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December 14, 2010

The Honorable Sander Levin
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Levin:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, and our nearly 40,000 individual members, the American Hospital Association (AHA) is writing to ask for your support in extending several tax provisions that have proven critical to hospital capital financing.

The Build America Bond Program, incentives for banks to purchase hospital tax-exempt bonds, and the Federal Home Loan Bank letters of credit have helped nonprofit and public hospitals finance essential restructuring, renovation and construction during difficult economic times. These provisions have helped hospitals lower their capital costs and, consequently, lower the cost of health care for the nation.

It is important these financing tools remain available to hospitals, who are now working to make necessary and substantial investments to restructure and modernize. For most hospitals, operating cash flow alone will not support the higher level of required capital spending, and cash flow will continue to be limited by spending restraints under the new law. Hospitals will need to borrow capital. Success will depend on having reliable access to debt at reasonable cost, terms and risk. Community banks, Federal Home Loan Banks and the Build America Bond Program all have played an essential role in helping hospitals meet the challenges of the past two years, and their partnership with hospitals is vital to future restructuring of America's health care system.

As Congress grapples with year-end tax legislation focused on jobs and economic recovery, we would like to remind lawmakers of the importance of hospitals to their communities that extends far beyond health care. Hospital care is the largest component of the health



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care sector, which is itself a growing segment of the U.S. economy. In addition, the health care sector is an economic mainstay, providing stability and even growth during times of recession. In 2008, hospitals:

- Employed 5.3 million people;
- Were the second largest source of private sector jobs; and
- Spent about \$320 billion on goods and services from other business.

Further, the goods and services hospitals purchase from other businesses create additional economic value for the community. When these ripple effects are included, each hospital 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 more than \$2 trillion in economic activity.

It is essential that America's hospitals can access needed capital in order to improve community health care and increase jobs and support the local economy. Extending the authority for the Build America Bonds Program, the \$30 million Bank Qualified Debt Limit and the Federal Home Loan Bank letters of credit authority will help hospitals achieve the goals of health care reform and remain strong economic engines for their communities. America's hospitals appreciate your strong leadership in putting these provisions into law initially, and we urge you to include an extension of these programs in tax legislation this year.

Sincerely,

Rick Pollack
Executive Vice President