



# FROM THE CENTER OUT

June - July - August 1986

## CENTER'S RESEARCH ON CAMPAIGN FINANCE GOES ON TELEVISION

If you're interested in campaign finance in North Carolina, you won't want to miss the Open/Net TV show on Friday, August 29 from 8 to 10 p.m. Open/Net is a cable television public affairs network distributed to more than 60 cable TV stations across N.C. It appears weekly and is anchored by different reporters from local television stations. Viewers can call and talk directly with state government officials.

The first hour of the program will be a videotaped portion of an August 21 meeting of the N.C. State Board of Elections. The Board has invited Center Executive Director Ran Coble to present the Center's findings on (1) N.C.'s campaign finance law, as compared with those of the other 49 states, and (2) the Center's research on the sources of money for the 1984 elections. The program will highlight statewide and legislative races and discuss the various sources of campaign contributions -- family money, political action committees, small individual donors, and political parties. Some surprising findings await the viewers.

From 9 to 10 p.m., Open/Net will feature a call-in segment, and anyone in North Carolina can call (919-733-6341 direct, or collect if outside Raleigh) with questions or comments on the subject of campaign finance. Coble and State Board of Elections Director Alex K. Brock will field the questions. Join us for an evening of discussion on the effects of money on politics in North Carolina.

## CENTER RELEASES FIRST REPORT ON FOR-PROFIT HOSPITALS IN NORTH CAROLINA

For generations, most hospitals in North Carolina were publicly owned or not-for-profit hospitals designed to provide health care at modest rates for the citizenry -- and not designed to bring stockholders a return on investment. But since 1980, the ownership and management of North Carolina's hospitals has changed dramatically, and now 42 of the state's 164 non-federal hospitals -- one in every four -- are either owned or managed by for-profit, commercial enterprises, the N.C. Center has found in a new report released on July 27.

The Center examines this trend in the first of three reports that seek to assess the impact of the for-profit hospital movement in North Carolina. This first report, called "The Investor-Owned Hospital Movement in North Carolina," was two years in the making. It incorporates material from interviews with officials at 39 hospitals throughout the state, as well as with community leaders in areas where for-profit hospitals have begun to function.

### Advantages and Disadvantages of For-Profit Hospitals

The report identifies the major advantages and disadvantages of for-profit hospitals. Among the possible advantages are the following:

- + Access to private capital that can be used to repair a hospital building or to replace an old facility with a new one.
- + Access to a national pool of qualified personnel, particularly hospital administrators.
- + Management expertise, particularly in running a hospital providing high-quality care at a reasonable cost.
- + Volume purchasing of basic medical supplies like intravenous solutions.
- + Promoting competition in the hospital sector of the health care market.
- + Tax advantages, in that a for-profit hospital becomes a taxpayer, contributing revenues to local, state, and federal tax coffers.
- + And, relieving local governments of the burden of running a hospital.

The Center's report also points to these potential disadvantages:

- Investor-owned hospitals may have higher charges. In January 1984, a study by Blue Cross and Blue Shield of North Carolina found that average charges to Blue Cross subscribers in 1981-82 for three procedures (normal delivery of babies, hysterectomy, and gall bladder removal) were higher in six investor-owned hospitals than for other hospitals of similar size in North Carolina.

- Investor-owned hospitals may not provide as much indigent care as public or other nonprofit hospitals.

- Hospitals affiliated with investor-owned corporations may narrow the range of their services and offer only the most profitable services, thereby leaving fewer revenue-producing patients or services for not-for-profit hospitals in the same community.

- And, there is a philosophical question of whether profit considerations belong in the realm of health care.

#### Common Assumptions Found To Be Wrong Thus Far

As part of its research, the Center disproved two hypotheses. The first hypothesis was that public hospitals were more likely to join investor-owned hospital systems than would not-for-profit or independent proprietary hospitals. But the Center found that so far, this has not been true in North Carolina. Of the 29 hospitals which are completely owned by investor-owned corporations, only four were formerly public hospitals -- Central Carolina Hospital in Sanford, Heritage Hospital in Tarboro, Highsmith-Rainey Memorial in Fayetteville, and most recently Franklin Memorial in Louisburg. However, future sales to investor-owned systems would have to come from not-for-profit and public hospitals because there is only one remaining independent, for-profit hospital left in North Carolina (McPherson Hospital in Durham).

