
SECTION I - What are Public Hospital Districts?

Compiled from the PHD Legal Manual, Chapter One

This section will focus on the nature and structure of special purpose districts in Washington State generally, and discuss specifically how PHDs operate within that framework.

A. Special Purpose Districts

Special Purpose Districts Defined

Special purpose districts are governmental entities and political subdivisions of the State of Washington which are created by the legislature to carry out certain limited functions. These functions are specified in statutes. The House Committee on Local Government defines a special purpose district as "... any municipal or quasi-municipal corporation that can be created in this state other than counties, cities, towns and townships." PHDs share some characteristics with other special purpose districts, including public utility districts, fire districts and port districts. The most common types of special purpose districts in Washington are fire protection districts and school districts.

Special purpose districts are created expressly to fulfill a need for services to the citizens of the district. Generally, special purpose districts perform functions that are not, for one reason or another, performed by general purpose governments (i.e. counties, cities, or towns).

Powers and Limitations

Special purpose districts are municipal corporations, which means that they possess powers unique to governmental entities. For example, they may finance their activities by tax levies, condemn property, hold elections, and join forces with other governmental entities in cooperative ventures. By the same token, special purpose districts are limited by statutory, constitutional, and regulatory provisions in the same manner as other governmental entities. For example, they are prohibited from lending public credit, owning stock, and giving away public property as gifts.

This latter point is critical to understand. As creatures of statute, special purpose districts must exercise their powers within the limits of the legislation authorizing their creation, and the Washington State Constitution. Municipal corporations possess only those powers expressly granted by statute as well as powers necessarily or fairly implied in or incident to the powers expressly granted. In other words, if there is no statute that specifically authorizes a special purpose district to engage in an activity, or such authority cannot be necessarily or fairly implied, the district is prohibited from engaging in such activity.



B. Public Hospital Districts

As discussed above, PHDs belong to the family of special purpose districts and municipal corporations. They operate under all applicable statutory, constitutional and regulatory provisions of the State of Washington and the United States.

How District Hospitals Compare To and Differ From Non-Profit Hospitals

Public Hospital Districts operate approximately half of the entities licensed as acute care hospitals in Washington. The vast majority of the other hospitals are operated as not-for-profit corporations, with a handful owned and operated by private corporations on a for-profit or proprietary basis.

In many cases, PHDs and not-for-profit hospitals may appear very similar. Both may be focused on community service with "profits" being applied not to rates of return for investors, but to enhanced community services, facility upgrading, or subsidized care for persons unable to pay the full costs of service. The major difference is that Washington law reinforces the need for PHDs to maintain this focus in a very precise way, such as through the election of board members (not-for-profit members are normally appointed) and strict legal restrictions on the use of funds for certain purposes. Also, as a municipal corporation, many of the documents and proceedings of a PHD are open to close public scrutiny through open meetings and public records laws, while not-for-profit activities are monitored in a much more general fashion through state and federal review activities. The process for creating a PHD is also much more rigorous than for a not-for-profit hospital, as detailed in Chapter One of the PHD Legal Manual.

In exchange for meeting these procedural and operational requirements, hospital districts are able to access the benefits associated with being such an entity, such as access to tax revenues, and the power to condemn property.

Public Hospital District Locations

The vast majority of PHDs are located in areas considered to be "rural" in character, emphasizing the importance of PHDs in meeting the challenges facing rural health care.

Laws and Regulations Governing Public Hospital Districts

Hospital district powers are those things which a PHD *may* do, as expressly or implicitly authorized by state law. Duties, on the other hand, are those things which a district *must* do, as required by state law. Of course, there are also things which a PHD *may not* do, which then fall outside the range of both powers and duties. All of these powers, duties, and limitations spring from the body of laws outlined below.

The Revised Code of Washington (RCW) PHDs are organized and exist as a result of chapter 70.44 of the Revised Code of Washington (RCW). It is this statute that allows for the creation of the PHDs and fundamentally defines their purpose, operations, powers and limitations.

In addition to chapter 70.44 RCW, PHDs, as municipal corporations, are affected by statutory provisions that govern governmental entities generally. For example, PHDs, like all municipal corporations, are subject to the Open Public Meetings Act, chapter 42.30 RCW. Thus, all meetings of the governing body of a public agency (board of commissioners) are required to be open to the public. Similarly, PHDs are required to comply with the public record provisions (RCW 42.56.040) of the Code. As a last example, PHD commissioners, as public officials, are prohibited from engaging in activities that result in conflicts of interests. RCW 42.23.030 prohibits a municipal officer from being "beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his or her office" For a further discussion of conflicts of interest law, see Section III of this Guide.

