The School of Medicine was established on the Boulder campus in 1893. It was moved shortly thereafter (1895) to Denver, but the Colorado Supreme Court ruled that under the state constitution the campus could not be located in Denver, and consequently, the school returned to Boulder. In 1911 the state constitution was amended to allow the University of Colorado to move the School of Medicine back to Denver. Over the years schools have been added to the medical school: e.g., nursing, pharmacy, dentistry, and graduate. Until legislation was passed in 1989, the School of Medicine and the hospital were the combined entities. The University of Colorado Hospital was founded in Denver in 1921.

Around 1985/86 it became apparent the economic world of hospitals was changing. More HMOs and managed care systems were being developed, just to mention one type of change. The competition within the health industry was changing as well. The hospital was struggling to keep pace with needed technical changes. And, the Regents of the University of Colorado were no longer interested in running a hospital. In addition, it was apparent the hospital was at risk; the state was beginning to put less monetary resources into it. To add fuel to the fire, in 1987/88 nurses went on strike, further encouraging exploration of remedies to address the changing environment.

While the hospital and school were interrelated, they had different missions. The idea that the hospital should be separated from the medical school and privatized was growing. It was decided to pursue separating the two entities.

Several reasons were given why this was an important action to take. Basically, the leadership of the hospital was concerned about financial stability. State funding for the hospital was inadequate, and it appeared that funding would only decrease in the future. The hospital was not able to borrow money, it couldn’t create joint ventures, the annual budget had to be approved by the legislature, salaries were low and not competitive with similar institutions, and funding for indigent care was decreasing. The hospital had to use the arcane state purchasing system, which forced delays that often drove up costs. Facilities were disintegrating and no money was provided for maintenance.

In 1989 House bill 89-1143 (Representative Chris Paulson and Senator Jeff Wells) was introduced. Supporters of the bill stated that HB1143 “will change University Hospital from a University owned institution to a not-for-profit corporation. This change in governing structure will remove obstacles that stand in the way of financial stability. With an improved bottom line, the hospital can remain on the forefront of medical science for the education of future doctors and nurses. It will be in a better position to serve the medically indigent citizens of Colorado. The hospital’s ability to offer highly specialized medical treatments to Coloradans who have complex diseases and injuries will be expanded.”
The 1989 bill changed University Hospital from a hospital under the control and ownership of the University of Colorado to a nonprofit corporation with significant autonomy. The assets of the hospital were retained by the state, but the hospital function itself was established as a corporation. It was set up as a 501(c)(3) entity, one with its own board that governed the work of the organization and sets standards.

However, the Colorado Supreme Court ruled that the hospital could not be set up as a corporation, albeit a nonprofit corporation. “After a Colorado Supreme Court ruling that the hospital could not legally become a corporation, the Colorado state legislature establishes University of Colorado Hospital Authority. It remains legally and financially separate from the state and its publicly funded universities” (Website). The first attempt was to set up a corporation; the second attempt an authority. Subsequent legislation did set the hospital up as an authority.

The hospital maintains a close relationship with the medical school. Students continue to have access to the hospital for training. The doctors at the hospital have to be faculty members of the medical school. The president of the University of Colorado sits on the eleven-member board of the hospital whose other members are appointed by the University of Colorado Regents. There are also agreements with the University of Colorado concerning for example public relations and marketing.

The most difficult issue that surfaced during the process of setting up a separate entity was the personnel issue. When the legislation was passed in 1989, all personnel then working at the hospital had to move from the state personnel system to the hospital personnel system. The Colorado Association of Public Employees (CAPE) brought a legal action that opposed forcing public employees to move out of the state personnel system. CAPE prevailed. Subsequent legislation allowed employees to remain in the state personnel system or to join the hospital system. New employees must join the hospital personnel system.

Some of the advantages given for having established a hospital authority are:
1. Flexibility in the market place
2. Better able to run the affairs of the hospital
3. Able to adapt more readily to changing conditions
4. More competitive
5. Able to have more control over the hospitals financial well being
6. More prudent stewards of resources
7. More able to provide services across the state and region
8. Able to enter into advantageous consortiums (e.g., Poudre Valley, Medical Center of the Rockies, and potentially Memorial Hospital in Colorado Springs)

The hospital maintains a public purpose. In this case the primary public purpose is indigent care, of which the hospital provides a very significant amount. And, it is a major teaching hospital thus fulfilling an education purpose.
Depending upon one's point of view, the personnel system requirements can be considered either an advantage or disadvantage. And the fact employees are not able to strike also can be considered either as an advantage or disadvantage.

It can be argued that Colorado University Hospital is an excellent example of successful privatization. The hospital has flourished under this system; the outlook before the hospital was established as an authority was precarious.

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