

September 14, 2015

Mr. Jody Jenner, Chief Executive Officer
Ms. Jean Logan, Chair, Board of Trustees
Ms. Janet Metcalf, Chair, Finance Committee
Broadlawns Medical Center
1801 Hickman Road
Des Moines, IA 50314

Dear Mr. Jenner, Ms. Logan and Ms. Metcalf:

Thank you for the ongoing discussions we have had with you regarding the role of Broadlawns Medical Center in the post-Affordable Care Act era, and the implications for property tax support from Polk County residents. The Taxpayers board has asked me to summarize in writing what we discussed with you at the last meeting (August 5th) and to put some specificity around the follow-up that we requested.

Over the past several years our association has observed and admired your leadership in strengthening Broadlawns' financial position to a level that most of us would never have believed possible. We understand that your (and the full board's) visionary leadership and hard work have driven these results.

At the same time, it is also true that expansion in state and federal government health care programs, accelerating in the last year with full implementation of the Affordable Care Act (ACA), has positively impacted the financial status of Broadlawns and, indeed, all safety net hospitals. Many patients who would have been charity care cases in the past, are now covered by state and federal health insurance programs. The question naturally arises about why, then, the same level of property tax support (about \$60 million per year) would need to continue?

You have positioned Broadlawns well to thrive under the new health care funding regime, generating \$45 million in net operating margin for the year ending June 30, 2015, following an \$18 million margin last year. Being familiar with Broadlawns' perennial challenge just to break even, these results truly represent a historic turning point in the life of the institution.

Following very quickly on these results, Broadlawns has approved about \$60 million in capital plans and approximately \$1 million per year in program expansions. These projects will basically exhaust the operating surplus that has accumulated up to this point. We would be very concerned if additional ideas are put forward without an understanding of the bigger picture of Broadlawns' future and how property tax reduction fits in.

Of course there are still uncertainties surrounding the government funding programs on which Broadlawns relies, specifically the impact of the State of Iowa's Medicaid managed care contracts. Working with the State of Iowa, estimates about the impact of this change can no doubt be sharpened.

At our meeting on August 5th we urged you to establish a goal relating to future property tax support, based on a reasonable set of assumptions and an articulated plan for the future of Broadlawns in the post-ACA era. While respecting Broadlawns Trustees' authority to set direction for the system, we also discussed the value of transparency and of broadening the discussion of Broadlawns' role in the post-ACA era to include other key stakeholders. Certainly a determination of the future for Broadlawns (and the associated appropriate level of property tax support) would be better informed through a more inclusive approach. You are in the best position to lead such an endeavor.

Page 2

To be more specific about what the Taxpayers Association is looking for, here's how I would capture it:

By mid-October, we request that Broadlawns:

1. Set a specific goal and a specific timetable (up to ten years) showing how you would reduce Broadlawns' property tax support, based on two alternate scenarios: (1) An update (based on actual FY 2015 results) of the "best case scenario" which was shared with the Finance Committee during the FY 2016 budget development process; and (2) Projections based on your own set of assumptions, which should be clearly identified. If property tax support is envisioned to continue, why? What specifically will these funds support and how are those purposes related to charity care? If the mission is other than charity care, what is it and how can we know it is important to Polk County residents and not duplicative of other non-profit health systems?
2. Put together a plan showing when and how Broadlawns intends to publicly communicate its progress, accomplishments and future goals, and how feedback will be sought. We would be very pleased to work with you on this at the appropriate time.

Hopefully this written communication will enable all of us to be on the same page and continue to work together on the future of this important community asset. I will call to arrange a time to discuss in person.

Again, thanks for your willingness to work with us, and I look forward to seeing you soon.

Sincerely,



Gretchen Tegeler
President
Taxpayers Association of Central Iowa

Cc: Board of Directors, Taxpayers Association of Central Iowa