

Increase Oversight on UNMH
By Wayne Johnson, Bernalillo County Commissioner

Ninety million dollars – the amount Bernalillo County taxpayers send to the University of New Mexico Hospital each year;

UNMH receives \$90 million out of its total revenues of \$780 million, or 12% of its total revenue from the County, the remaining funding comes from Medicare, Medicaid and private insurance, like all other hospitals. UNMH provided \$149 million in uncompensated care to the residents of Bernalillo County during that same period of time period; bringing \$59 million of value to the Bernalillo County. See Attachment 1, UNMH Income Statement and Attachment 2, Supplemental Information on Uncompensated Care.

\$146 million – the cash on hand UNMH plans to use to build the first phase of a 5.2 million square foot mega-hospital.

UNMH has prudently saved funds during the past 6 years to be able to expand access and initiate the replacement of facilities that are 60 years old. The total replacement of the adult hospital is expected to take 15 to 20 years. The total build out of the facility would be approximately 2.5 million square feet including all clinics. The 96 bed expansion project is projected at 250,000 square feet. See Attachment 3, UNM Consolidated Master Plan, 2009, Part 2, UNM Health Sciences Center Master Plan 2010, page 58, Revised September 2011.

Zero – the amount of accountability the hospital has for the use of 6.4 mils (\$90 million) of Bernalillo County taxing authority.

The mil levy support that UNMH receives from the taxpayers of Bernalillo County was most recently placed on the ballot by the Bernalillo County Commission in 2008 after a unanimous vote of the Commission in August 2008 and included a Memorandum of Understanding between the Bernalillo County Commission and the Regents of UNM that reaffirmed the relationship between UNM and Bernalillo County. The mil levy support was designated on the ballot in 2008 for 6.4 mils and that the funds would be used for the general operations and maintenance of the hospital. This is consistent with the state statute, the New Mexico Hospital Funding Act, 4-48B, which authorizes mil levy. 63% of the voters of Bernalillo County approved the ballot measure. See Attachment 4, MOU, Attachment 5, Hospital Funding Act – Article B7, Attachment 6A, Bernalillo County Summary, Attachment 6B – Election Results

UNM Hospital is a public entity under the authority of the Regents of the University. UNMH has a Board of Trustees to provide governance for the hospital, as is required under New Mexico State statute. The Board meets on a monthly basis and is subject to the New Mexico Open Meetings Act. It publicly advertises its meeting and agenda on its web site and in the newspaper. UNMH posts its Board minutes on its web site along with presentations for its meetings. The actions of the Board are reviewed and for many items like budgets and capital projects, approved by the Regents. See <http://hospitals.unm.edu/bot/index.shtml>

The County Commission appoints two of the UNMH Board members. One of the County Commissioners is appointed as an Ex Officio member of the Board, without vote, receives all materials, attends the meetings and provides input as other Board members. UNMH sends its annual financial audit and its annual budget to Bernalillo County. See <http://hospitals.unm.edu/about/finances/unmh.shtml>

The County has requested and the UNMH administrator attends regularly scheduled meetings of the Bernalillo County Commission on a quarterly basis and provides reports to the Commission in the format and with the content that the Commission has requested. These reports are posted on the UNMH web site and are available for download. See <http://hospitals.unm.edu/about/finances/county/>

Last June, the University of New Mexico Hospital made public its plans to build the first phase of its master plan – a 96-bed elective care hospital. The justification for the expansion was and is to reduce emergency room wait times by moving elective or scheduled care to the new facility thereby freeing up beds in the old hospital for patients coming from the ER – which would in turn free up exam rooms currently occupied by ER patients waiting for a bed “upstairs.”

