



MARCUS DALY MEMORIAL HOSPITAL CORPORATION

**Testimony to Committee Members on Monday, February 19, 2007  
Re: HB634**

My name is John Bartos. I am the Hospital Administrator at Marcus Daly Memorial Hospital in Hamilton and I have been a CEO of hospitals for the past 33 years in Montana. I have served as a board member of the Montana Facility Finance Authority on two different occasions and am presently on that board. My experience as a board member of the Authority totals ten years.

I am speaking to you this morning not as a board member, but as a hospital CEO and private citizen of Montana.

The Montana Facility Finance Authority was created in 1983 and has issued more than \$1.3 billion in bonds to fund Montana projects. These funds are primarily used to build and renovate health care facilities, treatment facilities, and pre-release facilities. Because of the Montana Facility Finance Authority supporting my hospital, we were able to obtain three separate bond issuances in 1996, 2000, and in 2006. Without the Montana Facility Finance Authority's assistance, we could not have built a hospice and palliative care center attached to the hospital, a rehab/transitional care unit, or our newest project, a 20,000 square foot emergency room that is desperately needed.

The Montana Facility Finance Authority offers low borrowing costs and provides better loan terms than we could obtain from conventional financing. The loan amount for our emergency room is \$7,200,000. The annual interest rate that we were able to obtain in the selling of the bonds with the assistance of the Authority was 4.37%. If we had obtained financing through conventional means, I would have had to pay a 3-4% higher interest rate, which would mean a total interest cost of \$7,654,111.00. The interest for the 20 year term of our 2006 loan through the Authority is \$3,611,295.00 – a total savings of \$4,042,816.00 – because I was able to have my bonds insured by the Authority. If you reduce it to what the additional interest cost would be per month for my facility, it would be \$16,845.00. We could not afford that and the project would not have occurred.

I live, as all of you know, in a beautiful area of Montana. The population continues to grow, and as a rural hospital I must provide the services that are necessary at a rural healthcare facility. Our hospital has just completed a facility master plan which has taken over three years to complete. Phase one was the emergency room. There are five additional phases which will total \$22-\$28,000,000.

There are 42 Critical Access Hospitals; everyone of these hospitals need either a new

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hospital, renovations and remodeling of the present hospital, and/or additions to their hospitals. These hospitals were built during the Hill Burton era, therefore some of these facilities are 40-60 years old. I am aware of six hospitals presently looking at building new hospitals, undergoing renovations or remodeling. These hospitals are located in Ronan, Livingston, Red Lodge, Ennis, Glendive, and Malta. With these rural hospitals, you have urban hospitals that also need to address their facilities. For biennium ending June 30, 2007, the Authority will have close to \$400,000,000 of issuance that will need to occur. Looking into the following biennium, I would not be surprised that we will see \$600,000,000 or more.

It is important for you to know that to date none of the bonds in the Authority's portfolio, which is now over 23 years old, have experienced a default. In addition, the Authority has been very careful to accumulate reserves where necessary. Your Legislative Audit Division completed an audit of the Authority for the two fiscal years ending June 30, 2006, and there were no recommendations needed and the Authority was found to be "clean". The Authority is working for the people of Montana. The small rural hospitals depend on the Authority for the expertise. When rural hospitals and the CEO's of those hospitals undertake a significant financing project, it is the Authority's employees and board that watch out for the hospital's best interest.

Secondarily, the economic development impact of the Authority tax exempt financing is significant to our state's economy. There are new and better jobs created, along with substantial positive tax impact, which will continue for years to come because of the Montana Facility Finance Authority.

My job is to take care of the people in my community – not only our patients and their family members, but also the employees who work for our hospital. They need facilities that are up-to-date with the necessary technology for them to do their jobs. Also, our physicians require and demand that quality of care is provided in a warm, friendly atmosphere for their patients, as well. I ask you Committee members to help me and other healthcare facilities in Montana to provide the plant and equipment necessary for that care to be delivered.

I express my support for House Bill 634, but along with that I strongly request that you remove the biannual cap. If within your minds you cannot remove the cap, I urge you to increase the cap to at least \$600,000,000.

Thank you.