

## **Running out of cash, Holy Cross officials to seek approval to tap mill levy funds**

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As Holy Cross Hospital slides perilously close to running out of cash and not meeting payroll, it plans to ask the county for permission to use mill levy revenues for payroll if necessary.

Hospital CEO Bill Patten said if the county commission approves the request, mill levy funds would only be used to cover paychecks “as a last resort.”

But the move contradicts what the hospital, town and county officials told the community when they convinced voters to approve a property tax increase in 2016 specifically to help the hospital buy new equipment and maintain the hospital building.

The hospital board on Jan. 24 approved Patten requesting permission from the county commission to use mill levy funds for salaries.

“We are cash poor,” Patten said in a video posted to the hospital’s website Friday morning explaining the situation. “We have a lot of accounts receivable, but until those can be collected, we are having a hard time making sure we can meet payroll and pay our bills. We have enough money for the Feb. 2 payroll and we’re working to make sure we have enough to meet the Feb. 16 payroll.”

But, “just in case the accounts receivable log jam doesn’t break free soon, we need to have another option available to us,” Patten added.

The hospital had been averaging costs of \$160,000 a day to meet its \$1 million payroll every two weeks plus pay other bills. Cost-cutting measures in the last several weeks reduced that to \$153,000 a day. “We have to bring in \$214,000 a day over five days to meet our payroll and other bills,” Patten said. “We don’t really collect any money over the weekend.”

Patten said Wednesday (Jan. 31) that the logjam appeared to be breaking apart as money trickled in. On Monday, the hospital collected \$100,000; on Tuesday another \$220,000 and on Wednesday it had cleared \$250,000. It’s still too soon to know if that means the revenues will flow in steadily enough now to avert his need to ask for mill levy funds.

He said Rep. Ben Ray Lujan had been “a great resource” by calling the four managed care companies in New Mexico and urging them to accelerate payments to Holy Cross. Taos County commissioner Tom Blankenhorn, who chairs the community health committee, two weeks ago lamented the unexpected string of bad luck at the hospital that once again meant Holy Cross was in dire financial straits. “Every day it’s a battle,” he said then.

In an email Friday night (Jan. 26), Blankenhorn said if the hospital does ask the commission for permission to use mill levy funds to cover salaries, “my support would depend on the terms and circumstances. If the request is for a temporary use of the funds for salaries that would later be paid back and used for capital expenses, and the request was accompanied by a clear projection of future

costs and revenues that would give us the confidence that the funds could be paid back, then I would support it.

“I feel very concerned that the hospital is facing a cash crunch because it is such an important part of our community,” Blankenhorn said. “I certainly prefer that the funds be used for capital expenses because that has been the promise all along, but I am willing to listen to a request if it is well designed to secure the future of the hospital.”

Patten said in the video that the ballot approved by voters allows the mill levy revenues to be used for “medical equipment, repairs and maintenance, and operations,” which he said includes salaries.

But information on the hospital’s website about the mill levy before it was approved in 2016 says, “the mill levy will help to support maintenance of the hospital building, which is owned by the county. The mill levy will not support operations.”

Town of Taos councilor Fritz Hahn, vice chair of the community health committee, said Friday night he would not have supported the mill levy if it included using the money for paychecks.

Still, he firmly believes Taos needs the hospital. “I’m very concerned,” Hahn said. “We absolutely have to have a hospital here. I think we as a community are going to have to band together around it.

“Every day it seems like a new catastrophic blow to the hospital,” Hahn said.

More than 80 rural hospitals across the United States have closed since 2010, according to the University of North Carolina Rural Health Research Program. No rural hospital closed in New Mexico, but 18 did in Arizona and Texas. Other rural hospitals, such as Alta Vista in Las Vegas, are struggling to hire and retain doctors and healthcare specialists.

Hahn said many rural hospitals, not only Holy Cross, are facing dire financial difficulties because they are largely reliant on federal funds through Medicare and Medicaid, which don’t cover the full costs of care.

Holy Cross has laid off more than 15 employees since November and looked for other ways to trim the budget.

A new electronic billing system installed last year still has kinks, adding to the woes of accounts receivable. Patten said the hospital is owed more than \$30 million, but collecting that money has been slow.

Medicare dinged the hospital in January with a bill for \$691,000, money the agency said it had overpaid Holy Cross in 2013.

And the hospital’s shift in October to a new method of collecting Medicare reimbursements, which is supposed to put more money back in Holy Cross coffers, hasn’t kicked in yet.

Add to that an increase of more than \$600,000 to the hospital’s medical malpractice insurance in January due to a lawsuit.

Mayor Dan Barrone said that while he thought also that the mill levy was limited to purchasing equipment and maintaining the hospital building, if using it to meet payroll keeps the hospital open, he thinks that needs to happen.

Hahn said the hospital, county and town need to reach out to the community quickly and seek its input. “Maybe have a community forum with all the officials,” Hahn said. “I would ask the community not to go ballistic about this. Let’s take a deep breath.”



Holy Cross hospital switched to a new Medicare reimbursement model and a new billing system in 2017, both of which were supposed to help bring in more revenues. But delays have put the hospital in a cash-flow bind.

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