

SUPREME COURT OF WASHINGTON

Skagit County Public Hospital District No. 304 v. Skagit County Public Hospital District No. 1

177 Wash. 2d 718 (2013) · Decided July 11, 2013

SUMMARY

The Washington Supreme Court held that a rural public hospital district may not provide health care services within the boundaries of another rural public hospital district without that district's permission. Applying the statutory framework and the rule against duplicative municipal functions, the court concluded that the hospital district acted in excess of its jurisdiction. The court also held that the trial court did not abuse its discretion in finding that no plain, speedy, and adequate remedy was available, and it affirmed issuance of the writ of prohibition.

CASE DETAILS

COURT	Supreme Court of Washington
WRITING FOR THE COURT	González, J.; Owens, J.; Fairhurst, J.; J.M. Johnson, J.; Wiggins, J.; Chambers, J. Pro Tem.
JURISDICTION	Washington
DECIDED	July 11, 2013
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from a Snohomish County Superior Court order issuing a writ of prohibition against Skagit Valley Hospital.
STANDARD OF REVIEW	The statutory interpretation issue was reviewed de novo. The determination whether a plain, speedy, and adequate remedy existed was reviewed for abuse of discretion; a decision is an abuse of discretion when manifestly unreasonable or based on untenable grounds or reasons.
PRECEDENTIAL VALUE	Published Washington Supreme Court opinion; precedential.
PARTIES	Skagit County Public Hospital District No. 1, doing business as Skagit Valley Hospital v. Skagit County Public Hospital District No. 304, doing business as United General Hospital

TOPICS

municipal law

public utilities

statutory interpretation

civil procedure

remedies

PRACTICE AREAS

municipal law

health law

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statutory interpretation

remedies

QUESTIONS PRESENTED

1. Whether a rural public hospital district may provide medical services within the boundaries of another rural public hospital district without that district's permission.
2. Whether the superior court abused its discretion by finding that United General lacked a plain, speedy, and adequate remedy in the ordinary course of legal procedure.

HOLDINGS

1. A rural public hospital district may not provide health care services within the boundaries of another rural public hospital district without that district's permission.
2. The superior court did not abuse its discretion by finding that United General lacked a plain, speedy, and adequate remedy in the ordinary course of legal procedure.

KEY QUOTATIONS

“A writ of prohibition is a drastic measure, which is to be issued only when two conditions are met: “(1) [a]bsence or excess of jurisdiction, and (2) absence of a plain, speedy, and adequate remedy in the course of legal procedure. The absence of either one precludes the issuance of the writ.”” (at 723)

“The statutory framework governing rural PHDs indicates that a rural PHD may not provide health care services within the boundaries of another rural PHD without that PHD’s permission.” (at 730)

FACTUAL BACKGROUND

Skagit County Public Hospital District No. 1, doing business as Skagit Valley Hospital, acquired the assets of a medical practice that operated several clinics, including Unit 2 of a commercial building within the territory of Skagit County Public Hospital District No. 304, doing business as United General Hospital. United General opposed the acquisition and asserted that Skagit Valley needed its permission to operate within United General's boundaries. Skagit Valley nevertheless began providing medical services at Unit 2.

PROCEDURAL HISTORY

United General Hospital sued Skagit Valley Hospital in Snohomish County Superior Court after Skagit Valley acquired a medical practice operating a clinic within United General's boundaries. United General sought declaratory, injunctive, and prohibition relief. The superior court issued and stayed a writ of prohibition pending appellate review, and Skagit Valley appealed directly to the Washington Supreme Court.

