

MINUTES  
**HOUSE LOCAL GOVERNMENT COMMITTEE**

**DATE:** Tuesday, March 04, 2014  
**TIME:** 1:30 or Upon Adjournment of the House  
**PLACE:** Room EW05  
**MEMBERS:** Chairman Barrett, Vice Chairman Sims, Representative(s) Barbieri, Luker, Perry, Clow, Hancey, Harris, Holtzclaw, Horman, Malek, Chew, Kloc, Meline  
**ABSENT/  
EXCUSED:** Representatives Holtzclaw and Malek  
**GUESTS:** None

**Chairman Barrett** called the meeting to order at 1:32 p.m.

**Chairman Barrett** requested the page, **Sara Buddeke**, introduce herself. She is from Twin Falls. She plans to attend Texas Christian University in the fall, with a double major in journalism and international relations.

**MOTION:** **Rep. Kloc** made a motion to approve the minutes of February 18, 2014. **Motion carried by voice vote.**

**MOTION:** **Rep. Kloc** made a motion to approve the minutes of February 20, 2014. **Motion carried by voice vote.**

**S 1300:** **Don Ebert**, Clearwater County Board of Commissioners, presented **S 1300**. He said this bill would amend Idaho Code 31-836, to increase the cap on a county's ability to lease a hospital or hospital facility without public auction from 20 years to 35 years. He said Clearwater Valley Hospital (CVH) is owned by the public, through Clearwater County. Prior to approximately 1996, it was operated by the county. In approximately 1996, the county found itself in a situation where it lacked the expertise to continue to operate a hospital given the increasing costs and regulations surrounding health care facilities. The hospital was close to closing its doors due to funding issues and lack of a sufficient taxpayer base. The county approached the Benedictine Sisters of St. Mary's Convent in Cottonwood, Idaho, who operated the St. Mary's hospital under the Benedictine Health System umbrella. The Benedictine Health System agreed to take over the operation of CVH. A lease was entered into and approved by the voters. According to the lease, the county continued to own the facility, but all operations were conducted by the Benedictine Health System. The original lease was for 20 years, which is the longest lease able to be written without a public auction of the lease under Idaho Code 31-836.

**Mr. Ebert** said an Idaho nonprofit organization called Clearwater Valley Hospital and Clinics, Inc. (CVH&C) was formed and began operating under the Benedictine umbrella for direct management and operation of the hospital. The hospital has since been operated successfully, has grown to meet expanding needs, has established clinics to serve outlying areas including the cities of Pierce, Weippe and the Kamiah/Kooskia areas. It serves as the primary health care provider for the cities of Peck, Orofino, Pierce, Weippe, Kamiah, and the unincorporated communities. It has done so without taxpayer support. The hospital is designated as a critical access hospital. It essentially serves the entire Clearwater River corridor, being the only hospital on U.S. Highway 12 between Lewiston, Idaho and Lolo, Montana. It serves all of Clearwater County, part of Nez Perce County, part of Idaho County and part of Lewis County. It contains the only emergency room between the Lolo Pass and Lewiston, Idaho. Mr. Ebert said

the hospital's importance to the health and welfare of the citizens of these areas cannot be overstated.

**Mr. Ebert** said the lease between CVH&C and the Benedictine Health System (now known as the Essentia Health System) is due to expire in two years. The voters were asked in the November 2013 election to give the Clearwater County Board of Commissioners approval to enter into another long term lease with CVH&C. Clearwater County believed it was appropriate to seek voter approval before entering into a lease of this nature because the structure is owned by the public and was constructed with taxpayer dollars. The voters approved a long term renewal of the lease with CVH&C, by a margin well in excess of 90%. CVH&C and the Essentia Health System have approached Clearwater County with the following proposal: If the County can provide CVH&C with a long enough lease, CVH&C will construct a separate stand alone clinic, and will agree to make substantial building and infrastructure improvements which are necessary for the aging facility to continue to be operated long term as a hospital. All will be done at CVH&C expense without taxpayer contributions. Investment is conservatively estimated to be several million dollars over time. All improvements to the hospital will revert to county ownership at the conclusion of the lease. However, the financing agencies require CVH&C to have a long enough lease that it will be able to pay back the investment and will be able to realize at least the accountant established depreciated value of the investment. As the hospital facility is aging, and significant investment will be required in the next decade or so to keep it in compliance with regulations, requirements, and best practices recommendations, this is important.

