

# **COST, FUNDING AND TAXES FOR THE PROPOSED NEW FACILITY FOR OSBORNE COUNTY MEMORIAL HOSPITAL**

(This is another series article to educate the public on the proposed construction project before election on November 7th.)

The total projected cost of the new facility will be no greater than \$18,735,000.00. This cost includes architectural services, engineering services, equipment, bridge loan interest and all issuance expenses for underwriting of the general obligation bonds. Partial funding for the project will include increased Medicare reimbursement once the project is completed. Since Osborne County Memorial Hospital (OCMH) is a critical access hospital, it receives cost based reimbursement for inpatient and outpatient services provided to Medicare patients. Cost based reimbursement provides a significant financial advantage allowing OCMH to get paid at 101% of costs on all allowable costs of their hospital Medicare services. The cost of treating Medicare patients is estimated using cost accounting data from Medicare cost reports. As a Critical Access Hospital both the depreciation and interest expense for the new construction project will be included in the calculation of our Medicare reimbursement as part of the cost of providing care to patients. This means our Medicare reimbursement would be significantly increased allowing us to cover at least 50% of the cost of the debt service over the 30 year term for the USDA general obligation bonds that are issued.

The remaining 50% of the funding would be covered through an increased county mill levy. Based on the total projected cost of \$18,735,000.00 the estimated mill levy increase is 9.75 mills. The median home value in Osborne County is \$61,401.00 and the annual additional increase at 9.75 mills would be \$68.84. However, OCMH has partnered with Crescent Growth Capital to obtain Federal New Market Tax Credits for the new construction project. Once a "YES" vote is received and the project is released to the investors, the potential net subsidy from the Federal New Market Tax Credits could be up to \$3,285,150.00. Therefore, this would reduce the bond amount to approximately \$15,500,000.00. However, we will not receive acknowledgement of this potential award of funds until March 2018. This funding could ultimately reduce the necessary mill levy from 9.75 mills to 7.75 mills. The annual additional increase for the median home in Osborne County would be reduced from \$68.84 to \$54.72. Please visit our website at <https://www.ocmh.org/vote-yes> and click on the TAX CALCULATOR button to figure your tax impact. The only figure you will need to insert in the tax calculator is your current year assessed value from your 2016 Real Estate Tax Statement. The current year assessed value figure is located in the upper right hand corner of your tax statement.

Historically, OCMH has not asked for a mill levy increase other than the mill levy budgeted by the county which is currently 6 mills. General Obligation Bonds for the hospital in the past include the original hospital bond issued in 1958 for \$188,000 and the bond in 1968 for increasing the inpatient wing totaling \$269,000. Comparative studies were completed with other Critical Access Hospitals in

the surrounding areas and even with the increased mill levy OCMH will still remain in the middle range of those hospitals.

In addition to the resolution on the ballot for issuing the general obligation bonds, OCMH also has a resolution for changing the existing 1% sales tax to a permanent 1% sales tax. This tax has been in existence for the past 13 years and is necessary for operations of the current hospital as well as the proposed hospital. The permanent 1% sales tax resolution is to eliminate future costs for election purposes every five years. Once the new hospital is constructed and the opportunity for increased revenue is realized, OCMH could also sunset the 1% sales tax at any time if it was not necessary for operations.