

# Mission

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jointly supported the project since the mid-1990s.

The two organizations roughly split the cost of operating the clinic south of downtown with the hospital's contribution including laboratory and X-ray work, said the Rev. Scott Rogers, executive director of ABCCM. The hospital's tax form put its contribution at \$430,007.

"The hospital's been a wonderful partner with us in that for all of these years. At this point we don't know what the outcome of the sale will be" regarding the clinic, Rogers said.

When he asks Mission officials what, if any, role HCA might play in the clinic, "The standard answer is, 'We'll let you know if the sale's approved.'"

HCA spokesman Fishbough said the company engages in charitable efforts where it does business.

"We're proud of the many ways we support states and communities across the country, including through the significant taxes we pay, the economic growth we promote, and the free and discounted care we provide," he said.

The company as a whole provides about \$3 billion a year in charity care, discounts for the uninsured and other uncompensated care, he said.

Fishbough did not address specifics of Mission's community benefit spending, but said HCA has a "history of corporate giving and sponsorships, community outreach and employee volunteerism."

Paulus said he couldn't speak to what community health activities HCA might undertake or what charities it might support.

"There's nothing that prevents HCA from providing money to charities. They do it all the time," he told local officials.

For WNC charities, the sale's biggest impact would be the flow of cash from the foundation getting whatever amount HCA pays to buy Mission Health.

The amount in investment earnings the foundation, called Dogwood Health Trust, could spend may be \$50 million to \$100 million or more a year.

Dogwood will typically not provide programs on its own, but will instead make grants to other organizations that would spend the money on health-related projects, said Dr. John Ball, head of the Mission Health board.

That kind of money is nothing to sneeze at, but it will have no direct impact on operations of the institutions that make up Mission Health once they are owned by HCA. Federal tax law prohibits benefits of the sale from being used to fund programs that would ordinarily be HCA's responsibility.

Coincidentally, the midpoint in the range of expected earnings, \$75 million, is about what Mission Health told the IRS it spent in 2015 on promoting community health, helping other nonprofits' health projects, research and educating health care professionals.

As Fishbough and Paulus said, HCA will surely undertake charitable efforts of its own. But any reduction of those efforts compared to what Mission Health does has to be balanced against the new spending Dogwood Health Trust will do when tallying the pros and cons of conversion to a for-profit company.

Federal law limits hospitals' ability to turn away patients because they cannot afford to pay for care regardless of whether the hospital is a for-profit or nonprofit entity. Paulus and other Mission officials say HCA will be contractually bound to provide charity care and



Dr. John Ball, chairman of the Mission Health board of directors, speaks at UNC Asheville Aug. 3 on the impact of what are called health conversion foundations.

ANGELI WRIGHT/  
ASHEVILLE CITIZEN TIMES

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**Ed Fishbough**  
HCA spokesman

the company's charity care policy is actually more generous than Mission's.

Mission Health gives discounts on a sliding scale to people with incomes of three times the federal poverty level or less, said Rowena Buffet Timms, the hospital's head of government and community relations.

HCA gives a 100 percent discount for non-elective care for those with incomes less than twice the poverty level, then an 85 percent discount in most communities for those who make twice to four times the poverty level, she said.

In general, said Brumit, the Mission Health board member, "They care for the indigent and poor the same way that Mission always has."

## Who pays the tax bill?

As local government officials drawing up their agencies' budgets have noted with some glee, for-profit companies have to pay taxes while nonprofits do not.

Asheville city government estimates it will see \$7 million more in property tax revenue if land, buildings and equipment owned by Mission are entered onto the tax rolls. That's the equivalent of a 4 percent increase in the 2018-19 budget City Council adopted in June.

Buncombe County expects to net \$8.1 million, which works out to 2.6 percent of the amount it will spend in general fund revenue this fiscal year. Other counties and municipalities with Mission facilities will see smaller amounts. But since their budgets are smaller, the impact in percentage terms could be just as significant.

Then there's state and federal corporate taxes HCA will have to pay but Mission does not.

