improvements, purchasing vital equipment, and upgrading technology. Michigan hospitals and health care facilities already struggle to provide care in the face of low-reimbursement rates from insurers and Medicaid and care to uninsured individuals. Having to finance capital improvements with high cost loans means even less money available to provide care for patients. Some feel that the act should be amended to extend eligibility in MSHFA programs to public hospitals and other public health facilities.

THE CONTENT OF THE BILL:

The Hospital Finance Authority Act governs the operation of the State Hospital Finance Authority, which was established "to issue bonds and make loans to hospitals, nursing homes, homes for the aged, hospices and certain retirement housing providers to finance

and refinance the acquisition, construction, improvement or alteration of hospital facilities and the payment of project costs." (Quoted from the MSHFA website.)

Senate Bill 1304 would revise the definition of "hospital" in the act (MCL 331.33) to include public entities. This means the act would include both public and nonpublic facilities; however, the bill would exclude from the definition health facilities and agencies located in correctional institutions, veterans facilities, and facilities operated and owned by the Department of Community Health.

Currently under the act, "hospital" means a nonpublic corporation, association, institution, or establishment located within Michigan for the care of the sick or wounded or of those who require medical treatment or nursing care or home for the aged or that provides retirement housing facilities operated without profit to an individual, corporation, or association. The term "hospital" includes a nonprofit corporation or other nonprofit organization engaged in some phase of hospital, nursing care, homes for the aged, or retirement housing activity or in owning, controlling, or providing a supporting service to a hospital or public corporation that operates or owns a hospital facility.

BACKGROUND INFORMATION:

According to the MHA, the following hospitals would benefit from the bill's provisions:

1. Alpena Regional Medical Center -- Alpena
2. Baraga County Memorial Hospital -- L'Anse
3. Community Health Center of Branch County -- Coldwater
4. Dickinson County Healthcare System -- Iron Mountain
5. Forest Health Medical Center -- Ypsilanti
6. Helen Newberry Joy Hospital -- Newberry
7. Hurley Medical Center -- Flint
8. Kalkaska Memorial Health Center -- Kalkaska
9. Mecosta County Medical Center -- Big Rapids
10. Schoolcraft Memorial Hospital -- Manistique
11. South Haven Community Hospital -- South Haven
12. Sturgis Hospital -- Sturgis
13. Three Rivers Health -- Three Rivers
14. West Branch Regional Medical Center -- West Branch
15. West Shore Medical Center -- Manistee

ARGUMENTS:

For:

According to testimony offered by the Michigan Health & Hospital Association (MHA), public hospitals were excluded by the Hospital Finance Authority Act because, in theory, "as public entities they could issue bonds directly on their own." In practice, this has not proven feasible for many facilities, perhaps in part because many public health care entities are smaller facilities serving a rural population. Amending the definition of

"hospital" to include public health care entities would simply allow these government-owned facilities to, in the MHA's words, "utilize the financing options currently available to their private, nonprofit counterparts." Moreover, the MHA reports that the bill should have no significant impact on the Michigan State Hospital Finance Authority. Considering that most of the affected facilities are in rural communities, where access to care is a serious issue, enactment of the bill would be in the best interest of Michigan citizens.

POSITIONS:

The Department of Community Health supports the bill. (9-11-08)

The Michigan Health & Hospital Association (MHA) supports the bill. (9-11-08)

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