

The Taxpayers Association of Central Iowa (TACI) is a non-partisan membership-based organization that encourages efficient government use of tax-funded entities in the greater Des Moines area. Broadlawns Medical Center (BMC) is the safety net hospital for Polk County, and TACI recently created a document for their members to provide a more detailed understanding of the hospital and its financial position.

Question

“Broadlawns Medical Center has a longstanding history of attending to the medical needs of Polk County residents. With its origins dating back to 1903, the hospital was established to provide medical care for the indigent, and the same mission of service drives the hospital today.”

Broadlawns Medical Center Website

TACI Question: *At one time, medical care for the indigent was solely the responsibility of local citizens and was paid for entirely through property taxes. Today, with federal and state programs in place, is property tax support still necessary?*

BMC Response: In a word, yes. Broadlawns is the safety net hospital for Polk County and its mission of ensuring access to high quality, affordable healthcare is at the forefront of the organization’s existence. Polk County is the most densely populated county in Iowa, and as the safety net hospital Broadlawns serves a disproportionate share of Medicaid and charitable care patients. While additional revenue streams have been cultivated in recent years to stabilize the financial position of Broadlawns, the volume of Medicaid and charitable care patients served at Broadlawns have correspondingly grown. As a government entity, Broadlawns has demonstrated exemplary fiscal stewardship as a public hospital and is providing high quality healthcare that is accessible and affordable for all Polk County residents. In fact, Broadlawns offers the most affordable healthcare structure in Iowa and is concurrently operating below its property tax levy. Broadlawns’ vision is to be the best public hospital in the United States.

Background

The Des Moines City Hospital, once known as the Indigent Hospital, preceded Broadlawns.



In 1903, Drake University built a medical school at 406 Center Street in Des Moines. In 1916 it became the Miners’ and Industrial Workers’ Hospital where 35 beds were available for either miners or charity patients of Polk County. Two years later, the Presbyterian Synod of Iowa purchased the facility and renamed it the Presbyterian Samaritan Hospital. After experiencing financial difficulties, the hospital was sold to the City of Des Moines. During World War I, under city management, the hospital was developed as a venereal disease institution. It was known for a period as the Indigent Hospital, but in 1919, the name

was changed to the Des Moines City Hospital. The Des Moines Health Center was also housed within the basement of the hospital.

Broadlawns County Hospital was created to care for tuberculosis patients.

Development of a separate facility, Broadlawns County Hospital, was initiated in 1913 when the Iowa Legislature authorized Polk County, among other counties, to care for tuberculosis patients who resided within the county and at the time were being cared for in tents at the County Farm. A 60-acre tract of land was purchased at 18th and Hickman Road, construction began in late 1922, and the new building opened in April 1924. The first buildings erected consisted of a 60-bed tuberculosis unit and a 30-bed nurse dormitory.

Hospitals were consolidated to form the Broadlawns Polk County Public Hospital.

In 1925, the Iowa Legislature enacted legislation, which consolidated all of the city and county facilities under one management structure. The City Hospital, the Broadlawns County Hospital, and the Contagious Unit, which was located at 14th and Hickman Road, also known as the Pest House, were combined and became Broadlawns Polk County Public Hospital. In July 1979, the name Broadlawns Polk County Hospital was changed to the hospital's current name, Broadlawns Medical Center.



Broadlawns Medical Center is the Polk County hospital, and it is governed by a separately elected Board of Trustees. Established as a safety net hospital, the State of Iowa granted it independent authority to levy property taxes to cover the cost of care for Polk County residents who were without the means to pay for healthcare. Historically, the maximum property tax that Broadlawns could levy was barely enough to cover the cost of providing care for these patients. According to its annual financial reports, in 2004 more than 50 percent of Broadlawns patient charges were for uncompensated care. The \$34 million of property taxes it levied covered the equivalent \$34 million worth of uncompensated care. By 2006, Broadlawns was on the cusp of insolvency as the financial position of the hospital had become so tenuous with a longstanding history of financial deficits.

