

AMENDED IN ASSEMBLY JULY 1, 2008
AMENDED IN ASSEMBLY JUNE 18, 2008
AMENDED IN SENATE MAY 14, 2008
AMENDED IN SENATE APRIL 21, 2008

SENATE BILL

No. 1221

Introduced by Senator Kuehl

February 14, 2008

An act to amend Section 15438.5 of the Government Code, and to add Part 7 (commencing with Section 1179.100) to Division 1 of the Health and Safety Code, relating to health facility financing.

LEGISLATIVE COUNSEL'S DIGEST

SB 1221, as amended, Kuehl. Health facility financing.

Existing law authorizes, if a health facility seeking financing for a project pursuant to the California Health Facilities Financing Authority Act does not meet the guidelines established by the California Health Facilities Financing Authority with respect to bond rating, the authority to give special consideration, on a case-by-case basis, to financing the project if the health facility demonstrates to the satisfaction of the authority the financial feasibility of the project, and the performance of significant community service. For the purposes of these provisions, a health facility that performs a significant community service is one that contracts with Medi-Cal or that can demonstrate that it has fulfilled specified criteria regarding community service.

This bill would require any health facility, except for specified children's hospitals, seeking financing for a project from the authority, a local government, or a joint powers authority, to demonstrate significant community service, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 15438.5 of the Government Code is
2 amended to read:
- 3 15438.5. (a) It is the intent of the Legislature in enacting this
4 part to provide financing only to health facilities that can
5 demonstrate the financial feasibility of their projects. It is further
6 the intent of the Legislature that all or part of any savings
7 experienced by a participating health institution, as a result of that
8 tax-exempt revenue bond funding, be passed on to the consuming
9 public. Further, it is not the intent of the Legislature to authorize
10 the authority to control or participate in the operation of health
11 facilities, except where default occurs or appears likely to occur.
- 12 (b) When determining the financial feasibility of projects, the
13 authority shall consider the more favorable interest rates reasonably
14 anticipated through the issuance of revenue bonds under this part.
15 It is the intent of the Legislature that the authority attempt in
16 whatever ways possible to assist health facilities to arrange projects
17 that will meet the financial feasibility standards developed under
18 this part.
- 19 (c) Except for a health facility that operates as a children's
20 hospital described in Section 10727 of the Welfare and Institutions
21 Code, a health facility seeking financing for a project pursuant to
22 this part shall demonstrate to the satisfaction of the authority the
23 performance of significant community service. In determining
24 whether a health facility performs significant community service
25 the authority shall first consider whether the health facility *has a*
26 *community benefit plan that includes an implementation schedule*
27 *and economic valuation of the community benefits and whether*
28 *the health facility* does the following:
- 29 (1) Establishes and maintains a policy of treating all patients
30 without regard to ability to pay, pursuant to Section 1317 of the
31 Health and Safety Code or, if the health facility is not subject to
32 that section, maintains its own policy for providing emergency
33 services without regard to ability to pay.
- 34 (2) Maintains a California Medical Assistance Commission
35 (CMAC) contract or otherwise treats Medi-Cal eligible patients.

1 (3) Establishes and maintains a charity care policy pursuant to
2 Section 127405 of the Health and Safety Code.

3 (4) Establishes and maintains a mechanism for tracking and
4 reporting its costs and charges for services, and clinical quality
5 data required by state and federal agencies, including, but not
6 limited to, the federal Centers for Medicare and Medicaid Services,
7 pursuant to the Hospital Quality Alliance.

8 (d) If a health facility does not take the actions described in
9 paragraphs (1) to (4), inclusive, of subdivision (c), the health
10 facility shall demonstrate to the satisfaction of the authority the
11 performance of significant community service by submitting the
12 most recent community benefit plan and providing at least one of
13 the activities specified in Section 127345 of the Health and Safety
14 Code. *benefit plan when the health facility is required by law to
15 have one. The health facility shall identify its priorities, as
16 determined by the community needs assessment, and demonstrate
17 that it has taken action on most of these priorities. When the health
18 facility is not required to complete a community benefit plan, the
19 health facility shall demonstrate to the authority the performance
20 of significant community benefit by other means, including being
21 a federally qualified health center.*

22 (e) Enforcement of the conditions under which the authority
23 issues bonds pursuant to this section shall be governed by the
24 enforcement conditions under Section 15459.4.

