American Hospital
Association

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February 25, 2008

Honorable Phil English
United States House of Representatives
Washington, DC 20515

Dear Representative English:

On behalf of the American Hospital Association's (AHA) nearly 5,000 member hospitals, health systems and other health care organizations, and our 37,000 individual members, I am writing in support of your legislation, H.R. 2091, to allow bonds with credit enhancement by the Federal Home Loan Banks to be treated as tax-exempt bonds. This important legislation would provide tax-exempt hospitals with an alternative credit enhancement opportunity at a time when capital markets are under pressure and hospital capital costs are soaring.

The number of health care construction project starts doubled from 2004 to 2006, and are expected to continue at a rapid pace. At the end of 2005, renovations, a $6 billion market with 1,000 projects underway, accounted for one-third of all acute-care hospital construction. Square-foot costs of construction jumped 8 percent nationwide in 2006, and considerably higher in some states. The rising cost of oil, growing global demand for materials, and a potential labor shortage drive these cost increases. Hospitals are unable to control such market forces, and at the same time the situation is particularly acute as inpatient needs increase due to the aging of the U.S. population. Further, the Bush Administration's 2009 budget calls for a reduction of $3 billion in Medicare's share of hospital capital costs, as part of an overall proposed reduction in Medicare hospital payments of $135 billion over five years.

Tax-exempt hospitals need every tool available to reduce their capital costs so they can keep up with demand by constructing and modernizing the facilities needed to take care of people. As hospitals lower their capital costs, the cost to government health care programs is also reduced. Your legislation would provide hospitals with an important tool for lowering capital costs and enhance their ability to meet the construction and modernization needs of the future.

Sincerely,

Rick Pollack
Executive Vice President

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