The second hypothesis was that hospital bond referenda were increasingly failing and that after the voters turned down hospital bond issues, public or not-for-profit hospitals were then joining an investor-owned system. Again the Center's research found that this was not true. Based on the available evidence from the N.C. Local Government Commission, it appears that no significant relationship exists between these two events. First of all, hospital bond referenda usually pass. Since November 1970, 42 counties presented hospital bond referenda to the voters and only eight failed. And second, in only three (Lee, Iredell, and Franklin counties) of those eight counties has the county subsequently affiliated with an investor-owned hospital corporation.

#### New Health Care Facilities Compete With Hospitals

The report examines several new and fast-growing components of the health care industry which affect the viability of the state's community hospitals. These include health maintenance organizations (HMOs), ambulatory surgery clinics, and urgent care centers, the so-called "Doc-in-a-box" health clinics that have popped up in many communities.

Some health care experts believe that the very existence of many hospitals will be threatened as these new competitors peel away one hospital profit center after another and turn the hospital into a money loser. "If you pull out all the parts of the hospital that are profitable, the hospital system as we know it will fly apart," said John Young, a staff researcher with the N.C. General Assembly. Three hospitals in North Carolina (Warren General in Warrenton, Gordon Crowell Memorial in Lincolnton, and Huntersville Hospital in Huntersville) have already closed in the last two years.

Copies of the 251-page report on The Investor-Owned Hospital Movement in North Carolina are available for \$28.00, plus \$2.00 postage and handling, from the N.C. Center, P.O. Box 430, Raleigh, NC 27602. The report received statewide news coverage, with articles in at least 28 newspapers. At least four radio stations and two TV stations also covered the report.

## SPECIAL REPORT

Another Center special report, Special Provisions in Budget Bills: A Pandora's Box for N.C. Citizens, was released in June. Center Director Ran Coble, author of the report, explains that special provisions in budget bills can undermine the legislative process, work against the public interest, and damage good relations between the governor and the legislature. These special provisions -- adopted by the legislature in the frenzied final days before adjournment of each session -- often are approved without adequate public debate and frequently without the knowledge of many members of the General Assembly.

Coble says the practice of special provisions began years ago as a legitimate way to explain the purposes of an appropriation or limit the use of funds. "Special provisions once served as the narrative flesh on a skeleton of numbers appropriating certain amounts to each state agency," says Coble. "But in recent years, what once was a justifiable method of providing budget instructions to state agencies has gotten out of hand. Now, the legislature is piggybacking changes in substantive laws onto budget bills."

The Center recommends that North Carolina join the 40 other states that limit the use of special provisions. In the report, the Center recommends that each house of the General Assembly adopt rules barring the use of special provisions to establish, amend, or repeal statutory laws. It also recommends that the legislature amend the Executive Budget Act to empower citizens to petition the N.C. Attorney General to challenge any special provision establishing, amending, or repealing a law. If the Attorney General declined to pursue the case, the individual citizen would then have the right to sue in Superior Court.

State Sen. Kenneth Royall (D-Durham) introduced a bill on June 6 (SB 861) which attempted to curb the use of special provisions by amending Senate rules. The Senate adopted these rules changes, but the House did not pass similar rules, and as a result, 54 special provisions found their way into the 1986 appropriations bill.

Gov. James G. Martin, also critical of special provisions, announced at his July 26 press conference that he will ask the 1987 General Assembly to authorize a public vote on a constitutional amendment to prohibit the use of special provisions. And, in a recent interview with The News and Observer of Raleigh, Lt. Gov. Robert B. Jordan III said the legislature should try one more time to deal with the problem through its rules. If that fails, he said he too would seek a constitutional amendment. The Center's report on special provisions is available for \$10.00, plus \$1.00 for postage and handling.