Financial reimbursement for indigent care shifted to federal & state governments

In 1965, when President Lyndon B. Johnson signed into law the bill that led to the establishment of Medicare and Medicaid, reimbursement for indigent care changed from a local, or county, responsibility. In 1972, Medicare was expanded to cover the disabled, people with end-stage renal disease requiring dialysis or kidney transplant, and people 65 or older that select Medicare coverage.

At first, Medicaid gave medical insurance to people who were receiving cash assistance. Today, a much larger group is covered, including low-income families, pregnant women, people of all ages with disabilities and people who need long-term care.

The Children’s Health Insurance Program was created in 1997 to provide health insurance and preventive care to nearly 11 million, or 1 in 7, uninsured American children. Many of these children came from uninsured working families that earned too much to be eligible for Medicaid. In Iowa, the program is called the Children’s Health Insurance Program and is offered through the Healthy and Well Kids in Iowa program, also known as Hawk-i.



The 2010 Affordable Care Act expanded Medicaid to the working poor with income up to 133% of the federal poverty level. Families that earn too much can still

get Medicaid assistance. They may be eligible to get subsidies every month or reduced copayments and deductibles. This eligible income is 400 percent of the poverty level, and it increases with inflation each year.

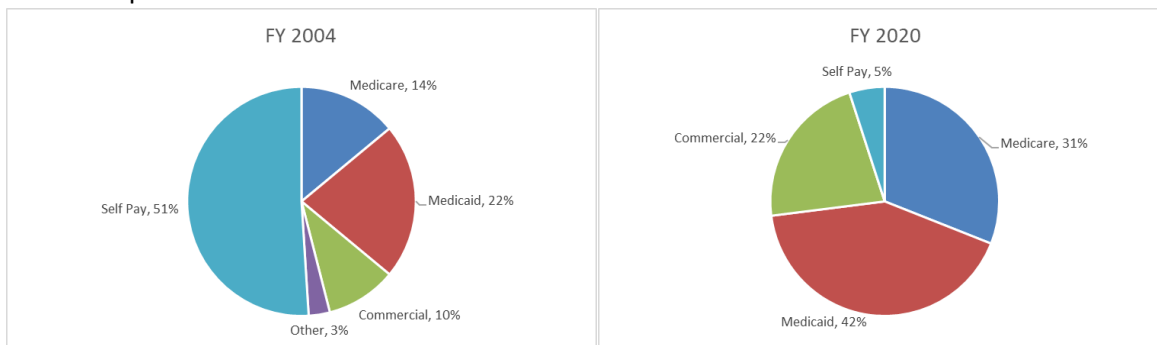


Before the ACA, there were anywhere from 32 million to 50 million people who didn’t have health insurance. Many went without health insurance and “took their chances.” If something happened to those without insurance and they had to go to the hospital, they were responsible for paying the bill or reaching a payment

agreement with a medical provider.

How has Broadlawns’ Financial Picture Evolved?

Recall that, in 2004 more than 50 percent of Broadlawns patient charges were for uncompensated care. The \$34 million of property taxes it levied covered \$34 million worth of uncompensated care. In 2006, Broadlawns Medical Center was on the cusp of insolvency as its longstanding history of operating with financial deficits had left the organization with only 15 days of cash and aged facilities that were in dire need of repairs.



At that time and for most of the hospital’s entire history, Broadlawns operated at a financial deficit while drawing the maximum allowable property tax levy.

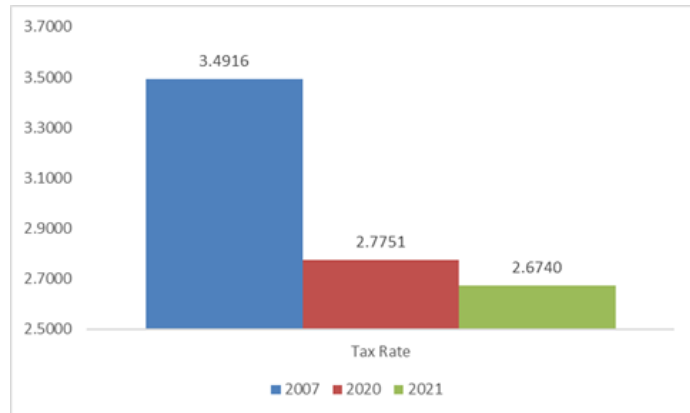


As the Polk County hospital, how does Broadlawns Medical Center utilize its property tax funding?