Not all statutory provisions are prohibitive or related to defining the scope of duties. Some statutes authorize an expansion of powers and provide opportunities for PHDs. One important example is the Inter-Local Cooperation Act, chapter 39.34 RCW. This statute allows two or more municipal corporations to join together in cooperative action and jointly finance these ventures (see PHD Legal Manual, Chapter 6).

State Constitution Another state source of the law for PHDs lies in the provisions of the Constitution of the State of Washington, which places restrictions on the powers granted to public hospital districts by statute. Constitutions are the over-riding statements of law affecting a government and its citizens. An example of a state constitutional provision of concern to Washington PHDs is Article VIII, Section 7, which states that no municipal entity shall give or loan money to any individual or corporation except for the necessary support of the poor and infirm. Under the section, governmental entities are also barred from owning stocks or any other interests in corporations. The implications of this constitutional provision on hospital revenues and write-offs of charity care is of great importance (for further discussion see PHD Legal Manual, Chapter 4). Another constitutional provision, Article I, Section 16, limits a provision in chapter 70.44 RCW granting the power of eminent domain to PHDs. Needless to say, PHDs are also bound by applicable provisions of the United States Constitution.

Case Law and Attorney General Opinions Washington's statutes and constitution have also been shaped over the years by court opinions (state and federal) that clarify, or in some cases confuse the meaning of the laws. Case law and its interpretation of statutory provisions is a definitive source of the law. As is true with all municipal corporations, the courts are very strict in interpreting the powers of PHDs so as to ensure that they do not engage in activities that the legislature did not clearly intend to authorize.

Opinions by the Attorney General (AG) of the State of Washington also help define the boundaries of the statute. Such opinions are viewed as persuasive authority, but are not binding upon PHDs. There are formal and informal opinions which come from the AG's office. A formal opinion is signed by the Attorney General and is binding on the AG's office and other Washington agencies, such as the State Auditor's Office. An



informal opinion is the individual opinion of an Assistant AG and has not been reviewed by the AG. Thus, it does not have the same binding effect on Washington agencies as a formal opinion.

Other Statutes and Regulations Obviously, a hospital managed by a PHD, like any hospital, must comply with the many and local, state, and federal requirements related to operating a hospital. For example, PHDs with hospitals must comply with state licensing regulations, safety standards, zoning laws, federal Medicare standards, and a host of other regulatory requirements. The PHD Legal Manual specifically covers those requirements which apply to a hospital district because of its unique status as a local government authorized under Washington statutory and constitutional provisions.

A brief mention of federal statutory law (and its refinement by case law) completes this introductory discussion of sources of the law relating to PHDs. Antitrust laws are an important example of how federal legislation impacts PHDs. While this subject matter is covered in the PHD Legal Manual (see Chapter 6), few other federal laws have such a unique impact on PHDs and are therefore beyond its scope.

SECTION II - Structure of a Public Hospital District

Compiled from the PHD Legal Manual, Chapter One

A Public Hospital District's management structure is the major difference between it and other non-profit hospitals. As mentioned in the previous section, elected commissioners serve as the hospital's board members. The make-up of this board is considered in the first part of this section, focusing on the statutory requirements regarding the number of commissioners that may serve on the board, how commissioners may be elected, and the process that a district must go through to change either.

The remainder of this section describes the different managerial structures that may be adopted by the board in the running of the day-to-day operations of the hospital.

A. Commissioner Districts

Introduction to Commissioner Districts

As is discussed in detail in Section III of this guide, PHDs are governed by a board of district commissioners who are elected officials. Each board must have a president and a secretary. RCW 70.44.040 and RCW 70.44.053 provide that the board may be comprised of three, five, or seven members. Each commissioner may represent a particular district within the whole of the PHD (where they must reside), or hold an at-large position.



The notion of commissioner districts is common to many types of special purpose districts. In theory, the establishment of commissioner districts allows commissioners to represent geographic constituencies.

From a practical standpoint, commissioner districts do not always serve a vital purpose. This can be the case with PHDs. Therefore, commissioners may also be elected on a strictly at-large basis, or a PHD may have a combination of geographic commissioner districts and at-large positions. [RCW 70.44.040]

Creation of Public Hospital Commissioner Districts

Commissioner districts may be created at the same time that a PHD is formed. RCW 70.44.040 provides that the commissioners of the county or counties in which the proposed PHD is located must determine by resolution whether district board members will be elected from either three, five, or seven commissioner districts, or at-large positions, or both. Then the electorate chooses commissioners on the same ballot as it considers the proposition for forming a PHD. The terms of the inaugural board members are fixed by statute, ranging from one to six years, to ensure that commissioner vacancies will be staggered as evenly as possible. The terms of office are formulated so that the commissioners receiving the greater number of votes at the initial election will serve the longer term of office.