The UNM Consolidated Master Plan was approved in September 2011 and had the UNMH expansion plans in that plan. The UNMH Board approved the architects for this project. The Regents approved the architects for this project in December 2011. The UNM Regents approved using a Construction Manager at Risk for the project in March 2012. The UNMH Board approved moving forward with the project in May 2012. The UNM Regents approved the project at their meeting in June 2012. See Attachment 7A – BOR Minutes, September 13, 2011, Attachment 7B – BOR Minutes, December 13, 2011, Attachment 7 C – BOR Minutes, March 12, 2012, Attachment 7D – BOR Minutes, June 12, 2012.

Let's assume for a moment that there are not questions about the hospital's occupancy rates and that it is currently operating at 91 percent to 95 percent of capacity not the 63 percent to 71 percent provided by the Hospital Association and the Department of Health.

UNMH is operating at greater than 91% occupancy. This data is the same that has been reported by the New Mexico Hospital Association. See letter from NMHA at Attachment 8.

Let's also assume that the UNMH has done everything within its power to schedule elective care during non-peak hours and has implemented policies that use current resources in the most efficient manner. If we accept those assumptions, then UNMH may have made its case that it needs to build a new 96-bed facility.

However, there would still remain serious questions about how UNMH managed to squirrel away \$146 million in order to build a new 185,000 sq. ft. facility out of cash on hand. Remember, UNMH is a public hospital and received substantial public funding, particularly from Bernalillo County.

UNMH receives about 12% of its funding from the Bernalillo County mil levy support for the operations and maintenance of the hospital. UNMH expends 20% of its cost on the provision of uncompensated care to the residents of Bernalillo County. UNMH has optimized the reimbursement from insurance companies, Medicaid and other sources to cover the excess cost of uncompensated care and to save the funds needed to expand and replace its facilities. See Attachment 1, UNMH Income Statement.

Those county tax dollars are treated as “direct revenue to offset uncompensated care.” In other words, dumped into a single pot where they are co-mingled with the hospitals’ other revenue sources without any requirement to account for the specific uses of those tax dollars.

UNMH treats the receipts of the mil levy funding in accordance with the state statute, the voter intent for the ballot elections, the specific language of the Lease agreement between Bernalillo County Commission and the University and Generally Accepted Accounting Principles. Treating the funds in any other manner would be a violation of the ballot measure, the state statute, the lease and would not allow UNMH to meet its external financial audit requirements. See Attachment 5, Hospital Funding Act.

So how did we get here? Back in 1978, Bernalillo County entered into an agreement with the university to take over operation of the Bernalillo County Medical Center – later to become UNMH. In 1992, the Commission placed on the ballot a 4.3 mill per year levy for the “continued operations and maintenance of the hospital.” The voters approved the levy that year but the commission retained some authority over how those dollars were used – that is until 1999.

The 1978 and the 1999 Leases between Bernalillo County and UNM are posted at the UNMH web site for review. There is no material difference between the Leases in terms of the authority level of the UNM to operate UNMH. In the 1978 Lease on page 3, paragraph 5, it states that “Lessee (UNM Regents) will have exclusive responsibility and jurisdiction to control and manage the premises all in accordance with the terms and conditions of this lease. In the 1999 Lease on page 5, Section V Paragraph A it states that: The University will have the exclusive responsibility and authority to control and manage the Hospital in accordance with the terms of this Agreement. The 1999 Lease provided additional responsibilities for UNM under the Lease and it requires that the UNM include the services provided by the UNM Adult Psychiatric Center, the UNM Children’s Psychiatric Center, the UNM Cancer Center and UNM Carrie Tingley Hospital to the services of UNMH. See Attachment 9A - 1978 Lease and Attachment 9B - 1999 Lease.

In 1999, the county entered into an agreement with the university that transferred “exclusive responsibility” to “control and manage: the Hospital” and made the UNM regents the “ultimate governing body.” The county agreed to continue to provide “Mill Levy support,” and to “use its best efforts to obtain approval” for continued support from the voters.

At that time, the agreement provided roughly two-thirds of the current \$90 million. In 2004, UNMH needed the county to extend the lease to a 50-year term in order to secure financing for the Bill and Barbara Richardson Pavilion.