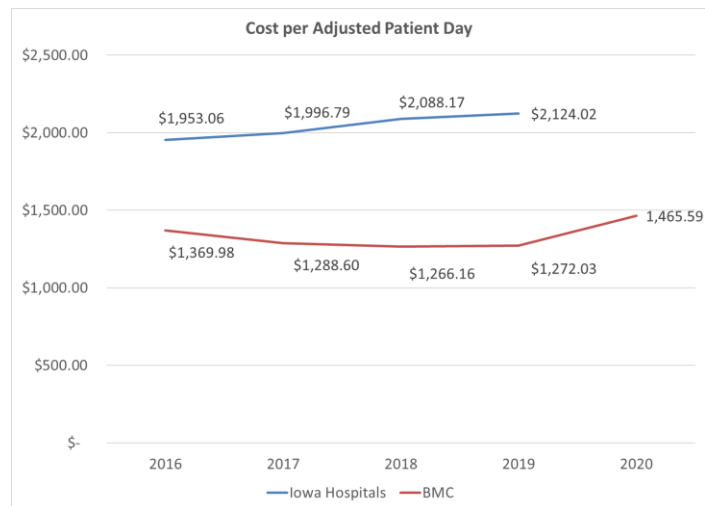
In recent years, the financial landscape for the organization has changed for the better. Broadlawns Trustees, administrative leaders and staff have stabilized the organization’s financial position with streamlined operations, systematic efficiencies, and development of a continuum of healthcare, including preventive medicine and specialty clinics. The culture of Broadlawns has shifted to an environment that cultivates medical excellence, inclusion, compassion and engagement. Broadlawns is dedicated to providing exceptional care efficiently, effectively and passionately.

The organization has made a concerted effort to balance the needs of the organization in carrying out its safety net mission with financial sensitivity to the Polk County taxpayer. The result is a reduction in the tax rate as depicted in this graph that illustrates the hospital’s tax levy rate per \$1,000 going back to FY2006. Presently, **Broadlawns is operating at a tax rate 21.3% below the maximum allowable levy rate.**



One of the most significant transformations for the organization has been the dramatically improved operational efficiencies. **In FY2006, the adjusted cost per patient day at Broadlawns was \$2,885.** From a cost standpoint, this graph depicts the cost per adjusted patient day for Broadlawns to the State of Iowa’s hospital average:

If Broadlawns were to have the same cost per adjusted patient day as the state’s average, Broadlawns would incur an additional \$88 million in annual operating costs, increasing the need for a greater tax levy revenue.



Broadlawns is dedicated to providing affordable healthcare services for the community and passes the efficiencies gained from a lower cost structure directly to consumers. An excellent example of this is the pricing for Labor and Delivery services. The table below compares the Broadlawns price for deliveries to the statewide and urban averages in FY20:

Average cost for Vaginal Delivery		
Broadlawns	Urban Iowa	Statewide
\$5,093	\$11,348	\$9,608
Average cost for C-Section Delivery		
Broadlawns	Urban Iowa	Statewide
\$8,944	\$19,464	\$18,766



As the Polk County hospital, how does Broadlawns Medical Center utilize its property tax funding?



Where are the property taxes being deployed?

Broadlawns continues to expand its healthcare service lines, develop new clinics, add new physicians, invest in property adjacent to the hospital for future, yet undefined purposes; and to market its services to the community-at-large.