**Mr. Ebert said** alternatively, the County could invest the millions of dollars required and lease the facility to CVH&C. Clearwater County has neither the tax base nor income stream to support that kind of investment. To accomplish the necessary investment without having to resort to taxpayers to foot the bill will require a lease in excess of 30 years, estimated at 35 years. This concept is recognized by the same statute which allows leases to the Idaho Hospital Authority for up to 99 years without a public auction. Idaho Code 31-836 prohibits leases of more than 30 years, and requires the County to put any lease of a hospital facility in excess of 20 years up for public auction. There are exceptions written into the statute for the Idaho Hospital Authority. Clearwater County cannot run the risk of putting its only hospital up for public auction, because of the risk that some other entity could outbid CVH&C for the structure and deprive the community of its primary health care provider. It is simply too great a risk. Clearwater County cannot justify risking such a critical public health facility by exposing it to public auction. Clearwater County has enjoyed a very beneficial, long term relationship with CVH&C. The County enjoys a very high level of trust in the integrity of both CVH&C and Essentia, as well as their long term viability.

**Mr. Ebert** said it is requested that the 30-year limitation on leases as well as the 20-year limitation on leases to a hospital without a public auction in Idaho Code 31-836 be increased to 35 years. This will open options to Clearwater County and other similarly situated counties to use long term leases as a mechanism to provide health care and infrastructure improvements and upgrades at private rather than public expense, without further burdening the taxpayers of Idaho with what will be required for infrastructure investment. There will be no cost to the state or to any county for this amendment. It would have the effect of saving taxpayers the burden of financing the infrastructure improvements.

**Mr. Ebert** said all counties in Idaho who continue to own the structure in which a hospital is housed either have or will have the same problem as that structure ages and requires upgrades, repairs and improvements. **S 1300** provides additional options to those counties, in addition to the existing options provided by Idaho law. Mr. Ebert said the initial investment of \$5 million into the new clinic will provide immediate and positive results for the local economy as it is built, staffed and operated. The subsequent hospital renovation of \$4 million will also provide economic benefits through construction and employment. A better hospital is an incentive for people to come with their families and to move businesses to the area. CVH&C currently employs approximately 200 people. Last year their payroll was approximately \$11.5 million. The expansion is expected to provide at least 20 new jobs and increase payroll by over \$1 million.

**Rep. Sims** declared Rule 38, saying **Mr. Ebert's** aunt is married to her brother.

In response to questions, **Mr. Ebert** said the land that will be leased for the new clinic is within a thousand yards of the hospital. It has been purchased from a private individual. All involved parties share the same vision for expansion and for continuing to provide services. Both the hospital and clinic will have parking available. The Board discussed selling, however they determined that to sell, there would have to be an appraisal and the facility would need to be put up for bids, which could threaten existing services. Currently grants exist that would also need to be unwound in order to sell. The County has invested a great deal into the hospital, and certain financial items such as the grants belong to the County. Being unwilling to jeopardize the current services to the community, and the current partnership that is working so well, the Commissioners determined they would rather come to the Legislature and request a change to Idaho Code to enable them to enter into a longer lease, than put the hospital up for auction. The attorney for Clearwater County indicated to put the hospital up for auction could jeopardize its current functioning. Over 90% of voters indicated they want to renew and extend this lease. This change would apply to all Idaho counties. It would simply allow commissioners to determine the desired length of leases, and voters would be involved in the process. In the case of an auction, Mr. Ebert is concerned there could be great disruption and some uncertainty.

**MOTION:** **Rep. Clow** made a motion to send **S 1300** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Clow** will sponsor the bill on the floor.

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 1:56 p.m.

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Representative Barrett  
Chair

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Mary Tipps  
Secretary