

State of Arizona  
Senate  
Fiftieth Legislature  
First Regular Session  
2011

# SENATE BILL 1313

AN ACT

AMENDING SECTIONS 48-5541.01 AND 48-5802, ARIZONA REVISED STATUTES; RELATING  
TO HEALTH DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 48-5541.01, Arizona Revised Statutes, is amended to  
3 read:

4 48-5541.01. Additional powers and duties of certain special  
5 health care districts

6 A. This section applies only to a special health care district in a  
7 county with a population of two million or more persons.

8 B. Notwithstanding section 48-5502 and except as provided in section  
9 48-5501.01, subsection B, the board of directors of a special health care  
10 district shall be elected pursuant to title 16 and shall consist of five  
11 members, one from each supervisorial district of the county in which the  
12 district is located. A member of the board of directors shall comply with  
13 all of the following:

14 1. A member shall be a qualified elector of the supervisorial district  
15 from which the member is elected.

16 2. A member shall not be an elected or appointed state or county  
17 official or a person who serves on a hospital board established pursuant to  
18 section 36-183.01 and who is not a member of the board of supervisors of the  
19 county in which the district is located.

20 3. A member shall not be an employee of the special health care  
21 district or a director, officer or employee of another health care  
22 institution.

23 C. For at least ten years after the date that the district first  
24 operates a general hospital and within three miles of the location of a  
25 general hospital operated by the county in which the district is located, the  
26 district shall provide the following services commensurate with good business  
27 practices:

28 1. Emergency and trauma services and shall operate a general hospital  
29 and a burn center, all at a level of service no lower than that which existed  
30 on January 1, 2003.

31 2. Maternity services at levels required of public hospitals pursuant  
32 to title XIX of the social security act.

33 D. Following the expiration of the ten year period prescribed by  
34 subsection C of this section, the district may provide any of the services or  
35 operate any of the facilities permitted under this chapter.

36 E. This chapter does not establish a legal entitlement to services or  
37 reimbursement for services for any person or third party or obligate the  
38 district to provide programs or services that it cannot provide as the result  
39 of actions of third parties. The provisions of this section shall be  
40 included in any lease or management agreement for the general hospital of the  
41 district, and any sale, lease or management agreement shall not affect the  
42 status of the hospital as a public hospital or its licensure under section  
43 36-422, subsection G.

44 F. Until ten years after the date that the district first operates a  
45 general hospital, the following apply:

1           1. The district may not construct an additional general hospital  
2 outside the three mile radius of a general hospital operated by the county.  
3 After the expiration of the ten year period, the district may not construct a  
4 general hospital outside a three mile radius of the general hospital operated  
5 by the county without the approval of the qualified electors of the entire  
6 county pursuant to an election called by the board of directors of the  
7 district.

8           2. The district may not acquire or lease a general hospital that is  
9 situated beyond the three mile radius of the general hospital operated by the  
10 county without the approval of the qualified electors of the entire county  
11 pursuant to an election called by the board of directors of the district.

12           3. Except for a psychiatric hospital or a behavioral health facility,  
13 the district may not construct, acquire or lease a specialty hospital that is  
14 located outside the three mile radius of a general hospital operated by the  
15 county.

16           G. Notwithstanding section 48-5541, paragraph 5, for a period of ten  
17 years after the date that the district first operates a general hospital, a  
18 district may own, operate, lease, manage or maintain no more than three  
19 outpatient surgical centers if all of the following apply:

20           1. One of the outpatient surgical centers is located at the campus of  
21 a general hospital operated by the district.

22           2. Any other surgical centers are located at health care institutions  
23 as defined in section 36-401 that were operated by the county in which the  
24 district is located on January 1, 2003.

25           3. All surgical centers are operated in furtherance of the district's  
26 mission as prescribed by subsection H of this section.