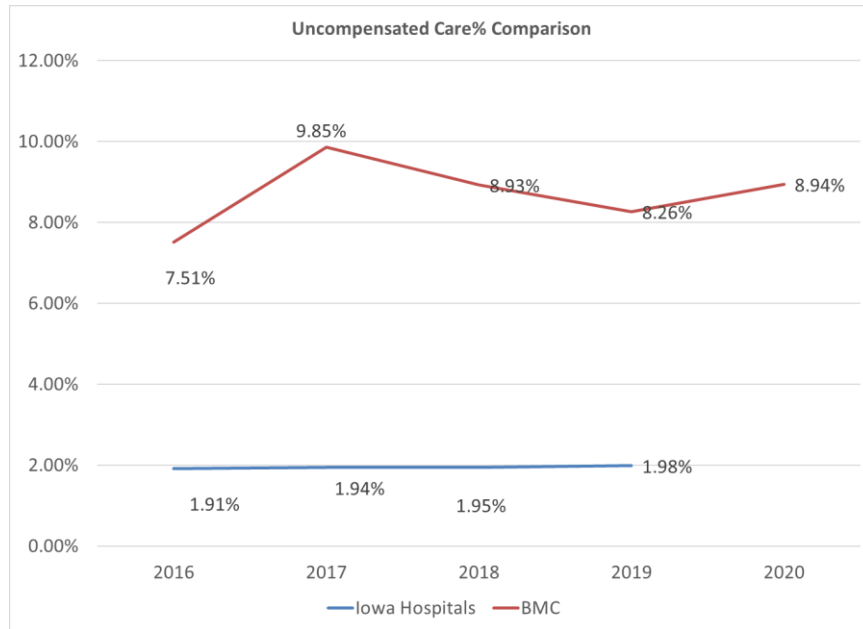
TACI Question: *Is Broadlawns trying to compete with the larger system hospitals?*

Broadlawns Response: Polk County and the greater Des Moines community are served by three high quality hospital/healthcare organizations: Broadlawns, MercyOne/CHI/Common Spirit, and Unity Point. While it is true that the healthcare market is competitive in ways, Broadlawns’ assertion is that there is a purpose and a function for all of the healthcare entities in Polk County in order to adequately meet the healthcare needs of the community. Broadlawns is a dual status tax-exempt organization and is subject to the same IRS 501(r) regulations and audits regarding charity care as the other two larger systems. By comparing the financial size and the payer mix of the three hospitals, there is a discernable difference in the payer mix and the size and scope of the organizations. Below is a table comparing financial information from each of the organizations’ most recently published audited financial statements. The comparative illustration demonstrates the proportionate size and scope of the respective healthcare organizations. The recent merger of CHI and Dignity Health, a San Francisco based system, makes that disparity even greater.

\$ in thousands			
	Common Spirit 6/30/2020	Unity Point 12/31/2019	BMC 6/30/2020
Assets	\$ 46,773,000	\$ 6,016,681	\$ 361,720
Total Revenue	\$ 29,605,000	\$ 4,873,988	\$ 205,964
Payer Mix			
Medicare	45%	35%	31%
Medicaid	21%	15%	42%
Managed Care / Commercial	31%	49%	22%
Self Pay	3%	1%	5%

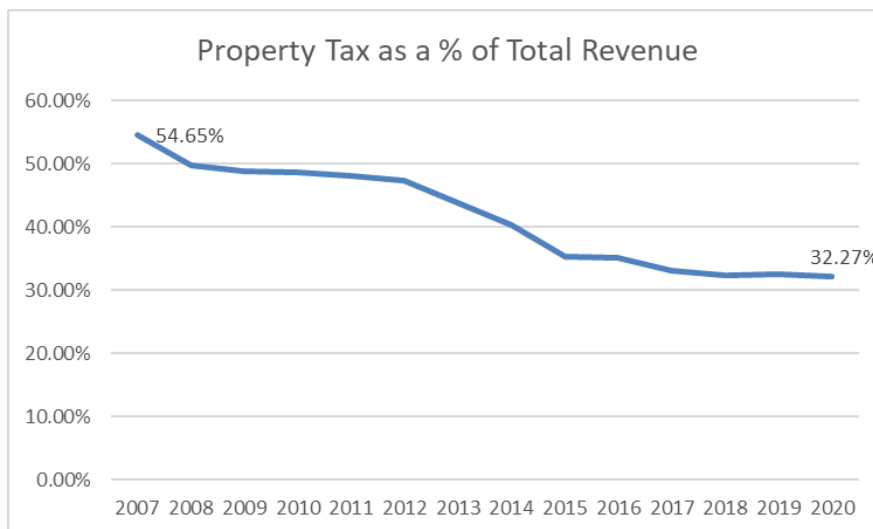
An assertion that Broadlawns is approaching the same share of patient revenue coming from commercial insurance as the other local health systems is inaccurate. Broadlawns has the highest percentage of Medicaid patients in the entire State of Iowa. Medicaid is the poorest payer in terms of reimbursement, typically reimbursing providers below the actual cost of providing the service. With Medicaid managed care introduced into the state, the low reimbursement or lack of payment is even further exacerbated.