Electorate Voting

Only voters of a commissioner district may vote at a primary to nominate candidates for a commissioner district but voters of the entire public hospital district can vote at a general election to elect a commissioner of the commissioner district [RCW 70.44.040(2)].

Redistricting Commissioner Districts

State law declares that it is the responsibility of each municipal corporation to periodically redistrict its governmental unit based on population information from the most recent federal decennial census [RCW 29A.76.010]. No later than eight months after receipt of federal decennial census information applicable to the district, the board of commissioners must prepare a plan for redistricting its commissioner districts [RCW 29A.76.010 (4)]. The necessary elements of this plan are laid out in the PHD Legal Manual (Chapter 1).

Results of Redistricting

If, as a result of redistricting, more than one commissioner resides in a redrawn commissioner district, the law allows both commissioners to complete their terms of office. When this situation arises, a commissioner or commissioners from that district, equal in number to the number of commissioners in excess of the correct number, will be assigned to a drawn district with less than the correct number. Under state law, the commissioner(s) with the shortest unexpired term(s) will be assigned. If the number of commissioners with the same terms of office exceeds the number to be assigned, the board of commissioners shall select by lot from those commissioners which one or ones are assigned. A commissioner who is assigned in this manner shall be deemed a



resident of the commissioner district to which he or she has been assigned for purposes of determining whether a position is vacant. [RCW 70.44.047]

Abolishing Public Hospital Commissioner Districts

Existing commissioner districts may, by resolution of the board members, be abolished, permitting candidates for any position on the board to reside anywhere in the PHD. Commissioner districts can then be re-established at any general or special election called for that purpose, either by resolution of board members or on petition of the voters. [RCW 70.44.042]

B. Public Hospital District Management Structure

Overview and Options

A hospital district is probably best described as a municipal corporation formed within a defined geographic area to provide health care services to community residents and others in need. And, Washington law is quite clear in requiring that the elected board of commissioners oversee the general conduct of hospital district affairs and that there be a person appointed to the statutory post of superintendent to provide reports to the commissioners on the status of district operations.

However, hospital districts do have a number of options in deciding how it is they wish to directly manage the delivery of health care services. In most cases, the district commissioners hire an administrator who is also appointed the superintendent and who is responsible for the direct management of the health care facilities operated by the district. But, the district may adopt one of the following alternatives in assigning this managerial responsibility:

- The district may choose to lease the entire district and maintain only a minimal involvement in the direct decisions on health care delivery.
- The district may engage a management firm to operate the facility under the board's guidance. Under such an arrangement, the "administrator" is assigned to the district by the management firm and is the employee of that firm (although the person is chosen with input from the board).
- The district may hire an administrator who does not serve as superintendent, or may even hire administrators for the different facilities owned and operated by the district who are separate from the superintendent.
- The district may hire a part-time administrator (this may occur when the district only operates a clinic or ambulance service).

Practical Consideration

Obviously, the choice of management strategy carries with it different consequences in terms of the scope of direct control by the board and the links to the board in terms of reporting on operational details. Districts should assure that the management style is

consistent with the expectations of the community and that it facilitates the ability to render health care services in an efficient and effective manner.

SECTION III - The Role of Commissioners

Compiled from the PHD Legal Manual, Chapter Two

The activities of organizations, including hospitals and hospital districts, are generally directed by a group of individuals who serve to represent the membership of the controlling entity as a whole. For not-for-profit hospitals, these groups are generally described as boards of directors or trustees. For public hospital districts, these are referred to as boards of commissioners, indicating that the individuals serving in these positions are elected officials, chosen by the voters to govern the hospital district. This section identifies some of the key issues relating to commissioners, including the elections process, commissioner duties, the role of the board, and commissioner compensation.

A. The Election Process

Because a hospital district is a local government, its governing body consists of publicly elected officials. These commissioners must run for office, and the qualifications for office, campaigns, and elections are regulated explicitly by Washington law.

Qualification for Office

The basic qualifications for a PHD commissioner are that he or she be a citizen of the United States and the State of Washington, and be an "elector" within the district boundaries. The State Constitution defines an "elector" as a person at least 18 years of age, who is a citizen of the United States, and who has lived in the precinct at least 30 days preceding the election. [See, PHD Legal Manual, Chapter 2 for further background.]

Election Law Requirements

Because Title 29A applies to virtually all elections in Washington, it should not be surprising that it is a fairly lengthy section of the Washington Code. Topics covered by this section of the code include registration of voters, times for holding elections, ballots, voting machines, absentee voting, polling place regulations, voters' pamphlets, and crimes and penalties. Rather than provide an overview of all election law, this section merely identifies some of the major issues affecting interested candidates for PHD commissioner posts.

When are Elections Held?

Hospital district commissioner elections are held in odd-numbered years on the first Tuesday following the first Monday in November. [RCW 29A.04.330]