DISPOSITION

affirmed

CASES CITED

- Kreidler v. Eikenberry, 111 Wn.2d 828, 766 P.2d 438 (1989)
- State ex rel. Ernst v. Superior Court, 198 Wash. 133, 87 P.2d 294 (1939)
- Winsor v. Bridges, 24 Wash. 540, 64 P. 780 (1901)
- Dep't of Ecology v. Campbell & Gwinn, LLC, 146 Wn.2d 1, 43 P.3d 4 (2002)
- Alderwood Water District v. Pope & Talbott, Inc., 62 Wn.2d 319, 382 P.2d 639 (1963)
- Wash. Fed'n of State Emps. v. Office of Fin. Mgmt., 121 Wn.2d 152, 849 P.2d 1201 (1993)
- Amalgamated Transit Union Legislative Council of Wash. State v. State, 145 Wn.2d 544, 40 P.3d 656 (2002)
- In re Marriage of Kovacs, 121 Wn.2d 795, 854 P.2d 629 (1993)
- Pub. Util. Dist. No. 1 of Pend Oreille County v. Town of Newport, 38 Wn.2d 221, 228 P.2d 766 (1951)
- City of Tacoma v. Taxpayers of Tacoma, 108 Wn.2d 679, 743 P.2d 793 (1987)
- Okeson v. City of Seattle, 150 Wn.2d 540, 78 P.3d 1279 (2003)
- Skagit County Pub. Hosp. Dist. No. 1 v. Dep't of Revenue, 158 Wn. App. 426, 242 P.3d 909 (2010)
- State ex rel. O'Brien v. Police Court, 14 Wn.2d 340, 128 P.2d 332 (1942)
- In re Marriage of Littlefield, 133 Wn.2d 39, 940 P.2d 1362 (1997)
- Johnson v. Morris, 87 Wn.2d 922, 557 P.2d 1299 (1976)
- Resident Action Council v. Seattle Hous. Auth., 177 Wn.2d 417, 300 P.3d 376 (2013)
- Bowles v. Dep't of Ret. Sys., 121 Wn.2d 52, 847 P.2d 440 (1993)
- Morin v. Johnson, 49 Wn.2d 275, 300 P.2d 569 (1956)

OPINION

GONZÁLEZ, J.

González, J. ¶1 This case concerns the authority of a rural public hospital district (PHD) to provide health care services outside its own boundaries and within those of another rural PHD. Skagit Valley Hospital acquired a *721medical group that operated multiple clinics, including one located within United General Hospital's territory. United General challenged Skagit Valley in Snohomish County Superior Court, which granted a writ of prohibition ordering Skagit Valley to stop providing health care services within United General's boundaries. ¶2 The trial court properly granted a writ of prohibition.

A rural PHD may not invade the territory of another rural PHD without that PHD's permission. Further, the trial court did not abuse its discretion by finding there was no plain, speedy, and adequate remedy in legal procedure.

I. Facts and Procedural History ¶3 This is an action between two rural PHDs, which are municipal corporations organized under chapter 70.44 RCW. Skagit County PHD No. 1, doing business as Skagit Valley Hospital, encompasses the majority of the city of Mount Vernon and areas southwest of the city of Burlington. Skagit County PHD No. 304, doing business as United General Hospital, includes the cities of Sedro-Woolley, Burlington, and other areas and towns.

Both entities are rural PHDs because their respective territories do not contain a city with a population greater than 50,000. RCW 70.44.460. ¶4 This dispute arose when Skagit Valley acquired Skagit Valley Medical Center's (SVMC) medical practice. SVMC operated a number of offices, including a practice in "Unit 2" of the Pavilion, a commercial office building located within United General's boundaries.

Skagit Valley notified United General of its intent to purchase SVMC and assured it that referrals from Unit 2 would not be affected by the change in ownership. SVMC also offered United General the option to purchase Unit 2. United General did not purchase Unit 2 but instead formally opposed the merger through a board resolution, asserting that Skagit Valley needed United General's approval to operate within its *722 boundaries.

Nevertheless, Skagit Valley purchased SVMC's assets and began operating its former facilities, including Unit 2 of the Pavilion. ¶5 United General filed a complaint against Skagit Valley in Snohomish County Superior Court, seeking declaratory judgment, a writ of prohibition, and injunctive relief. United General also filed a motion for an order to show cause why the trial court should not immediately issue a writ of prohibition stopping Skagit Valley from providing medical services within its boundaries.

Visiting Judge Ronald Castleberry issued the writ of prohibition and stayed the effective date of the writ, pending the decision and mandate of an appellate court. Skagit Valley appealed directly to this court. II. Issues ¶6 1. May a rural PHD provide medical services within the boundaries of another rural PHD without that district's permission? ¶7 2. Did the trial court abuse its discretion by finding that no plain, speedy, and adequate remedy was available in the course of legal procedure?