Additionally, Broadlawns' level of uncompensated care greatly exceeds the state averages as shown below with the graph reflecting the uncompensated care % for Broadlawns compared to the average for the state.



Use of Property Tax Funding

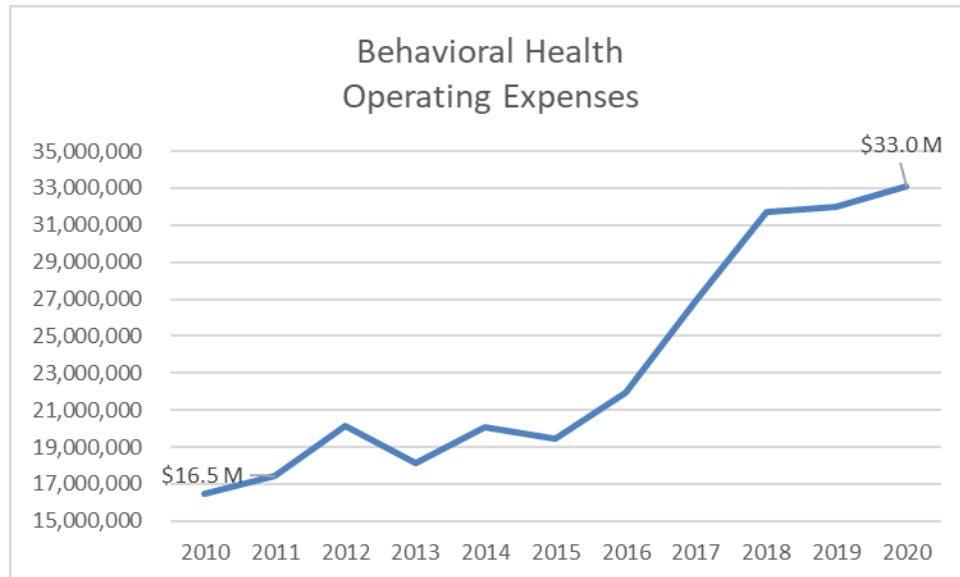
For most of its 97 year history, Broadlawns operated with a financial deficit and at the maximum allowable property tax levy. As the financial position of the organization stabilized, Broadlawns voluntarily reduced its property tax levy in an effort to provide financial relief to the residents of Polk County. The organization is voluntarily operating 23.5% below its maximum allowable levy, representing \$21.6m in annual tax relief for Polk County.



At Broadlawns, property tax funding represents about 1/3 of the organization’s total funding. Back in 2007, nearly 55% of the organization’s revenue was reliant upon the property tax levy. The tax levy continues to utilize the funding to care for safety net patients who are reliant on charitable care and Medicaid for their physical, mental and dental healthcare needs. Broadlawns has taken a leadership position in addressing the unmet healthcare needs for Polk County residents who have historically faced barriers to access. This includes establishing preventive medicine and urgent care clinics to serve residents from East and South Des Moines who comprise a significant portion of Broadlawns’ existing patient base. Operating revenues have been utilized to expand and enhance the main campus facilities and to develop the organization’s provider base to broaden access to physical healthcare, mental healthcare and dentistry. Broadlawns is located in the heart of the urban core and proudly has a culturally diverse patient population. Broadlawns has very mindfully implemented a multi-faceted approach to addressing the social determinants of health, which represent the underlying causes of health deficiencies for vulnerable individuals.

Addressing unmet healthcare needs in Polk County

Behavioral Health is an area of focus where Broadlawns has utilized tax levy funds to make much needed investments for the improved health of the community. Operating expenses related to Behavioral Health Services exceeded \$33 million in FY2019. The graph below shows the ten-year annual expense trend. This graph does not include the additional \$15.8 million of mental healthcare capital expenditures that were incurred over that same time period.