27           H. A district shall operate a general hospital for the term of any tax  
28 authorized pursuant to section 48-5565, and the district's primary but not  
29 sole mission is as provided in this subsection and met by providing directly  
30 at its facilities or by contract medical education programs, emergency and  
31 other services as required by this chapter, services to the medically  
32 underserved and facilities and equipment necessary for these services. The  
33 district's annual expenditures to satisfy the requirements of this subsection  
34 shall be to the extent of the amount of taxes approved by the qualified  
35 electors, authorized by the board of directors of the district and available  
36 pursuant to sections 48-5563 and 48-5565.

37           I. The district and the county may not simultaneously operate a  
38 general hospital, and a district may not operate an ambulance service  
39 pursuant to section 48-5564.

40           J. If a district chooses to acquire or lease from a county an asset of  
41 a health system as defined in section 11-1401, the board of supervisors of  
42 that county, by a majority vote, may convey, sell, lease or otherwise  
43 transfer title to any such asset of a health system to the district and  
44 transfer any health system liability as defined in section 11-1401 to the  
45 district.

1 K. A district may:

2 1. Raise capital, borrow and invest monies, create debt, assume debt  
3 and refinance debt to carry out the purposes of this chapter.

4 2. Issue tax anticipation notes pursuant to title 35, chapter 3,  
5 article 3.1.

6 3. Issue revenue anticipation notes pursuant to title 35, chapter 3,  
7 article 3.3.

8 4. Issue revenue bonds in a manner consistent with chapter 12, article  
9 5 of this title.

10 L. Notwithstanding section 48-5542, a district shall not lease any  
11 general hospital that it operates to any entity other than a political  
12 subdivision of this state until two years after the receipt of any special  
13 payments.

14 M. Subject to the other provisions in this chapter, the district:

15 1. Shall adopt administrative rules, including an employee merit  
16 system for its employees, and shall adopt and administer competitive  
17 procurement rules necessary to administer and operate the district's programs  
18 and any property. **THE DISTRICT SHALL ADOPT EITHER THE PROCUREMENT RULES  
19 ADOPTED BY THE BOARD OF SUPERVISORS FOR THE COUNTY IN WHICH THE DISTRICT IS  
20 LOCATED OR THE DISTRICT SHALL ADOPT ITS OWN COMPETITIVE PROCUREMENT RULES,  
21 WHICHEVER RULES ARE MORE STRINGENT.**

22 2. May employ or contract with individuals or other entities,  
23 including the county attorney, to provide services in furtherance of the  
24 purposes of the district.

25 3. May establish or acquire foundations or charitable organizations to  
26 solicit donations, financial contributions, real or personal property or  
27 services for use solely to perform the duties and obligations in furtherance  
28 of the district.

29 4. Shall disclose and make available records and other matters in the  
30 same manner as is required of a public body pursuant to title 39, chapter 1,  
31 except that the district is not required to disclose or make available any  
32 records or other matters that:

33 (a) Identify the care or treatment of a patient who receives services,  
34 including billing information, unless the patient or the patient's  
35 representative consents to the disclosure in writing or unless otherwise  
36 permitted pursuant to federal or state law.

37 (b) Reveal proprietary information provided to the district by a  
38 nongovernmental source. For the purposes of this subdivision,  
39 "nongovernmental" means an entity other than the United States government or  
40 a public body as defined in section 39-121.01.

41 (c) Would cause demonstrable and material harm and would place the  
42 district at a competitive disadvantage in the marketplace.

43 (d) Would violate any exception, privilege or confidentiality granted  
44 or imposed by statute or common law.

1 N. A district is entitled to a lien for the charges for any services  
2 provided by a hospital operated by the district, for medical care and  
3 treatment of an injured person or for long-term care services, on any and all  
4 claims of liability or indemnity for damages accruing to the person to whom  
5 hospital or medical service is rendered, or to the legal representative of  
6 that person, on account of injuries giving rise to such claims and that  
7 necessitated the hospital or medical care and treatment. Recovery of charges  
8 pursuant to this subsection shall be in a manner as nearly as possible the  
9 same as the procedures prescribed in section 36-2915.

