ATTACHMENT 1

ARIZONA HOSPITAL AND HEALTHCARE ASSOCIATION
2009 DUES POLICY

Dues for active members of the Arizona Hospital and Healthcare Association will be based on the total revenues, gains and other support for the entire organization operating in Arizona. This base was selected for two reasons. First, under total revenues, gains and other support, members would not be penalized for community services and charity care, which reflect expenses but produce no revenue. Therefore, by refocusing the dues base to total revenues, gains and other support, the members do not pay dues on those operations that fail to generate revenue. Secondly, total revenues, gains and other support are a better reflection of the members' ability to pay. For instance, an entity with an operating loss would pay less in dues with the total revenues, gains and other support base than with the operating expense base, because the member would be assessed dues based on their revenues, which would be lower than their expenses. Because of their unique circumstances, federal hospitals will continue to be assessed dues based on their operating expenses. There are some adjustments that can or should be reflected to total revenues, gains and other support. These include:

1. Closed operations. Total revenues gains and other support attributed to closed operations should be deducted from the computation.
2. New hospitals. Total budgeted revenues gains and other support for new hospitals should be added to the computation
3. Systems or hospitals that own HMOs or insurance companies should reduce the total revenues, gains and other support of the entire organization by the medical claims expense. The claims expense has been subtracted from the dues base because net revenue is a poor proxy of the size of the insurance company or health plan that may be part of the system.
4. Revenue attributable to physician clinics should be deducted from the computation
5. Total revenues, gains and other support attributed to organizations outside of Arizona should be excluded. This includes hospitals located in other states.

Dues will be determined annually based on a budget approved by the board. This change eliminates the escalator and assesses dues based on the membership demands on the Association. The increasing size of a member produces a diminishing return on the dues investment. Although belonging to an association provides benefits, a member with a $600 million net operating revenue base does not necessarily receive twice the benefits of a member with a $300 million net operating revenue base. As a result, the dues structure reflects this diminishing return through the implementation of a declining millage rate.

There are no maximum dues because this practice shifts the dues burden from larger to smaller members. There will also be no minimum dues, since minimums place a surcharge on small members. All dues will be assessed on the entire entity or system operating in Arizona.

The following components are incorporated into the dues structure:

Dues Base

The dues base will be the total revenues, gains and other support less the health plan or insurance claims expense of the Active Member, net revenue attributable to physician clinics, adjusted for major changes in operations.

Assessment of Dues

Dues are assessed to the Active Member based on a budget approved by the Board of Directors utilizing a multiplier within a millage rate system as outlined below:

Proposed new millage system for use in 2008 for the first time:

Net Operating Revenue	Millage Rate
$ 0 -100,000,000	.05%
$ 100,000,001 - 500,000,000	.03%
$ 500,000,001 +	.015%

Millage tiers and rates will be reviewed for appropriateness every three years.

Minimum and Maximum Dues

There will be no minimum or maximum dues.

Exceptions

Federal hospitals will be assessed dues as follows:

Operating Expenses	Dues
Less than $15 million	$ 560
$15 - 40 million	$ 1,130
Greater than $40 million	$ 1,690

Associate Members will be assessed $4,520.