Mental Health

- **Acute Inpatient Behavioral Health Services** – In 2017 and 2018, Broadlawns utilized property tax funding to expand to its licensed capacity of 44 beds. Broadlawns receives the vast majority of court-ordered behavioral health patients in Polk County. Broadlawns utilizes an interdisciplinary approach to care with psychiatrist, pharmacists, nurse practitioners, physician assistants, anesthesiologists, nurses, social workers, chemical dependency counselors, activity specialists, health coaches, techs and psychiatrists.
- **Depression Unit** - The Lower Level Sands Unit is a 14-bed unit that is dedicated to treating patients who have been diagnosed with major depression. The unit includes a four season sunroom to promote access to sunlight and views of nature. Electroconvulsive Therapy (ECT) is offered as an alternative course of treatment for patients whose severe conditions have not responded to traditional medications and therapy.
- **Community Based Behavioral Health Services** – *Note: The larger healthcare systems do not offer comprehensive, community-based mental health services.*
 - **Crisis Observation Center** - The Crisis Observation Center is open 24/7 for individuals who are experiencing an exacerbated mental health condition. This is a safe environment for individuals to deescalate and provides access to mental health supervision and care coordination. In FY2020, 615 individuals were treated at the Crisis Observation Center. Services in the COC reduce the volume of individuals receiving treatment in the Emergency Department and reduces the number of individuals being taken to jail which are both significantly costlier options to the community.
 - **Crisis Stabilization Center** - The Crisis Stabilization Center is a 9-bed short-term care center with a home-like atmosphere. Individuals are admitted to the Crisis Stabilization Center through the Crisis Observation Center. Treatment is aimed at restoring ability to maintain safety so individuals can return to the community with an increased level of function and productivity.
 - **FOCUS** - The FOCUS program is administered to provide support to school-aged children (3-8 grade) who are contending with mental illness and emotional considerations that inhibit their ability to function in traditional settings including their classroom, home or the community-at-large. The FOCUS II program is designed for high school-aged students.
 - **Mobile Crisis** - The Mobile Crisis team provides voluntary community based assessments and short-term crisis management. The program is designed to assist law enforcement with mental health-related calls, and Mobile Crisis clinicians are dispatched at the request of the officers on scene. The Mobile Crisis team is staffed with behavioral health specialists, including mental health therapists, social workers, and registered nurses. In FY2020, 2,426 calls were received.
 - **Positive Alternative to Hospitalization** - This integrated service agency project is designed to assist individuals who are faced with chronic mental illness. Integrated services provide

- flexible and individualized services. These services represent a Positive Alternative to Hospitalization (PATH).
- **Psychiatric Urgent Care Clinic** - The Broadlawns Psychiatric Urgent Care accepts walk-in appointments for individuals 18 years of age or older who are experiencing an exacerbated mental health condition. Services at the clinic include mental health assessments, medication management, therapeutic counseling and coordination of services for healthcare and basic needs.
 - **Residential Group Homes** - Broadlawns Medical Center manages two residential group homes that provide a safe environment for patients as they learn to manage their mental illness and transition toward independent living.
 - **Service Coordination** - Service Coordination is provided for individuals who have been diagnosed with mental illness or chronic mental illness. Service coordination is available to those who do not have Medicaid or who are not involved with an integrated services agency project.
 - **Supported Community Living and Home Based Habilitation** - SCL/HBH-hourly services are provided to persons contending with chronic mental illness. The SCL/HBH services are designed to develop a support system for individuals as they learn skills that will enable them to live, work, and socialize in the community.
 - **Transitional Services** - Broadlawns offers a transitional program for adults being discharged from an acute care psychiatric hospitalization. This program provides a “step down” from the more intensive hospital level of care.
- **Outpatient Behavioral Health Services** – In 2017, Broadlawns opened the Outpatient Behavioral Health Clinic in a newly constructed Medical Plaza provide a more therapeutic physical environment for providing mental health services and expand access to care. In 2020, the clinic was expanded to incorporate more treatment rooms for the third and fourth year psychiatry residents. Through the outpatient clinic, Broadlawns provides comprehensive services for individual, family and group therapy.
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- **Psychiatric Residency Program**
Broadlawns partnered with UnityPoint Health Des Moines to establish a psychiatric residency program to address the shortfall of psychiatrists within Polk County. To administer this program, Broadlawns and UnityPoint Health Des Moines invest \$3 million per year to train the next generation of psychiatrists for our community.