## OTHER RESULTS FROM RESEARCH

The June issue of North Carolina Insight contained a follow-up article to the Center's 1985 report on Boards, Commissions, and Councils in the Executive Branch of N.C. State Government. The article recommended that the General Assembly abolish 62 state boards, commissions and councils because they duplicate the functions of other boards, perform useless work, or never even meet. These 62 boards were targeted in Senate Bill 726 which was considered in the legislature during the 1986 short session. State Sen. Tony Rand (D-Cumberland), the bill's sponsor, predicted a savings of \$2 million to taxpayers if SB 726 passed in its original form. Though the final bill got watered down, 25 boards were abolished, which brings the total eliminated to 77 in the last three years.

## COMING IN SEPTEMBER INSIGHT

In your next issue of North Carolina Insight, editors Bill Finger and Jack Betts say you'll find a potpourri of policy issues. Leading off the issue will be a look at consumer protection programs in state government and an analysis of how N.C.'s legal protections for consumers stack up against those of other states. Next comes a major analysis of the state's program of issuing industrial revenue bonds (IRBs), which were designed to help N.C. gain an edge in recruitment of industry. We'll show you how the IRBs really work.

Also in the next issue, the "In the Legislature" column will contain research on the changing composition of the legislature (fewer lawyers, more retirees, for example). Our "In the Courts" column will examine North Carolina's continuing experiment to allow cameras in courtrooms. And we'll unveil a new department called "On the Press." In it, Associate Editor Jack Betts will examine how adequately the print and electronic news media cover state government and public policy issues.

#### THE CHANGING FACES IN THE LEGISLATURE

The general election of November is still months away, but it is clear from the May 6th primary election and the June 3rd runoff, that many legislators in the 1985-86 General Assembly will not be returning in 1986-87. Among those not returning will be:

<u>Senate</u>	<u>Dist.</u>	<u>Reason</u>
1. Joseph E. Thomas (D-Craven)	3	chose not to run
2. Julius A. "Chip" Wright (R-New Hanover)	7	appointed to N.C. Utilities Commission
3. Wilma C. Woodard (D-Wake)	14	ran for Congress (4th Dist.) but lost
4. John M. Jordan (D-Alamance)	21	resigned under agreement with court after conviction on bribery charges
5. Timothy H. McDowell (D-Alamance)	21	lost in primary (after replacing Jordan)
6. Weldon R. Price (D-Rockingham)	24	chose not to run
7. T. Cass Ballenger (R-Catawba)	26	Repub. nominee for Congress (10th Dist.)
8. Melvin L. Watt (D-Mecklenburg)	33	chose not to run
<u>House</u>		
1. Charles D. Evans (D-Dare)	1	chose not to run
2. Chris S. Barker Jr. (D-Craven)	3	chose not to run
3. Gerald B. Hurst (R-Onslow)	4	Repub. nominee for Congress (3rd Dist.)
4. C. Melvin Creecy (D-Northampton)	5	lost in runoff
5. L. M. "Mutt" Brinkley (D-Hertford)	6	lost in primary
6. Frank W. Ballance Jr. (D-Warren)	7	ran for N.C. Senate (2nd Dist.) but lost
7. H. Martin Lancaster (D-Wayne)	11	Dem. nominee for Congress (3rd Dist.)
8. Charles D. Woodard (D-Wayne)	11	lost in primary
9. Murray P. Pool (D-Sampson)	12	chose not to run
10. William E. Clark (D-Cumberland)	18	chose not to run
11. Henry M. Tyson (D-Cumberland)	18	lost in primary
12. Dwight W. Quinn (D-Cabarrus)	34	chose not to run
13. David J. Noles (R-Lincoln)	44	lost in primary
14. Austin M. Allran (R-Catawba)	45	Repub. nominee for N.C. Senate (25th Dist.)
15. George S. Robinson (R-Caldwell)	46	ran for Congress (10th Dist.) but lost
16. LeRoy P. Spoon Jr. (R-Mecklenburg)	57	chose not to run
17. James F. Richardson (D-Wake)	59	elected to N.C. Senate
18. J. Ray Sparrow (D-Wake)	62	ran for N.C. Senate (14th Dist.) but lost
19. C. B. Hauser (D-Forsyth)	67	chose not to run
20. W. Paul Pulley Jr. (D-Durham)	68	chose not to run
21. Allen C. Barbee (D-Nash)	72	lost in primary

