

HB 4075 A STAFF MEASURE SUMMARY

Joint Committee On Ways and Means

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Meeting Dates: 3/3, 3/3

WHAT THE MEASURE DOES:

The measure directs the State Treasurer to use funds from the Unclaimed Property and Estates Fund to guarantee a rural hospital stabilization loan to a hospital that meets specific criteria. The measure declares an emergency, effective on its passage.

Detailed Summary:

- **Establishes eligibility criteria**, including that the hospital is governed by a publicly elected board and receives Medicare reimbursement for diagnostic-related groups
- **Stipulates acceptable loan uses**, including addressing cash shortages and refinancing 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, and that the loan be fully amortized without interest-only or balloon payments, be made by one lender or syndicate, and 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 to give the State Treasurer prompt notice when the loan is paid in full, if loan servicing is transferred, if the loan is in default, or if 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 if repayment in full is made
- 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, and makes the provision operative only if a guaranteed loan is issued no later than April 1, 2027

ISSUES DISCUSSED:

- Bay Area Hospital financial status
- Current state of assets and liabilities
- Alternative funding options
- Urgency of request
- Legal risks and opportunity costs related to funding source
- Indeterminate fiscal impact

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The [Unclaimed Property and Estates Fund](#), established in Oregon Revised Statutes (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 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. The other four designations are rural hospitals, which are classified based on their number of beds, proximity to another acute inpatient care facility, and whether they are a Rural Referral Center (RRC). RRC is a federal designation in which at least 50 percent of Medicare patients are referrals and 60 percent of Medicare patients live 25 or more miles away. There are [37 rural and remote hospitals](#) and 8 RRCs in Oregon.