- **New Connections Addiction Treatment**

Broadlawns administers integrated substance abuse and mental health treatment with an evidence-based, interactive curriculum to help individuals discover their strengths, gain confidence and learn skills to help individuals overcome their dependence on alcohol or drugs.

Additional Programs and Services

- **Community Engagement** - Broadlawns is closely engaged with the neighborhood associations in the North Des Moines community to ensure that residents are apprised of changes on the medical campus. Broadlawns collaborates with organizations such as Urban Dreams, Evelyn K Davis Learning Center and Creative Visions to provide services and guidance for non-profits who are serving the individuals within the urban core of Des Moines. Broadlawns staff is actively engaged in assisting with Free Clinics of Iowa and Dorothy's House to provide healthcare to at-risk and vulnerable individuals within the community. Broadlawns was recognized in with the Make A Difference Award at the annual MLK Breakfast Celebration and was honored at the Juneteenth Community Builder's Banquet that celebrates the individuals and businesses that are championing equality throughout the community.



Dental Clinic

83% of Broadlawns dental patients utilize Medicaid or the state's wellness program. The program is the largest extramural training facility for University of Iowa dental students. Delta Dental of Iowa Foundation provided funding to equip all of the new operatories for the clinic when it reopened in the Broadlawns Medical Plaza in March 2017.

- **Drake University** - Drake University is located a couple of miles from Broadlawns' main campus and their neighborhood shares a substantially similar socio-economic and culturally diverse demographic as North Des Moines. Leadership from Drake University and Broadlawns have been engaged in ongoing conversations about addressing the healthcare needs of their students while concurrently



addressing the healthcare needs of neighboring residents. While it's exciting to see the revitalization efforts north of I235, it is equally important to recognize that neighboring residents are fearful that growth may equate to gentrification of their community. Broadlawns leadership, specifically Jody Jenner, was part of a community group that canvassed residents on 22nd Street to assist with identifying unmet needs in the Drake neighborhood. At that time, 22nd Street was recognized as one of the most dangerous street in Des Moines with highest incidence of crime. Broadlawns has been providing primary care services for Drake's student athletes since FY2006. In FY2019, Broadlawns began assisting with mental health services. In FY2020, Broadlawns began administering all healthcare and mental healthcare for Drake's students.



- **East University Clinic** - Broadlawns opened the East University Clinic in 2017 to provide primary and urgent care services to the East Des Moines neighborhood that was underserved medically. 51.3% of patients served are reliant upon government coverage. 10% of patients are self-pay with no insurance coverage, and 1% of patients are charity care. After the clinic opened, Broadlawns was recognized by the North and South Des Moines Chamber as Business of the Year.

- **Facility Improvements** - Since FY2014, Broadlawns has invested \$96.9 million back into facilities and equipment that were aging and deteriorating. Broadlawns did this without incurring additional debt or financial burden for the taxpayers of Polk County.



- **Family Medicine Residency Program** - Broadlawns is generally recognized as providing the most varied, hands-on medical training experiences for resident physicians. Residents have the opportunity to work with diverse population segments and experience firsthand an incomparable range of patient pathology, procedures and clinical care. Currently, 88 Broadlawns residents are practicing in rural communities with population below 30k. There are 166 Broadlawns residents practicing throughout the state of Iowa.

- **Polk County MHDS Region**

Broadlawns has provided over \$28 million in financial support and in kind services for the Polk County Mental Health MHDS Region over the past four years. Broadlawns has provided crisis services for Polk County since August 2016 with no measure of remuneration.



- **Primary Care Services** - Broadlawns emphasizes primary care/family medicine on its main campus and in neighborhoods that are comprised of a large share of the organization's core demographics to provide patients with a medical home that integrates with its behavioral health and oral medicine services to ensure a comprehensive continuum of care for patients that would not otherwise have access to preventive care.
- **Public Safety** - Broadlawns has invested in the neighborhood adjacent to the medical campus by purchasing blighted homes and offering residents fair market value to ensure that neighbors are not displaced. Broadlawns works closely with local law enforcement agencies to ensure that there are open channels of communication regarding access to emergency services, mobile crisis, mental health commitments, crisis observation center and the psychiatric urgent care.

