

## Spend Because It's There

Broadlawns Medical Center continues to find new ways to spend the surplus it enjoys, while taxpayers continue to double-pay for the same patients – once through local property taxes, and again through state and federal taxes that pay for expansion of the Medicaid-covered population.

In June, four of the five stand-alone, elected Broadlawns Medical Center Board of Trustees who were present voted to restrict \$34 million for capital projects so the funds would not show up in its June 30<sup>th</sup> end-of-year financial statements as “available cash.” Although no prior plan existed for these improvements, and \$77 million in cash has already been spent on capital projects over the past few years, a package was quickly assembled in order to beat the June 30th deadline. There was no public disclosure, no public discussion, just a private board facilities tour a few weeks earlier.

Recall that in the past, Broadlawns used property taxes to cover the cost of “uncompensated care” – costs the center incurred for treating patients, but for which there was no reimbursement from either government or private sources.

With the Affordable Care Act (ACA) and Iowa's expansion of the Medicaid program, the medical center is now reimbursed by the government for the care these patients receive. It is no longer “uncompensated care;” in fact the hospital's share of uncompensated care has dropped from a high of 51 percent down to less than six percent – a range not terribly dissimilar to the other non-profit hospitals in town that do not receive a property tax subsidy. Broadlawns no longer needs the same level of property tax funding. It has a new funding model.

The Taxpayers Association of Central Iowa has worked with Broadlawns, urging it to let go of property tax revenue as long as expanded Medicaid coverage is in effect. A small step (\$10 million of \$40 million that would have been possible) was taken in the right direction this year. However, Broadlawns' surplus continues to grow, even after the tax reduction, a \$60-million cash-funded capital improvement program, and a 60 percent increase in annual spending.

In addition to supporting these initiatives, the Taxpayers Association raised no questions when the hospital in effect bought a public transit route to serve its new eastside clinic. No alarms have been sounded about the acquisition and clearing of three blocks of property fronting on Hickman, across from the main campus. What is this for? According to Broadlawns, there are no “plans” now, but will they, too, quickly materialize when the time is right? Where is Broadlawns going? What is its vision for the future? Are there no limits, or will money continue to be spent because it is there?

The hospital says it is concerned the ACA may go away, and therefore further property tax cuts would be risky. Why, then, isn't it risky to commit \$34 million to new capital projects? Since the effects of the ACA on Broadlawns' bottom line first started to appear, Broadlawns has argued its extraordinary financial status is not due to the ACA; rather to its good management

and success in attracting Medicare and commercial paying patients. Now that the ACA funding is threatened, however, it's a reason not to cut property taxes? Which is it?

Broadlawns appears more and more to be a classic case of government on auto pilot. The board has become so invested in the medical center, there is literally no end of good things that might be accomplished, even though the original purpose for property tax funding no longer exists. Benefits are concentrated; costs are dispersed. Tough to question; tough to stop.

The Broadlawns Board of Trustees is quick to remind us they are elected officials, and therefore have every right to make decisions as they see fit, without question. It's true they have a right to make decisions, but a little transparency never hurt.