25 SEC. 2. Part 7 (commencing with Section 1179.100) is added
26 to Division 1 of the Health and Safety Code, to read:

27
28 **PART 7. LOCAL FINANCING OF HEALTH FACILITIES**
29

30 1179.100. (a) It is the intent of the Legislature in enacting this
31 part to provide financing only to health facilities that can
32 demonstrate the financial feasibility of their projects. It is further
33 the intent of the Legislature that all or part of any savings
34 experienced by a participating health institution, as a result of that
35 tax-exempt revenue bond funding, be passed on to the consuming
36 public. Further, it is not the intent of the Legislature to authorize
37 the authority to control or participate in the operation of hospitals
38 health facilities, except where default occurs or appears likely to
39 occur.

1 (b) Except as provided in subdivision (c), a health facility, as
2 defined in subdivision (d) of Section 15432 of the Government
3 Code, seeking financing for a project, as defined in subdivision
4 (f) of Section 15432 of the Government Code, from a local
5 government or joint powers authority shall demonstrate to the
6 satisfaction of the local government or joint powers authority the
7 performance of significant community service. In determining
8 whether a health facility performs significant community service,
9 the local government or joint powers authority shall first consider
10 whether the health facility *has a community benefit plan that*
11 *includes an implementation schedule and economic valuation of*
12 *the community benefits and whether the health facility does the*
13 *following:*

14 (1) Establishes and maintains a policy of treating all patients
15 without regard to ability to pay, pursuant to Section 1317 of the
16 Health and Safety Code or, if the health facility is not subject to
17 that section, maintains its own policy for providing emergency
18 services without regard to ability to pay.

19 (2) Maintains a California Medical Assistance Commission
20 (CMAC) contract or otherwise treats Medi-Cal eligible patients.

21 (3) Establishes and maintains a charity care policy pursuant to
22 Section 127405 of the Health and Safety Code.

23 (4) Establishes and maintains a mechanism for tracking and
24 reporting its costs and charges for services, and clinical quality
25 data required by state and federal agencies, including, but not
26 limited to, the federal Centers for Medicare and Medicaid Services,
27 pursuant to the Hospital Quality Alliance.

28 (c) The significant community service requirement of this
29 section shall not apply to a health facility that operates as a
30 children's hospital described in Section 10727 of the Welfare and
31 Institutions Code.

32 (d) If a health facility does not take the actions described in
33 paragraphs (1) to (4), inclusive, of subdivision (b), the health
34 facility shall demonstrate to the satisfaction of the local government
35 or joint powers authority the performance of significant community
36 service by submitting ~~the most recent community benefit plan and~~
37 ~~providing at least one of the activities specified in Section 127345.~~
38 *the most recent community benefit plan when the health facility is*
39 *required by law to have one. The health facility shall identify its*
40 *priorities, as determined by the community needs assessment, and*

1 *demonstrate that it has taken action on most of these priorities.*
2 *When the health facility is not required to complete a community*
3 *benefit plan, the health facility shall demonstrate to the authority*
4 *the performance of significant community benefit by other means,*
5 *including being a federally qualified health center.*

6 (e) The remedies and sanctions available to the local government
7 or joint powers authority against the borrower for failure to adhere
8 to the assurance given under this section shall include referring
9 the violation to the office of the Attorney General for legal action
10 authorized under existing law or other remedy at law or equity.
11 However, the remedies obtainable by the legal action shall not
12 include withdrawal or cancellation of the project or projects
13 financed or to be financed through the issuance of revenue bonds.