

107TH CONGRESS
2D SESSION

S. 2046

To amend the Public Health Service Act to authorize loan guarantees for rural health facilities to buy new and repair existing infrastructure and technology.

IN THE SENATE OF THE UNITED STATES

MARCH 21, 2002

Mr. CRAIG introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend the Public Health Service Act to authorize loan guarantees for rural health facilities to buy new and repair existing infrastructure and technology.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rural Health Care
5 Facility Improvement Act of 2002”.

1 **SEC. 2. GUARANTEED LOANS FOR RURAL HEALTH FACILI-**
 2 **TIES.**

3 Title VI of the Public Health Service Act (42 U.S.C.
 4 291 et seq.) is amended by adding at the end the fol-
 5 lowing:

6 **“PART E—RURAL HEALTH FACILITIES**

7 **“SEC. 651. GUARANTEED LOANS FOR RURAL HEALTH FA-**
 8 **CILITIES.**

9 “(a) AUTHORIZATION OF LOAN GUARANTEES.—

10 “(1) ESTABLISHMENT.—The Secretary is au-
 11 thorized to establish a program under which the Sec-
 12 retary may guarantee 100 percent of the principal
 13 and interest on loans made by non-Federal lenders
 14 to rural health facilities to pay for the costs of—

15 “(A) buying new or repairing existing in-
 16 frastructure; and

17 “(B) buying new or repairing existing tech-
 18 nology.

19 “(2) TOTAL LOAN AMOUNT AVAILABLE.—The
 20 Secretary is authorized to guarantee not more
 21 than—

22 “(A) \$250,000,000 in the aggregate of the
 23 principal and interest on loans for rural health
 24 facilities under paragraph (1); and

1 “(B) \$5,000,000 of the principal and in-
2 terest on loans under paragraph (1) for each
3 rural health facility.

4 “(b) PROTECTION OF FINANCIAL INTERESTS.—The
5 Secretary may not approve a loan guarantee under this
6 section unless the Secretary determines that—

7 “(1) the terms, conditions, security (if any),
8 and schedule and amount of repayments with re-
9 spect to the loan are sufficient to protect the finan-
10 cial interests of the United States and are otherwise
11 reasonable, including a determination that the rate
12 of interest does not exceed such percent per annum
13 on the principal obligation outstanding as the Sec-
14 retary determines to be reasonable, taking into ac-
15 count the range of interest rates prevailing in the
16 private market for similar loans and the risks as-
17 sumed by the United States, except that the Sec-
18 retary may not require as security any rural health
19 facility asset that is, or may be, needed by the rural
20 health facility involved to provide health services;

21 “(2) the loan would not be available on reason-
22 able terms and conditions without the guarantee
23 under this section; and

1 “(3) amounts appropriated for the program
2 under this section are sufficient to provide loan
3 guarantees under this section.

4 “(c) RECOVERY OF PAYMENTS.—

5 “(1) IN GENERAL.—The United States shall be
6 entitled to recover from the applicant for a loan
7 guarantee under this section the amount of any pay-
8 ment made pursuant to such guarantee, unless the
9 Secretary for good cause waives such right of recov-
10 ery (subject to appropriations remaining available to
11 permit such a waiver) and, upon making any such
12 payment, the United States shall be subrogated to
13 all of the rights of the recipient of the payments
14 with respect to which the guarantee was made.
15 Amounts recovered under this section shall be cred-
16 ited as reimbursements to the financing account of
17 the program established under this section.

18 “(2) MODIFICATION OF TERMS AND CONDI-
19 TIONS.—To the extent permitted by paragraph (3)
20 and subject to the requirements of section 504(e) of
21 the Federal Credit Reform Act of 1990 (2 U.S.C.
22 661c(e)), any terms and conditions applicable to a
23 loan guarantee under this section (including terms
24 and conditions imposed under paragraph (4)) may
25 be modified or waived by the Secretary to the extent

1 the Secretary determines it to be consistent with the
2 financial interest of the United States.

