



**American Hospital  
Association**

Liberty Place, Suite 700  
325 Seventh Street, NW  
Washington, DC 20004-2802  
(202) 638-1100 Phone  
[www.aha.org](http://www.aha.org)

May 11, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
United States House of Representatives  
2252 Rayburn Building  
Washington, DC 20515

Dear Chairman Frank:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, and our 40,000 individual members, the American Hospital Association (AHA) urges you to include tax-exempt hospital bonds in any legislation you propose to provide temporary federal government help for the municipal securities market.

Hospitals are among the largest users, in terms of volume and dollars, of tax-exempt financing. However, their ability to enter the market for new capital or refinancing of existing debts has been severely constrained since the beginning of the current financial crisis. In particular, sources of guarantees such as bond insurance and bank letters of credit are either no longer available or unaffordable.

Hospitals face an urgent need to refinance outstanding debt as they continue to suffer from the effects of the economic downturn. More than half of our members have seen their operating margins decline precipitously due to government program payment restraint, increases in uninsured patients, and reductions in overall inpatient volume. Moreover, non-operating income has fallen sharply as well – a direct result of the financial crisis. Many hospitals report significant declines in their unrestricted liquidity balances, and some of them face the imminent threat of violating bond and liquidity covenants. Federal debt support is urgently needed so that hospitals can use the capital markets to resolve these issues on their own, without a major infusion of federal dollars. Their inability to refinance existing debts has forced many hospitals to divert needed patient care resources to pay down current obligations, often at accelerated rates.

These financial pressures also are making it harder to fund new capital projects needed to ensure hospital facilities and equipment can continue to meet the growing and changing needs of the surrounding community. Hospitals must continue to invest to keep pace with advances in medicine, such as technological improvements, that will lower costs, not only for hospitals but for the federal government in the long-term.



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The health care sector is an economic mainstay, providing stability and even growth during times of recession. In 2007, hospitals employed nearly 5.3 million people, were the second-largest source of private-sector jobs, and purchased \$304 billion in goods and services from other businesses. Today, each hospital job supports about two additional jobs, and every dollar spent by a hospital supports roughly \$2.30 of additional business activity. Overall, hospitals support nearly one of nine jobs in the U.S., and support nearly \$2 trillion in economic activity.

The current financial crisis and hospitals' inability to use the financing tools of the capital markets have resulted in an unprecedented drain of operating resources that threatens the stability of this relatively healthy sector of the economy and has unnecessarily increased the cost of health care nationwide.

For these reasons, federal support is needed to enable hospitals to continue to borrow for needed capital projects, including refinancing of existing debt. I urge you to make tax-exempt hospital bonds eligible for any federal support you may provide to the municipal securities market.

Sincerely,

Rick Pollack  
Executive Vice President

Cc: Committee on Financial Services Members