

HB 4075 -5, -8 STAFF MEASURE SUMMARY

House Committee On Rules

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Meeting Dates: 2/24, 2/25

WHAT THE MEASURE DOES:

The measure permits the State Treasurer to use up to 20 percent of the Unclaimed Property and Estates Fund to issue rural hospital stabilization loans to qualifying hospitals. It sets eligibility criteria for recipients of rural hospital stabilization loans and defines required application criteria and permissible uses of loan funds. It also directs payments of principal, interest, fees, and penalties of the loan program to the Unclaimed Property and Estates Fund. The measure declares an emergency, effective on its passage.

ISSUES DISCUSSED:

- The Oregon Bay Area Hospital and the southern coast hospital system
- Potential outcomes of the closure of the Bay Area Hospital or transition to become a Type B rural hospital
- County taxing districts and hospital taxing authority
- Possible implications for the Common School Fund and potential for setting a precedent related to use of the Unclaimed Property and Estates Fund
- Origins of the existing Bay Area Hospital loan
- Possible alternate pathways to securing loan funds

EFFECT OF AMENDMENT:

-5 Replaces the measure.

Detailed Summary

- Directs the State Treasurer to use Funds from the Unclaimed Property and Estates Fund to guarantee a rural hospital stabilization loan to a rural hospital that meets specific criteria.
 - **Establishes eligibility criteria**, including that: the hospital is rural, governed by a publicly elected board, and receives Medicare reimbursement for diagnostic related groups.
 - **Stipulates acceptable loan uses**, including to address cash shortages or refinance existing debt, and prohibits the loan from being used to expand services, facilities, operations, or capital improvements.
 - **Specifies loan requirements**, including: a maturity date no later than 20 years after the closing date, to be fully amortized without interest-only or balloon payments, to be made by one lender or syndicate, and to be secured by a first position lien on hospital property and equipment. Specifies that the State has all rights of a secured party in a commercial transaction. Requires the hospital and lender to exercise all commercially reasonable efforts, excluding foreclosure, to meet the debt obligation prior to pursuing a guarantee. Directs the hospital or lender give the State Treasurer prompt notice when the loan is paid in full, if loan servicing is transferred, the loan is in default, or the hospital modifies the loan or executes additional loan agreements.
 - **Establishes when the loan guarantee may be terminated**, including: 30 days after the loan reaches maturity, if the loan is replaced, or repayment in full.
 - Requires a hospital with a stabilization loan to report annually to the State Treasurer and stipulates what must be included in a report.
- Directs the State Treasurer to extend up to \$44 million from the Unclaimed Property and Estates Fund to fulfill contractual obligations on a guaranteed stabilization loan. Provision only becomes operative if a guaranteed loan is issued no later than April 1, 2027.
- Declares an emergency, effective on passage.

-8 Replaces the measure. Changes loan eligibility criteria. Removes the requirement that the hospital meet the statutory definition of a rural hospital.

BACKGROUND:

The [Unclaimed Property and Estates Fund](#), established in Oregon Revised Statute (ORS) 98.389, consists of unclaimed assets, including uncashed checks, forgotten bank accounts, security deposits, tax refunds, credit balances, investment accounts, and other funds. The Oregon State Treasury holds unclaimed property in trust in the [Common School Fund](#) until it is claimed by its owners; funds are invested by the State and any earned interest is distributed biannually across Oregon's 197 public school districts.

Oregon hospitals are categorized by the Oregon Health Authority by their size, distance from another hospital, and their reimbursement level. There are five Oregon [hospital designations](#): DRG, Type A, Type B, Type C, and Health Districts. DRG hospitals are generally large, urban, and receive standard reimbursements based on Medicare Diagnostic Groups (DRG). The other four designations are rural hospitals which are classified based their number of beds, proximity to another acute inpatient care facility, and whether or not they are a Rural Referral Center (RRC). RRC is a federal designation where at least 50% of Medicare patients are referrals and 60% of Medicare patients live 25 or more miles away. There are [37](#) rural and remote hospitals and eight RRCs in Oregon.