It is difficult to calculate with precision what the amount of those tax bills on HCA's activities in WNC will be. But, if HCA's operating profits for the Mission system are the same next year as Mission's were in its 2017 fiscal year -- something that's impossible to predict -- and HCA didn't find a way to offset them with deductions, the company could owe Washington and Raleigh as much as \$16 million.

For WNC residents, the amounts have a glass half empty, glass half full quality.

They will reduce pressure on local governments to raise taxes and may allow them to cut taxes or provide more services.

But someone will have to pay those extra taxes. It could be patients and insurers in the form of higher rates, or, as Mission officials predict, HCA will make up the difference by being more efficient than Mission is.

"There are a lot of ways in which you can improve the cash flow of an organization without raising rates," said Goldsmith, the health care consultant. "That is one area in which HCA knows what they're doing."

One possibility, he said, would be "negotiating more effectively up front with patients about their financial responsibility" so they are more likely to pay their hospital bills.

The company might also reduce overhead via "some thinning of management ranks," he said.

Paulus has said Mission and HCA are roughly comparable in the efficiency of their direct provision of health care but HCA is significantly better in back office areas like billing or buying supplies and equipment.

As the nation's largest hospital company, "Every single thing they buy, they buy at the lowest cost in the United States, if not the world," he said earlier this year.

Back office functions like billing and purchasing make up about 30 percent of Mission's annual spending, or more than \$500 million annually, Buffet Timms said.

In addition to reducing the amount of spending in those areas, HCA might also improve over Mission in the percentage of unpaid bills it collects, potentially resulting in a significant increase in revenue, she said.

Paulus acknowledged in his meeting with local government officials in June that HCA would almost surely reduce the number of people Mission employs to handle billing.

But, he said, HCA as a whole typically has job openings for those types of workers and more than half of them work from home. People who collect money for Mission hospitals today might switch to jobs billing for hospitals across the country if the sale is consummated, he said.

## Who gets the money?

HCA's shareholders will want their piece of the Mission Health pie, too.

It is possible that HCA will use the Mission purchase to expand further in North Carolina, where it has no presence now. But it is unlikely it would not want to buy Mission unless its executives think the deal will be profitable.

For 2017, HCA reported profits of \$2.2 billion on revenue of \$43.6 billion after allowance for bad debt, a rate of return of about 5 percent.

The roughly comparable figure for Mission Health, its operating margin, was about 4.1 percent last fiscal year, a figure that does not include substantial gains on its investments.

HCA's profits have typically gone to grow the company.

HCA did not pay a dividend to shareholders last year, but announced one that amounts to a little less than 5 percent of profits this year. In other words, people who invest in HCA stock are betting more on the prospect of the company becoming larger and thus more valuable, not so much on cashing large dividend checks.

Paulus told local officials in June that even as a nonprofit, Mission has to make a profit to have extra money to invest in facilities and services.

But, the pressure for Mission as it is to become larger or increase its operating margin may not be the same as at a for-profit company. And, no one expects it to send out dividend checks.

Paulus said HCA's track record shows it can do those things and provide good health care.

"What they've demonstrated over the course of decades is that they're able to do that while maintaining high quality," he said.

## The long game

Without the HCA sale, Paulus says Mission would have to make changes itself in order to stay in business over the years.

Three-quarters of Mission's patient load are people covered by Medicare and Medicaid. Since those government programs do not cover the full cost of care, Paulus says Mission Health regularly has to make large cuts in its operations to keep from losing money.

Ball, the Mission Health board chairman, predicted shortly after the HCA was announced that without some type of action the system "would ultimately fail. We would bleed to death over a long period of time," making cuts in expenses of \$70 million each year "from here to eternity."

Paulus was a little less pessimistic, saying, "Mission Hospital would never go out of business, but it would be very different and people would have to leave the community for many services that are available today."

But many or all of the safeguards against cutting services Mission says will be in its sales contract with HCA will apparently be gone in a few years too.

Martin, the Mitchell County resident, wonders just what Mission Health would look like under for-profit ownership.

The proposed sale, she said, amounts to "pulling the rug out from under all these health care providers and saying, 'You're working for the stock market now.'"

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