10 Sec. 2. Section 48-5802, Arizona Revised Statutes, is amended to read:

11 48-5802. Formation of district; election

12 ~~A. A county board of supervisors may establish a public health~~  
13 ~~services district pursuant to either subsection B or C of this section.~~

14 A. A PUBLIC HEALTH SERVICES DISTRICT MAY BE ESTABLISHED IN A COUNTY AS  
15 PROVIDED BY THIS SECTION.

16 B. BEGINNING JANUARY 1, 2011, TO ESTABLISH A PUBLIC HEALTH SERVICES  
17 DISTRICT the board of supervisors may provide for an election on the  
18 formation of the district and shall submit the question to the qualified  
19 electors of the county on a date prescribed by section 16-204. The ballot  
20 for the election shall contain the words "district formation, yes" and  
21 "district formation, no". The county shall administer the election as  
22 otherwise provided by law. If a majority of the persons voting on the  
23 question approves the question, the district shall be formed to consist of  
24 the entire county including the cities and towns that are located in whole or  
25 in part in the county. If a district is formed pursuant to this subsection,  
26 the county shall not reduce expenditures for public health to an amount that  
27 is less than fifty per cent of the county's fiscal year general fund public  
28 health expenditures as determined by calculating the average of the fiscal  
29 year expenditure amounts for the three fiscal years immediately preceding the  
30 year of the election. Costs for financing construction of any building shall  
31 not be included in the calculation of expenditures.

32 C. THROUGH DECEMBER 31, 2010, the board of supervisors may establish a  
33 district by unanimous vote of the board. If established by unanimous vote  
34 PURSUANT TO THIS SUBSECTION, the district shall be formed to consist of the  
35 entire county including the cities and towns that are located in whole or in  
36 part in the county. If a district is formed pursuant to this subsection, the  
37 county shall not reduce expenditures for public health to an amount that is  
38 less than sixty per cent of the county's fiscal year general fund public  
39 health expenditures as determined by calculating the average of the fiscal  
40 year expenditure amounts for the three fiscal years immediately preceding the  
41 year of the district's formation. Costs for financing construction of any  
42 building shall not be included in the calculation of expenditures.

43 D. If the county does not form a public health services district  
44 pursuant to this section, the county shall provide equally public health  
45 services to all residents of the county including residents of cities and

1 towns. The county may spend monies for public health services to address a  
2 specific public health need that is unique to a particular area or condition.  
3 The county shall not reduce expenditures for public health to an amount that  
4 is less than fifty per cent of the county's general fund public health  
5 expenditures in fiscal year 1998-1999. Costs for financing construction of  
6 any building shall not be included in the calculation of expenditures. Any  
7 city or town may provide services to its residents beyond the county's basic  
8 level of service and may use any combination of internal municipal  
9 departments or any other provider.

10 E. A city or town that contributed monies to a county's public health  
11 budget in fiscal year 1999-2000:

12 1. In fiscal year 2000-2001, shall pay to the county one hundred per  
13 cent of the city's or town's original public health expenditure.

14 2. In fiscal year 2001-2002, shall pay to the county ninety-five per  
15 cent of the city's or town's original public health expenditure.

16 3. If the district is formed pursuant to this section or for any  
17 fiscal year after 2001-2002, shall no longer be obligated to pay monies to  
18 the county for public health expenditures.

19 4. Shall determine the city's or town's original public health  
20 expenditure level by calculating the fiscal year expenditure amount for  
21 fiscal year 1999-2000. Costs for financing construction of any building and  
22 payments made for expenditures incurred for any previous fiscal year shall  
23 not be included in the calculation of expenditures.

24 Sec. 3. Retroactivity

25 Section 48-5802, Arizona Revised Statutes, as amended by this act,  
26 applies retroactively to from and after December 31, 2010.