

Holy Cross not tapping mill levy for payroll

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Despite a financial crisis that forced Holy Cross Hospital to lay off a dozen employees last month, the hospital's top leadership is not asking Taos County commissioners to immediately dip into a tax dedicated for other projects.

Taos County voters overwhelmingly approved a mill levy, or property tax, in 2016 to finance about \$5 million of improvements to the hospital building and equipment. Yet when it became clear last month that the hospital might not be able to pay its employees on time, the hospital board gave CEO Bill Patten the leeway to ask the county to use some of the revenue from the tax.

But when Patten came before the Taos County commission Tuesday (Feb. 6), he didn't ask for the money.

Patten told *The Taos News* via email that the hospital will make the Feb. 16 payroll and will come back to the county only "as a last resort," calling the mill levy funds an "insurance policy."

The hospital employs about 425 people and salaries cost Holy Cross about \$1 million each pay period.

"We are doing everything we can to avoid making such a request and, as of today [Feb. 6], do not foresee a need for the next couple of payrolls. Given the uncertain nature of our collections, I cannot speak in absolutes as to what the future might hold," he said.

During the back-and-forth at the county meeting, Patten and commissioners talked about the situation that got them into the crisis and how the hospital is figuring its way out of it.

"Our expense structure is not in line with our net revenues," Patten said. Simply put, spending more money than the hospital is making is a "fundamental challenge" that's long persisted at Holy Cross. Fiscal year 2016 was a fluke with net gains in an otherwise four-year trend of losing money month after month.

Aside from long-term financial imbalances, the crisis at Holy Cross came about because several challenges kicked in around the same time: kinks in a new computer system, delays in implementing a new fee structure known as "critical access," delays in payments for Medicaid and a surprise Medicare bill from 2013.

Last autumn, the hospital board asked Patten and other top leadership to find ways to save a half million dollars, which led to an initial round of layoffs and some canceled contracts, Patten said. However, the board asked for another \$300,000 in savings, leading to the January layoff of 12 people.

The hospital buildings and the land they sit on are owned by Taos County although the hospital is a separate non-governmental entity. The county collects property taxes, which is why the hospital would have to ask the commission's permission to dip into the mill levy funds.

Even though Holy Cross didn't make a request to tap into the tax for payroll, some commissioners and members of the public were skeptical of the idea. Commissioner Jim Fambro likened opening the tax for payroll to "taping an aspirin" to a bruised elbow.

"We want [the hospital] here for the long term...but I encourage not using the mill levy as a checkbook for the hospital's shortages. It sets a precedent," said Carol Miller of the Picuris Penasco Community Coalition.

The immediate crisis seems to have ebbed, thanks to several big-ticket payments that finally made it to the hospital's bank account. According to Patten, those included payments of about \$494,000 and \$270,00 Monday and Tuesday, respectively. The hospital is working out plans with vendors to get "caught up" on bills, he said.

But the hospital is now faced with a reckoning of its budget and long-term planning to avert another payroll crisis. For one, the hospital is reviewing its most expensive services, such as the emergency room, wound care and obstetrics, "in order to make decisions based on data and not emotion," Patten said.

Fambro suggested cutting obstetric services would hurt the hospital's standing in the community, something it worked hard to shore up during the public campaign for the tax.

"OB would be one of the last [services] I would want to cut, but I need to know what the impact is," Patten said.



**Bill Patten, CEO of Holy Cross Hospital, told Taos County Commissioners at a recent meeting that the hospital did not yet need to request mill levy money to help cover bills.
File photo**