Virtually assured of returning to the General Assembly in 1986-87 are five Senators and 25 Representatives who will be unopposed in November. The five Senators (and their party and district number) are: J. J. "Monk" Harrington (D-2nd), R. L. "Bob" Martin (D-6th), Henson P. Barnes (D-8th), James E. Ezzell Jr. (D-10th), William N. "Bill" Martin (D-31st), and Laurence A. Cobb (R-35th).

The 25 House members returning are: J. L. "Joe" Mavretic (D-8th), Edd Nye (D-12th), Richard Wright (D-15th), C. R. Edwards (D-17th), Luther R. "Nick" Jeralds (D-17th), Bobby R. Etheridge (D-19th), Dennis A. Wicker (D-19th), Daniel Blue Jr. (D-21st), William T. Watkins (D-22nd), James W. "Jim" Crawford Jr. (D-22nd), John T. Church (D-22nd), Anne Barnes (D-24th), Joe Hackney (D-24th), Herman C. Gist (D-26th), Foyle Hightower Jr. (D-33rd), Harold J. Brubaker (R-38th), Ray C. Fletcher (D-47th), Robert C. "Bob" Hunter (D-49th), Charles M. Beall (D-52nd), Liston B. Ramsey (D-52nd), Jo Graham Foster (D-56th), Howard C. Barnhill (D-60th), Betty H. Wisner (D-64th), Annie Brown Kennedy (D-66th), and Milton F. "Toby" Fitch Jr. (D-70th).

## NEW CONTRIBUTIONS BY FOUNDATIONS, CORPORATIONS, AND INDIVIDUALS

The Center is pleased to announce that the James E. and Mary Z. Bryan Foundation has made a grant of \$5000 to the Center. We are very grateful for this sizable contribution to our work.

We also welcome The Bank of Granite and 11 other new corporate contributors since the last newsletter, with a total of 92 corporations now contributing. We would like to thank publicly the following corporations for their gifts:

ARA Services	\$1000	Ecusta Corporation	\$500
Data General Corporation	1000	GTE Corporation	500
Glaxo, Inc.	1000	Lorillard Inc.	500
Golden Corral Corporation	1000	N.C. Farm Bureau Mutual	
Westover Products	1000	Insurance Company	500
Wilmington Star-News, Inc.	1000	United Carolina Bank	500

In addition, 18 foundations and corporations renewed their support for the Center, and five of these increased the amount of their contributions. We really appreciate the continued support of the following:

Josephus Daniels Charitable Foundation	\$2000	Stedman Corporation	\$500
RJR Nabisco	1500	Champion International Corp.	250
First Union Corporation	1000	The Cooper Group	250
Burroughs Wellcome Company	500	Epley Associates, Inc.	250
IBM Corporation	500	The Kroger Co.	250
Macfield Texturing	500	Piedmont Airlines	250
N.C. Power	500	Piedmont Natural Gas Company	250
Rose's Stores	500	Planters National Bank	250
Southern National Bank	500	TRW Inc.	250

Finally, we welcome seven new corporate members. They include Acme-McCrary Corporation, Arthur Andersen & Company, First National Bank of Randolph County, N.C. Natural Gas Corporation, Sara Lee Corporation, The Southland Corporation, and Spectator Publications. The Raleigh law firm of Sanford, Adams, McCullough & Beard became a special donor. Renewing their corporate memberships were Celanese, E. I. duPont de Nemours and Company, and Integon Foundation.