III. Analysis ¶8 This case asks us to decide whether the trial court appropriately issued a writ of prohibition ordering Skagit Valley to refrain from operating a health care facility within United General's boundaries. A writ of prohibition "arrests the proceedings of any tribunal, corporation, board or person, when such proceedings are without or in excess of the jurisdiction of such tribunal, corporation, board or person." RCW 7.16.290.

A writ of prohibition is a drastic measure, which is to be issued only when two conditions are met: "(1) [a]bsence or excess of jurisdiction, and (2) absence of a plain, speedy, and adequate remedy in the course of legal procedure.

The absence of either one precludes the *723issuance of the writ.” *Kreidler v. Eikenberry*, 111 Wn.2d 828, 838, 766 P.2d 438 (1989) (quoting *State ex rel. Ernst v. Superior Court*, 198 Wash. 133, 137, 87 P.2d 294 (1939)).

Although the common law writ of prohibition restrains the unauthorized exercise of only judicial or quasi-judicial power, the statutory writ of prohibition applies to executive, administrative, and legislative acts as well. *Winsor v. Bridges*, 24 Wash. 540, 542-43, 64 P. 780 (1901). ¶9 Skagit Valley discusses both prongs required to obtain a writ of prohibition, arguing that the trial court erred because (1) Skagit Valley did not act in excess of its jurisdiction by taking over SVMC’s practice in Unit 2 and (2) an adequate remedy in the course of legal procedure was potentially available to United General.

1. May a rural PHD provide medical services within the boundaries of another rural PHD without that district’s permission? ¶10 Turning to the first prong required to obtain a writ of prohibition, we consider Skagit Valley’s argument that it did not act in excess of its jurisdiction because PHDs may freely compete against all health care providers, even in other districts.

Skagit Valley refers to its statutory authority “to provide hospital and other health care services for residents of said district by facilities located outside the boundaries of said district, by contract or in any other manner said commissioners may deem expedient or necessary under the existing conditions....” RCW 70.44.060(3).

The meaning of this statute is a question of law, which we review *de novo*, considering the statutory scheme as a whole. *Dep’t of Ecology v. Campbell & Gwinn, LLC*, 146 Wn.2d 1, 9, 43 P.3d 4 (2002). ¶11 The trial court determined that a PHD cannot provide services in another PHD’s territory without that PHD’s permission, relying on *Alderwood Water District v. Pope & Talbott, Inc.*, 62 Wn.2d 319, 382 P.2d 639 (1963), and a 1988 attorney general opinion (1988 Op.

Att’y Gen. No. *72415). In *Alderwood*, we considered the analogous issue of whether a municipal water district could furnish water outside its own boundaries and within those of another water district. 62 Wn.2d at 320. A statute stated that “ ‘a water district may provide water services to property owners outside the limits of the water district,’ ” *id.* (quoting former RCW 57.08.045 (1959)), but we refused to mechanically conclude from this provision that a water district could supply water within the boundaries of other water districts.

We relied on “a general rule that there cannot be two municipal corporations exercising the same functions in the same territory at the same time.” *Id.* at 321; see also 2 Eugene McQuillin, *The Law of Municipal Corporations* § 7:8 (3d rev. ed. 2006).

We noted that case law had eroded the rule but that “it continues to serve as a touchstone in the sense that it expresses a public policy against duplication of public functions, and that such

duplication is normally not permissible unless it is provided for in some manner by statute.” 62 Wn.2d at 321.

The general rule serves to “alert courts... to the necessity of closely examining in toto statutory provisions conferring authority upon the potentially competing municipal corporations.” Id. ¶12 Construing the relevant statutory framework as a whole, we concluded that the legislature intended to allow water districts to supply water to individuals outside of their districts only if those individuals were not within the boundaries of another water district.

Id. at 323. In particular, we relied on a statute prohibiting the territory of water districts from overlapping, on a statute requiring water district commissioners to prepare a comprehensive plan sufficient to fulfill the foreseeable needs of their districts, and on various statutes establishing the financial dependence of water districts on the sale of water.