- **Specialty Care** - Broadlawns offers a number of specialty physicians to the community that Medicaid or uninsured patients would have limited or no access to otherwise. Some of these services include: Oncology, Pain Management, Podiatry, Orthopedics, and Ophthalmology.
- **TEACH and TECH Program** - This workforce development initiative was established in 2016 for individuals who are facing socio-economic hardship and have historically faced barriers to employment. Based loosely on a successful program that was established by The Johns Hopkins Hospital, Broadlawns developed a job training program to assist individuals from its neighboring communities that represent the highest per capita unemployment rates and largest percentage of impoverished residents in Polk County. Since the program's inception in 2016, 101 individuals have earned basic and advanced CNA certification and are employable at a living wage. The programs earned the federal designation of Registered Apprenticeships and have earned the support of Governor Kim Reynolds, Iowa Economic Development Authority and Iowa Finance Authority Director, Debi Durham, and Iowa Workforce Development Director, Beth Townsend. The program was recognized statewide by the Iowa SHRM association with its Iowa Job Honors Award.



Conclusion

Is the present property tax subsidy justified?

TACI Question: *As noted on its website, Broadlawns continues to provide “medical care for the indigent.” That is commendable; however, all medical centers do as well. What makes Broadlawns different?*

Broadlawns Response: The differentiating factor is the disproportionate share of Medicaid and charitable care patients that are cared for at Broadlawns Medical Center. While the enactment of the Affordable Care Act provides a measure of reimbursement for Medicaid patients that did not previously exist, the reality is that Medicaid reimbursement does not cover the actual costs of patient care and reimbursement rates continue to diminish under the privatized MCO structure, especially for mental health and dental care. The volume of Medicaid patients cared for at Broadlawns represents the largest percentage in Iowa. Broadlawns continues to serve as the safety net hospital for Polk County and provides healthcare for the largest volume of refugees in the state. Broadlawns remains unwavering in its mission of providing access to affordable, high quality healthcare for everyone in Polk County. While it's flattering to think that Broadlawns is “competitive” in the local landscape, the reality is that as a community hospital, the organization's size pales in comparison to the larger healthcare systems in the Des Moines community. Respectfully, Broadlawns believes there is a role and purpose for all of the healthcare entities in Central Iowa, and the organization is proud to play its role in attending to the healthcare needs of Polk County. Together A Healthy Community.



As the Polk County hospital, how does Broadlawns Medical Center utilize its property tax funding?



Additional Thoughts

TACI: *Are there other unmet health needs in Polk County?*

Broadlawns Response: Yes, clearly. Frequently mentioned are issues surrounding the mounting, unmet needs for expanded access to mental healthcare. The Polk County Mental Health and Disability Region continues to face a \$14- 15 million shortfall in annual funding. Over the past four years, Broadlawns has provided over \$28 million in funding and in-kind services to assist Polk County Health Services and offset a portion of their budgetary shortfall. Certainly, a long-term solution for mental healthcare funding is at the forefront of healthcare concerns both locally and throughout the entire State of Iowa.

The City of Des Moines has pledged dollars to address mental health needs from its recently passed local option sales tax. Des Moines Public Schools are working to navigate the escalating needs for mental health services and rising suicide rates among students. Broadlawns recognizes that it cannot be the sole solution for the mental healthcare needs in Central Iowa, Broadlawns works collaboratively with as many entities as possible to utilize the strengths of the respective mental health organizations within our region.

With 44 inpatient beds, a robust mental health outpatient clinic, community-based and residential mental healthcare, the state's first psychiatric urgent care, crisis services, FOCUS I and II programming and the jointly established psychiatry residency program with UnityPoint Health-Des Moines, Broadlawns has proudly taken a leadership position in providing mental healthcare in Central Iowa. Broadlawns is committed to continuing to address the expanding needs for mental healthcare by building upon our strengths.