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December 15, 2015

Mr. Jody Jenner, Chief Executive Officer  
Broadlawns Medical Center Board of Trustees  
Broadlawns Medical Center  
1801 Hickman Road  
Des Moines, IA 50314

Dear Mr. Jenner and Members of the Board of Trustees:

Thank you for working with us as you adjust to the new financial landscape that exists following implementation of Iowa's Medicaid expansion program and other aspects of the Affordable Care Act (ACA). We are grateful that you have positioned Broadlawns to thrive in this new environment, and realize it would not have happened without your visionary leadership and exceptional execution. We thank you on behalf of taxpayers in Polk County.

Please understand that for taxpayers, the ACA means a substantial increase in financial responsibility for the health care of low income Iowans, paid via state and federal taxes. Over 100,000 additional Iowans now have full access to health care services as a result of Medicaid expansion, and many more have obtained subsidized coverage through the health exchange. As a result, taxpayers are now paying twice for the same bundle of low-income health care services: once through state and federal taxes, and again through property taxes.

The effects of the new healthcare funding environment on Broadlawns' financials are clear. The system ended the fiscal year 2015 on June 30 with a \$45 million surplus, in effect using only \$17 million or about a quarter of the \$62 million it received in property tax dollars. Four months into the current fiscal year, the trend continues. We believe these surplus dollars should go back to taxpayers so they can avoid paying twice for the same patients.

Last month you developed a five-year financial projection showing what might be possible in terms of property tax relief. Basically it represents about a \$6 million per year reduction for taxpayers, or about ten percent compared with current taxes paid. It is a very small step in the right direction, and we appreciate there is a mindset change that must occur before anything is finalized. We will continue to work with you as the budget development process unfolds and certainly hope to increase the amount of savings for taxpayers.

As you may recall, the second suggestion we made was to increase visibility about the change in Broadlawns' financial status, and to engage key stakeholders in a dialogue about the future in the post-ACA era. We respect the Board of Trustees has the right to make a decision about whether or not to lead such an effort, and has chosen not to do so.

Your choice to not lead a public discussion does not take away the need for greater public awareness. Indeed, as you have noted, the Board of Trustees is not hearing from anyone other than our organization about this issue, so none of us know if there is sentiment beyond what we express. Only by first making the public aware can we determine how much support there really is for decreasing the tax rate. Therefore, we will begin to create that awareness.

Page 2 of 2  
December 15, 2015  
Mr. Jody Jenner, Chief Executive Officer  
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Broadlawns Medical Center

A second advantage to broader public awareness has to do with the possibility of a tax rebate scenario. Broadlawns currently has nearly a full year of cash on hand, and an accumulated surplus (net position) of nearly \$100 million. Even as the \$60 million capital investment plan is implemented, and taxes are reduced as you suggest, projections show that days of cash will never dip below 80 percent of annual spending. Because it is challenging to draw down a surplus in an annual spending plan, a one-time rebate may be an alternative to consider. Certainly strong public communication would be necessary to lay the groundwork and understanding of the difference between a one-time rebate and ongoing savings.

Please do not misinterpret our advocacy for tax relief to a lack of understanding or respect for the job you have done to bring about the current opportunity. Truly, we appreciate that your actions have positioned Broadlawns Medical Center to take full advantage of the new health care financing environment. All taxpayers surely should applaud your leadership, and we intend to reinforce that message in all of our future public communications. Broadlawns has a great story to tell, and enjoys tremendous community support. We have every expectation that will grow in the future.

Sincerely,



Gretchen Tegeler  
President  
Taxpayers Association of Central Iowa

cc: Board of Directors, Taxpayers Association of Central Iowa