Id. at 322. Because these purposes would be impeded if one water district were allowed to supply water within the boundaries of another, and because a substantial portion of state land was not within any water district, we concluded that a statute *725“permitting water districts to supply water to individuals outside of their districts was meant to extend water services only to those individuals who were not within the boundaries of any other water district.” Id. at 323 (citations omitted). ¶13 In 1988 Op.

Att’y Gen. No. 15, the attorney general concluded that the Alderwood rule extended to PHDs organized under chapter 70.44 RCW. The parties dispute the weight we grant to opinions of the attorney general. Opinions of the attorney general are entitled to considerable weight, but they are not binding on this court and we give them less deference when they involve issues of statutory construction.

Wash. Fed’n of State Emps. v. Office of Fin. Mgmt., 121 Wn.2d 152, 164-65, 849 P.2d 1201 (1993); Amalgamated Transit Union Legislative Council of Wash. State v. State, 145 Wn.2d 544, 554, 40 P.3d 656 (2002).¹ ¶14 The question before the attorney general was whether a PHD could construct and operate a drug and alcohol treatment center outside its boundaries.

The attorney general concluded that a PHD could open the treatment center outside its district, but not inside the boundaries of another PHD. Comparing the hospital district’s plan to the water district’s actions in Alderwood, the attorney general found that allowing a PHD to invade another PHD’s territory would (1) be inconsistent with the statutory emphasis on district planning, which requires regular assessment of expenses and development needs within each district; (2) compromise the invaded PHD’s ability to generate revenue *726for funding; and (3) endanger policy concerns that support locally provided health care services. ¶15 Skagit Valley argues that its express statutory authority to provide health care services outside its district “by contract or in any

other manner said commissioners may deem expedient or necessary under the existing conditions,” RCW 70.44.060(3), empowers it to operate within the boundaries of another PHD.

For the reasons set forth in *Alderwood*, we disagree. ¶16 As in *Alderwood*, the general rule that there cannot be two municipal corporations performing the same functions at the same time in the same territory leads us to closely examine the statutes conferring authority on the PHDs. See 62 Wn.2d at 321; see also *Campbell & Gwinn, LLC*, 146 Wn.2d at 11-12.

We find RCW 70.44.060(3) is ambiguous because it may be construed to allow a PHD to provide services anywhere outside its geographic district or it may permit a PHD only to provide services outside its own territory but not within the territory of another PHD. Where a statute is ambiguous, the court construes it in a manner that fulfills legislative purpose and intent.

In *re Marriage of Kovacs*, 121 Wn.2d 795, 804, 854 P.2d 629 (1993). ¶17 Based on statutes governing PHDs and a statement of legislative intent, we find it unlikely that the legislature meant to allow one rural PHD to raid the territory of another.

First, revenue from health care services partly funds PHDs, so allowing other districts to compete in one PHD’s territory would undermine that district’s financial stability. See RCW 70.44.060(5). Second, rural PHDs are expressly permitted to “enter into cooperative agreements and contracts with other rural public hospital districts in order to provide for the health care needs of the people served by the hospital districts,” which implies that the legislature encourages rural PHDs to cooperate rather than compete in each other’s territory without permission.

RCW 70.44.450. Third, a statement of intent that follows the *727cooperative agreement section indicates that the legislature did not grant rural PHDs flexibility in making business decisions similar to that enjoyed by private entities: The legislature finds that maintaining the viability of health care service delivery in rural areas of Washington is a primary goal of state health policy.

The legislature also finds that most hospitals located in rural Washington are operated by public hospital districts authorized under chapter 70.44 RCW and declares that it is not cost-effective, practical, or desirable to provide quality health and hospital care services in rural areas on a competitive basis because of limited patient volume and geographic isolation.

