

A COALITION OF HEALTHCARE AND BANKING ASSOCIATIONS

*American Association of Homes and Services for the Aging
American Health Care Association
American Hospital Association
American Seniors Housing Association
Assisted Living Federation of America
Coalition for Senior Healthcare Reform
Committee on Healthcare Financing
Mortgage Bankers Association of America*

The Honorable Kit Bond
Ranking Member
Subcommittee on Transportation, Housing and Urban Development and Related Agencies
Committee on Appropriations
United States Senate
274 Senate Russell Office Building
Washington, DC 20510

Dear Senator Bond:

We are writing to ask for your continued support for vital health care finance programs under the authority of the U.S. Department of Housing and Urban Development in the Fiscal Year 2009 Appropriations legislation.

As you know, the Federal Housing Administration has two critical mortgage insurance programs to support construction, renovation, replacement and refinancing health care facilities that are vital to the preservation of quality healthcare, neighborhoods and job opportunities: Section 232 for nursing and assisted living facilities and Section 242 for hospitals. Both provide desperately-needed capital access for healthcare facilities across the country at a time when other credit markets are virtually shut down. In many cases, these programs are the only feasible financing vehicle. Without effective operation of these programs, lending for healthcare facilities will be increasingly difficult to obtain and when available, onerous terms might simply make it impossible to improve or build new facilities.

Both the Section 232 and Section 242 programs also have negative credit subsidies, so while they are improving health care access and quality and generating construction and new permanent jobs in American communities, they do so without costing the taxpayers money and in fact generate income to FHA at the very time the Congress is carefully monitoring the strength of FHA's insurance funds.

To assure the Section 232 program's operating efficiencies, FHA is in the process of completing the program's transfer from its Office of Multifamily Programs to its Office of Insured Health Care Facilities, which already administers the Section 242

program. The result is that for the first time all FHA's healthcare functions will be administered in a single office staffed by qualified professionals. This transfer has overwhelming support from the industry and the facilities these programs assist. Our concern, however, is that if sufficient funds are not provided in the Salaries and Expenses account for FHA to implement this transfer and related efficiencies, the program will be returned to the Multifamily Office, which is more appropriately focused on the development and preservation of affordable housing. This could cause a slowdown or even cessation of lending activities and would be devastating to our mutual efforts to put Americans back to work and provide the high-quality health care American families deserve.

We share an identical concern with respect to the Section 242 program, which is not currently staffed at a level that would allow it to deal with a rapidly increasing volume of hospital sponsors, which have found that the FHA program is becoming a critical affordable means for financing urgently needed upgrades and replacements of long outdated facilities, particularly in the country's rural and urban communities. A survey released last week by the American Hospital Association shows that the lack of capital has forced a large number of hospitals to postpone "shovel ready" capital projects, the very type of project that President Obama and the Congress are focusing on in the stimulus bill and of particular importance since hospitals are often the largest employers in their communities. Nearly half of hospitals surveyed by AHA have postponed projects set to begin within six months.

We ask that you include in the Fiscal Year 2009 Appropriations legislation pending before your Subcommittee sufficient funds, in addition to those anticipated to be necessary to support FHA housing programs, in the "S&E" account to complete the transfer of the Section 232 program to the FHA healthcare office and operate both the Section 232 and 242 programs. Additionally, we would ask your support to ensure that the allocation of Full Time Equivalent employees within FHA likewise support these vitally important efforts.

We are happy to provide you or your staff with any information or assistance requested and look forward to working with you throughout the 111th Congress to improve access to healthcare. You may contact us through Chris Boesen at the Coalition for Senior Health Care Reform at (202) 543-5755 or Mike Mazer at the Committee on Healthcare Finance at (202) 293-8200.

Thank you for your attention and your ongoing support for the health and well-being of American families.

On Behalf of the Coalition

Committee on Healthcare Financing

Committee on Healthcare Financing