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Regulations Division, Office of the General Counsel
Department of Housing and Urban Development
451 Seventh Street, SW, Room 10276
Washington, DC 20410

RE: Federal Register Vol. 77, No. 69; Docket No. FR-5634-N-01

To Whom It May Concern:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, the American Hospital Association (AHA) respectfully submits the following comments regarding the Department of Housing and Urban Development's (HUD) proposed increase to its multifamily and health care mortgage insurance premiums (MIP) as announced in the referenced Federal Register notice.

It is essential that America's hospitals have access to needed capital to improve community health, increase jobs and support the local economy. Better access to capital helps hospitals upgrade facilities, meet growing patient needs and invest in clinical and information technology. Over the past 15 years, market, economic and regulatory forces have led hospitals and physicians to explore new ways to better align their interests and achieve greater integration in order to both reduce costs and improve the quality of care. Most recently, the *Patient Protection and Affordable Care Act* (ACA) was enacted in 2010 with the intent of accomplishing fundamental transformation in the ways that health care is delivered in the United States. But for many hospitals, obtaining adequate capital financing to meet these goals remains a serious challenge.

The HUD Hospital Mortgage Insurance program (Section 242, 232) has played an important role in helping hospitals meet the challenge of ensuring access to health care services for all Americans and reducing the cost of health care. The program provides nonrated health care providers access to capital at a cost available to borrowers with investment grade ratings. The resulting interest savings allows hospitals to spend less on interest costs and more on providing needed community services.

The referenced notice is likely to result in the end of HUD's important role in ensuring essential health care for communities. The department's proposed MIP increase is significant and could eliminate the Section 242, 232 option for many hospitals. The proposed MIP increase will raise the costs of HUD financing by 30-40 percent for the Section 242 and 232 programs, costs that could put the program out of reach for many community hospitals in need of affordable financing. As a result, many necessary renovations, refinancing's or new construction projects will not be feasible, threatening access to high-quality health care services for those least able to afford it.

Furthermore, the proposed increase is unnecessary to maintain the positive financial balance of Section 242 program. Not only does the program have some of the best credit scoring within HUD, but the department's own numbers show that credit scoring for fiscal year 2012 improves over fiscal year 2011 for all health care programs without an MIP increase.

The AHA believes there is no demonstrated need for the MIP increase in the HUD Healthcare Programs. Instead, the notice runs counter to HUD's community development mission, and this administration's efforts to expand access and reduce health care costs. Therefore, we respectfully request that the department withdraw the notice and maintain the current MIP levels.

Sincerely,

Rick Pollack
Executive Vice President