It is the intent of this act to foster the development of cooperative and collaborative arrangements among rural public hospital districts by specifically authorizing cooperative agreements and contracts for these entities under the interlocal cooperation act. Laws of 1992, ch. 161, § 1 (emphasis added).² Considered together with related provisions and the legislature’s statement of intent, it seems that RCW 70.44.060 does not allow a rural PHD to operate in another rural PHD’s territory without permission.³ ¶18 The dissent argues our conclusion that a rural PHD may not operate within the territory of another rural PHD without permission is contrary to “legislative

intent because it has the potential to diminish rather than enhance rural patients' access to health care services." Dissent at 738.

We do not evaluate the wisdom behind the legislature's decision to limit rural PHDs' ability to compete. The legislature expressly stated its intent to displace competition in the provision of rural health care and connected the finances of rural and nonrural PHDs with revenue from health care services. These steps are inconsistent with the intent to allow a rural PHD to offer services in another rural PHD's territory without that PHD's permission.

Whether rural Washingtonians would be better served by a competitive health care market is a complicated issue properly left to the legislature. ¶19 Skagit Valley and amicus King County PHD No. 2 argue that the legislature implicitly authorized them to provide health care services in another PHD's territory without permission because it did not expressly prohibit them from doing so.

They draw our attention to RCW 57.08.044, which prohibits water-sewer districts from providing services within the area of another district "without the consent by resolution of the board of commissioners of that other district." But the mere fact the legislature explicitly adopted background principles of municipal law in one context does not mean that they meant to abandon them in others. ¶20 Skagit Valley notes that the rule prohibiting two municipal corporations from operating in the same territory applies only when the corporations exercise governmental functions as opposed to proprietary functions.

See Pub. Util. Dist. No. 1 of Pend Oreille County v. Town of Newport, 38 Wn.2d 221, 227, 228 P.2d 766 (1951). This principle is consistent with the tenet that when the legislature empowers a municipal corporation to engage in a business, the corporation may exercise its business powers much in the same way as a private entity. City of Tacoma v. Taxpayers of Tacoma, 108 Wn.2d 679, 693-94, 743 P.2d 793 (1987); Pub.

Util. Dist. No. 1 of Pend Oreille County, 38 Wn.2d at 227-28. According to Skagit Valley, providing health care services is a proprietary, not a governmental, function, such that the general rule does not apply. ¶21 Whether a municipal act is governmental or proprietary in nature depends largely on whether the act is for the common good or for the specific benefit or profit of the corporate entity.

Okeson v. City of Seattle, 150 Wn.2d 540, 550, 78 P.3d 1279 (2003). However, we need not decide whether providing health care services itself is a proprietary or governmental function because the legislature has amply indicated its intent in regard to rural PHDs.

The restrictions placed on rural PHDs' competitive practices and the legislative findings in support of those restrictions establish that the legislature did not grant rural PHDs business powers similar to those employed by private entities. Rather, rural PHDs act in a governmental capacity when

providing health care services. ¶22 Nonetheless, Skagit Valley contends that providing health care services for compensation is a proprietary act, noting that the Court of Appeals recently held in an unrelated case that Skagit Valley acted in its proprietary capacity — and thus was not shielded by sovereign immunity — when it deposited money from insurers and beneficiaries into its bank account.

Skagit County Pub. Hosp. Dist. No. 1 v. Dep’t of Revenue, 158 Wn. App. 426, 445, 242 P.3d 909 (2010). But Skagit Valley assumes that because it arguably acts in a proprietary capacity when engaging in administrative matters, it also exercises its proprietary powers when providing health care.

The assumption that a municipal corporation acts in only one capacity is incorrect. See, e.g., Okeson, 150 Wn.2d at 550 (holding that the city of Seattle acted in its proprietary capacity in maintaining an electric utility but that providing streetlights is a governmental function). ¶23 Because the legislature has indicated that rural PHDs operate in a governmental capacity when providing health care services, the general rule that two municipal corporations may not perform the same function in the same territory applies.