Four years later in 2008, claiming inadequate indigent care funding, UNMH asked the commission to place on the ballot a 50 percent increase in mill levy support that was approved by the voters and added roughly \$30 million to existing funding. At about the same time according to UNMH CEO Steve McKernan, the hospital had already begun putting away "savings" in order to fund the new \$146 million facility.

The mil levy rate voted on by the taxpayers of Bernalillo County was 6.5 mils in 2000 and 6.4 mils in 2008. The mil levy was not increased in the 2008 ballot election. See Tab 6A, 6B.

How can UNMH claim poverty while at the same time run a surplus sufficient to put away over \$146 million?

It's clear that the taxpayers of Bernalillo County have contributed a significant amount of their tax dollars to this project without their knowledge. It's also clear that that hospital's 2008 claims of poverty were somewhat exaggerated.

UNMH provides its annual external financial audit to the County each year. UNMH reports on its income statement and balance sheet each quarter to the Bernalillo County Commission in their regularly scheduled meetings. UNMH audit reports and monthly financial statements are reported at the UNMH Board meeting each month. The UNMH audit is presented to the Regents each year at their open meeting. The UNMH financial reports are presented each month at UNM Regents meetings. See hospitals.unm.edu/about/ for audit reports and UNMH Board of Trustee minutes.

UNM is also required, under the 1999 Lease, in Section VIII, Paragraph B, to be responsible for the replacement of its facilities and expansion of any facilities. The Hospital has routinely renovated its current hospital, to the extent possible, built new additions, such as the 2007 Richardson Pavilion, acquired property and built new clinics such as the South East Heights Clinic and the South West Mesa Clinic and renovated clinics such as the Neurosciences clinic. See Attachment 9A - 1978 Lease and Attachment 9B - 1999 Lease.

As county commissioners, we have a fiduciary responsibility to the people of Bernalillo County.

But the fact is, through a series of ill-advised leases the commission no longer has the ability to live up to that responsibility.

The Bernalillo County Commission entered into the current Lease with UNM in 1999. Bernalillo County affirmed the Lease in 2004 with amendments. Bernalillo County Commission voted on a Memorandum of Understanding in with UNM in 2008 that affirmed the Lease. See Attachment 4 - MOU.

Bernalillo County is also ultimately responsible to fulfill covenants that it committed to in 1952 with the Indian Health Service to provide access to health care services to Native American residents of New Mexico in exchange for the land that UNMH was built upon and for funding for the original building of the hospital. UNM has accepted responsibility for those commitments under the Lease arrangement. Bernalillo County has an obligation to assure that the provisions of the 1952 contract are met. See Attachment 9A - 1978 Lease and Attachment 9B - 1999 Lease.

In the end, UNMH may build its new facility – and it may even be justified. But that doesn't change the fact that taxpayers are providing \$90 million a year to UNMH with little oversight and no accountability.

UNM believes that it is a transparent and accountable organization. Its 9 member Board of Trustees provides governance and oversight to the organization. The Board members are volunteer community members that have no specific vested interest in UNMH and invest significant time and effort to assure that the Hospital meets the needs of the community. At least one member of the County Commission regularly attends and participates in this governance process along with other staff members of the County. The UNMH administrator provides quarterly reports to the County Commission at their regularly scheduled meeting, including reporting on the financial status of the hospital.

UNMH complies with the Open Meeting Act, Inspection of Public Records Act, has a financial audit performed each year by an independent Certified Public Accounting firm under the auspices of the New Mexico State Auditor.

UNMH has community advisory groups. UNMH conducts community meetings and responds to the wishes of community groups as exemplified the recent proposal to locate its substance abuse clinic in the SE Heights neighborhood, which it withdrew when the local community expressed concern regarding the location. UNMH held 4 community meetings to discuss with the community the 96 bed hospital project and met with significant support for the project.

It's a situation that needs to change in order to provide the public with the representation, stewardship and health services that they deserve.