3 “(3) INCONTESTABILITY.—Any loan guarantee
4 made by the Secretary under this section shall be
5 incontestable—

6 “(A) in the hands of an applicant on whose
7 behalf such guarantee is made unless the appli-
8 cant engaged in fraud or misrepresentation in
9 securing such guarantee; and

10 “(B) as to any person (or successor in in-
11 terest) who makes or contracts to make a loan
12 to such applicant in reliance thereon unless
13 such person (or successor in interest) engaged
14 in fraud or misrepresentation in making or con-
15 tracting to make such loan.

16 “(4) FURTHER TERMS AND CONDITIONS.—
17 Guarantees of loans under this section shall be sub-
18 ject to such further terms and conditions as the Sec-
19 retary determines to be necessary to assure that the
20 purposes of this section will be achieved.

21 “(d) DEFAULTS.—

22 “(1) IN GENERAL.—Subject to the require-
23 ments of the Federal Credit Reform Act of 1990 (2
24 U.S.C. 661 et seq.), the Secretary may take such ac-
25 tion as may be necessary to prevent a default on a

1 loan guaranteed under this section, including the
2 waiver of regulatory conditions, deferral of loan pay-
3 ments, renegotiation of loans, and the expenditure of
4 funds for technical and consultative assistance, for
5 the temporary payment of the interest and principal
6 on such a loan, and for other purposes. Any such ex-
7 penditure made under the preceding sentence on be-
8 half of a rural health facility shall be made under
9 such terms and conditions as the Secretary shall
10 prescribe, including the implementation of such or-
11 ganizational, operational, and financial reforms as
12 the Secretary determines are appropriate and the
13 disclosure of such financial or other information as
14 the Secretary may require to determine the extent of
15 the implementation of such reforms.

16 “(2) FORECLOSURE.—The Secretary may take
17 such action, consistent with State law respecting
18 foreclosure procedures and, with respect to reserves
19 required for furnishing services on a prepaid basis,
20 subject to the consent of the affected States, as the
21 Secretary determines appropriate to protect the in-
22 terest of the United States in the event of a default
23 on a loan guaranteed under this section, except that
24 the Secretary may only foreclose on assets offered as
25 security (if any) in accordance with subsection (b).

1 “(e) NONAPPLICATION OF PART D.—The provisions
2 of part D shall not apply to this part.

3 “(f) DEFINITIONS.—In this part:

4 “(1) NON-FEDERAL LENDER.—The term ‘non-
5 Federal lender’ means any entity other than an
6 agency or instrumentality of the Federal Govern-
7 ment authorized by law to make such loan, including
8 a federally insured bank, a lending institution au-
9 thorized or licensed by the State in which it resides
10 to make such loans, and a State or municipal bond-
11 ing authority or such authority’s designee.

12 “(2) RURAL AREA.—The term ‘rural area’ has
13 the meaning given the term in section
14 1886(d)(2)(D) of the Social Security Act (42 U.S.C.
15 1395ww(d)(2)(D)).

16 “(3) RURAL HEALTH FACILITY.—The term
17 ‘rural health facility’ includes—

18 “(A) rural health clinics (as defined in sec-
19 tion 1861(aa)(2) of the Social Security Act (42
20 U.S.C. 1395x(aa)(2)));

21 “(B) critical access hospitals (as defined in
22 section 1861(mm)(1) of the Social Security Act
23 (42 U.S.C. 1395x(mm)(1))) that are located in
24 rural areas;

1 “(C) hospitals (as defined in section
2 1861(e) of the Social Security Act (42 U.S.C.
3 1395x(e))) that are located in rural areas;

4 “(D) skilled nursing facilities (as defined
5 in section 1819(a) of the Social Security Act
6 (42 U.S.C. 1395i–3(a))) that are located in
7 rural areas;

8 “(E) health centers (as defined in section
9 330) that are located in rural areas;

10 “(F) federally qualified health centers (as
11 defined in section 1861(aa)(3) of the Social Se-
12 curity Act (42 U.S.C. 1395x(aa)(3))); and

13 “(G) nursing homes (as defined in section
14 1908(e) of the Social Security Act (42 U.S.C.
15 1396g(e))) that are located in rural areas.”.

○