Although this rule has been weakened in case law, it still guides us to closely examine relevant statutory provisions. The statutory framework governing rural PHDs indicates that a rural PHD may not *730 provide health care services within the boundaries of another rural PHD without that PHD’s permission.⁴ 2. Was a plain, speedy, and adequate remedy available in the course of legal procedure? ¶24 Turning to the second prong of the conditions for obtaining a writ of prohibition — that there be no plain, speedy, and adequate remedy available in the course of legal procedure — Skagit Valley also contends that the trial court erred by finding that alternative relief was unavailable. “The question as to what constitutes a plain, speedy, and adequate remedy is not dependent upon any general rule, but upon the facts of each particular case, and its determination therefore rests in the sound discretion of the court in which the proceeding is instituted.” State ex rel.

O’Brien v. Police Court, 14 Wn.2d 340, 348, 128 P.2d 332 (1942). A trial court abuses its discretion if a decision is manifestly unreasonable or based on untenable grounds or untenable reasons. In re Marriage of Littlefield, 133 Wn.2d 39, 46-47, 940 P.2d 1362 (1997). “A court’s decision is manifestly unreasonable if it is outside the range of acceptable choices, given the facts and the applicable legal standard ____” Id. at 47. ¶25 The trial court did not abuse its discretion.

United General may have been able to seek other relief, but under *731 the facts of this case, it was not manifestly unreasonable to find that there was no plain, speedy, and adequate remedy available in the ordinary course of legal procedure. IV. Conclusion ¶26 Skagit Valley acted in excess of its jurisdiction by providing medical services in United General’s territory.

The trial court did not abuse its discretion in finding the absence of a plain, speedy, and adequate remedy in the course of legal procedure. We affirm the trial court. Owens, Fairhurst, J.M. Johnson, and Wiggins, JJ., and Chambers, J. Pro Tem., concur. United General refers to our conclusion that an attorney general opinion may possess greater weight where it provides notice to the legislature of an agency's interpretation of a statute and the legislature acquiesces to that interpretation by failing to amend the statute.

Br. of Resp't at 6-7 (discussing *Bowles v. Dep't of Ret. Sys.*, 121 Wn.2d 52, 63-64, 847 P.2d 440 (1993)). This rule is based on the premise that the court gives great weight to the statutory interpretation of an agency or officer charged with enforcing a law. *Morin v. Johnson*, 49 Wn.2d 275, 279, 300 P.2d 569 (1956); see *Bowles*, 121 Wn.2d at 63-64. United General has not indicated why this reasoning would extend to attorney general opinions such as 1988 Att'y Gen.

Op. No. 15, which does not include the statutory interpretation of an agency or department charged with the statute's enforcement. This legislative finding was passed in response to concerns that PHDs would be susceptible to antitrust challenges if they entered into interlocal agreements. Final B. Rep. on Substitute H.B. 2495, 52d Leg., Reg. Sess. (Wash. 1992).

Nevertheless, the finding indicates that the legislature did not intend to allow competition among rural health care providers. Skagit Valley cites another legislative finding that recognizes the benefit of competition among health care providers as long as certain attributes of a fair health care market are present. Br. of Appellant at 1-2, 16-17 (quoting RCW 43.72.300(1)).

The finding continues, however, to note that most of those attributes do not exist and expressly states the legislature's intent to displace competition in the health care market. RCW 43.72.300(1)-(2). Because Skagit Valley and United General are both rural PHDs, we limit our decision to rural PHDs.

The distinction between rural and nonrural PHDs is of legislative, not judicial, creation. The principle of judicial restraint counsels us to resolve this dispute based on the facts currently before us. See *Johnson v. Morris*, 87 Wn.2d 922, 931, 557 P.2d 1299 (1976) ("As a general rule, this court will decide only such questions as are necessary for a determination of the case presented for consideration, and will not render decisions in advance of such necessity, particularly when the question is a constitutional one, or involves the construction of a statute."); see also *Resident Action Council v. Seattle Hous.*

Auth., 177 Wn.2d 417, 466, 300 P.3d 376 (2013) (Madsen, C.J., concurring) ("Unwisely, the majority answers questions that the court was not asked to decide and on which no briefing was provided."). But see dissent at 740-41.

We respectfully disagree with the dissent's characterization of our opinion as finding the statute is ambiguous as applied only to rural hospital districts. We make no such finding, leaving for another

day and a properly presented case the decision as to whether nonrural PHDs are subject to a similar restriction.

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