Kudos to Center Board members Thad Beyle, Maureen Clark, Keith Crisco, Walt DeVries, Virginia Foxx, Karen Gottovi, Gerry Hancock, Mary Hopper, Hawk Johnson, Betty Ann Knudsen, Roy Parker Jr., Betty Chafin Rash, Grace Rohrer, Bob Spearman, and Frances Walker for their assistance in obtaining these gifts.

## A WARM WELCOME TO THESE NEW MEMBERS

### April

Bell Properties Inc.  
Sam Bridges  
Daniel Clodfelter  
Currituck Co. Manager's Office  
N.C. Dept. of Community Colleges  
Robert E. Dozier  
Robert H. Hammond  
Jane K. Kimbrell  
Evalena Leonard  
Howard G. Miller  
Neuse River Council of Govt.  
Henry Pharr  
Clayton Pritchett  
Roanoke-Chowan Technical College  
George Stirewalt  
Dennis Whittington

### May

Alamance Co. Administrative Services  
Dan E. Beauchamp  
T. H. Braswell  
Memorial Library  
Brunswick Co. Planning Dept.  
Cape Fear Substance Abuse  
M. Angie Cheaves  
Anne Rieley Flash  
Lee Folger IV  
Moye Freymann  
David R. Godschalk  
Agricultural Extension  
Service of Guilford Co.  
Parks Helms  
City of Henderson  
Craig Kennedy  
Martha Kenworthy  
Ron Knouse  
Howard Maniloff  
Nash Technical College  
N.C. Restaurant Assn.  
Jerome Shipman  
James T. Trotter  
Town of Weaverville

June

Katherine Bell  
 Charles A. Brady III  
 John W. Davis  
 Joseph J. Hart Jr.  
 John C. Howard  
 W. Craig Kennedy  
 Barbara Kramer  
 Patricia A. Lloyd  
 G. Peyton Maynard  
 Nantahala Power & Light Co.  
 Emma R. Quinn  
 Ann L. Sawyer  
 Jerry Schill

July

Albemarle City Manager's Office  
 Fred R. Allen  
 Mark Bardill  
 Linda Cain  
 William Crawford  
 Dan Durning  
 Susan Hollenbach  
 Carol Linam  
 N.C. Div. of Medical Assistance  
 Thomas Payne III  
 Public Library of Charlotte and Mecklenburg Co.  
 Jim Scarborough  
 C. C. Schmidt  
 Robert Summerlin

**CALENDAR OF EVENTS**

The North Carolina Health Council will sponsor "Health Care for North Carolina's Poor: Who Pays?" on September 10, 1986 at the Holiday Inn North in Raleigh. For more information, call Burns Jones, N.C. Health Council, at (919) 733-3364.

The 1986 Conference on Poverty will be held in Asheville on September 17-19. Contact Dr. Andrew Dobelstein at (919) 966-4916.

The National Conference on Advocacy for Children in the States will be held on September 18-20 in Raleigh. Contact the N.C. Child Advocacy Institute at (919) 834-6623 for more information.

The N.C. Coalition on Adolescent Pregnancy will sponsor a Regional Program in Greensboro on September 25 and a conference on "Sexuality Education: Past, Present and Future" in Greensboro on October 14-15. Contact Barbara Huberman at (704) 335-1313 for information on either meeting.

The League of Women Voters of North Carolina Education Fund will sponsor three symposia on the N.C. Tax System in September and October. The symposia will be September 20th in Greenville, September 27th in Southern Pines, and October 5th in Asheville. The League seeks to help citizens understand the N.C. tax system and how it works. The symposia will give each person who attends the chance to speak out in discussion groups about how our tax system works. Speakers include such experts as State Treasurer Harlan Boyles and Institute of Government faculty member Charles D. Liner. The study of the tax system is funded by a grant from the Z. Smith Reynolds Foundation and is directed by Lacy Maddox. For more information, contact the League at 112 N. Person Street, Raleigh, NC 27601 (919) 832-0618.

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