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Holy Cross: Mill levy tax would fortify hospital's 'fragile' finances

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Holy Cross Hospital CEO Bill Patten compares the hospital's current financial condition to a car in need of some overdue maintenance.

So a proposed tax to generate more money for the hospital isn't meant to buy a new Mercedes- Benz, he says. It's just going to help keep the existing car reliable and on the road.

"We've got tires that are running pretty thin," Patten says.

That's probably an understatement.

Publicly available audits of Holy Cross show that the hospital had an operating loss of more than $21 million between 2010 and 2015. The losses forced the hospital to undergo multiple rounds of layoffs and other cost-cutting measures. The budget crunch also meant very little cash was left over to take care of items like building maintenance and equipment upgrades.

That's why Holy Cross is asking voters to approve a temporary mill levy (a property tax) that is expected to generate around $5 million over the fouryear life of the tax. Hospital administrators say revenue from a proposed property tax would help shore up the facilities, infrastructure and equipment without forcing them to dip into the operating budget.

Early voting on the levy is already happening. As of Wednesday morning (March 2), more than 1,300 people had cast ballots. Election Day is Tuesday (March 8).

Current and former administrators say a big reason for the hospital's massive losses has a lot to do with the fact that the vast majority of patients rely on some kind of government health insurance, such as Medicare or Medicaid. For years, reimbursement amounts through these programs have declined to the point where payments don't cover the cost of the services, administrators say.

For example, the hospital currently charges $18 for a single blood draw — a sticker price that includes the cost of materials and labor, plus a profit. But Patten says Medicaid only pays $3.10 — nowhere close to a break-even figure. Around three-quarters of its patients are on some kind of government insurance, meaning Holy Cross saw its revenue slip dramatically, driving the hospital deep into the red.

Today, because of “hard choices,” like the rounds of layoffs, administrators say the worst appears to be over. Steve Rozenboom, the hospital’s chief financial officer, says Holy Cross is finally crawling out of its hole.

For the first time in six years, the hospital is on track to make a profit, albeit a thin one. Through eight months of the current fiscal year, hospital operations are about $500,000 in the black. It’s an encouraging sign, but not enough to put administrators like CEO Patten at ease.

“It’s still close,” Patten says. “We’re fragile.”

Years of thin budgets has created a backlog of fixes.

As an example, Patten points to monitors in the operating rooms, which keep track of a patient’s blood pressure, heart rate, breathing and other vital signs. At one point, Patten says three of the five monitors were broken, and all five are beyond the typical life span. But to replace all five at one time would come with a $130,000 price tag. “We don’t have the cash to do that,” Patten says.

If approved, Patten says the mill levy money will go toward capital improvements and upgrading those kinds of critical equipment.

“We don’t need this money so we can grow and add,” Patten says. “This is about sustenance. How do we maintain what we’ve got?”

To get the tax passed, administrators have the support of the hospital’s union. They have also been hoping to build support across the community. In public meetings and information sessions, the general message has been to approve the tax to ensure the hospital can offer health care locally.

But Patten acknowledges there will be some county residents for whom the tax will be a burden. For property owners, the tax would add about $33 a year for every $100,000 in property value.

“There are some people on a fixed income who own their house and are barely making it,” Patten says. “That’s true, but I think that number is small.”

If it’s not approved, Patten doesn’t want to make any threatening statements about cutting staff or services. But even with an improving bottom line, those steps may be necessary.

Patten declined to name any specific programs that could be at risk if the mill levy fails. “We’re going to have some really difficult conversations internally,” Patten says.

In 2012, when the hospital unsuccessfully asked for a dedicated tax, then-CEO Peter Hofstetter said the OB-GYN department or diabetes management services could be first on the chopping block .

Even with the support of a mill levy, Patten says Holy Cross and other rural providers of health care face a lot of uncertainty.

Federal insurance payments are always a moving target. Though Patten says money from the property tax would not be used to expand the hospital, Holy Cross is looking at reshaping what services it provides in an ef-fort to fortify the bottom line.

Since it was built 22 years ago, Patten says the sustainable model has changed. Inpatient care now pays much better than outpatient services, and Patten says the hospital is trying to adapt. This means major changes in how rooms, beds and staff are put to use, Patten says.

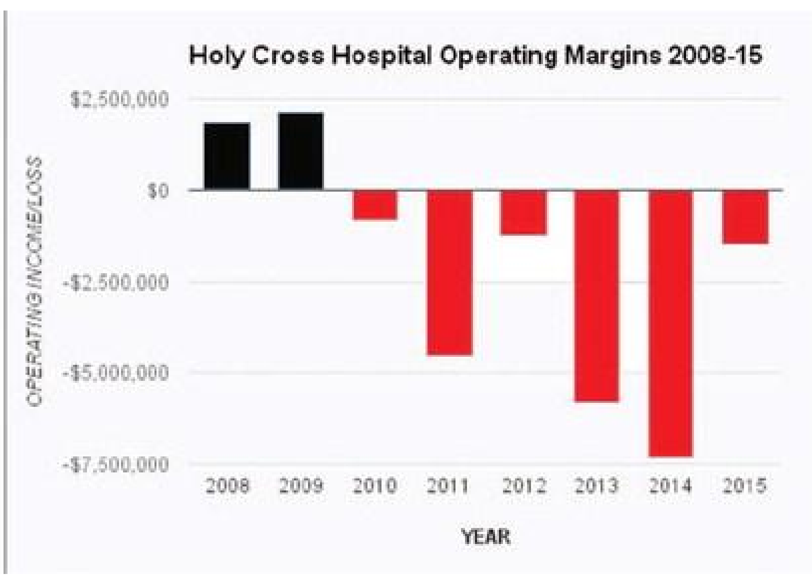
Still, Patten acknowledges there's no way to know which combinations will provide the right kinds of services to a community like Taos while ensuring Holy Cross can stay afloat.

"There really isn't a sustainable model for a rural hospital yet," Patten said.

That's probably why other communities in the state have agreed to support their local hospitals with a permanent property tax. Fourteen other New Mexico counties currently have a tax dedicated to the hospital.

Patten says the hospital may eventually ask voters to approve that kind of tax when and if the proposed tax expires. But he's careful to say Holy Cross first wants to prove that it can use the money from a temporary mill levy in a prudent and transparent way.

To that end, Holy Cross has agreed that any money generated by the mill levy must be funneled through the county, meaning it will be subject to additional scrutiny and public disclosure.



Audits of Holy Cross Hospital show that it's had more than $21 million in combined operating losses since 2010. Administrators say years of running in the red have created a substantial backlog of repair and equipment upgrades. A proposed property tax is meant to help cover those costs without having to dip into the operating budget.

Graphic by J.R. Logan