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# FRANKLIN CENTER NEWS

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## For Hospital Chains, Competition Is a Bitter Pill

Building a new medical center in Virginia can take a decade, because state laws favor entrenched players.

**THE WALL STREET JOURNAL.**

*This story by our regulatory reporter Eric Boehm originally ran in The Wall Street Journal on January 29, 2016.*

When the 124-bed StoneSprings Hospital Center opened in December, it became the first new hospital in Loudoun County, Va., in more than a century. That's more remarkable than it might at first seem: In the past two decades, Loudoun County, which abuts the Potomac River and includes growing Washington suburbs, has tripled in population. Yet not a single new hospital had opened. Why? One big reason is that StoneSprings

had to fight through years of regulatory reviews and court challenges before laying the first brick.

County officials and the Hospital Corporation of America, or HCA, began talking about building a new hospital in 2001. But Virginia is one of the 36 states with a "certificate of need" law, which requires health-care providers to obtain a state license before opening a new facility. Getting a license is supposed to take about nine months, according to the state Health Department. HCA first submitted an application in July 2002 but didn't

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**It's not hard to understand why Inova might fight so hard to keep out challengers: There's a direct correlation between prices and competition.**

win approval for a new facility until early 2004.

Then the plan faced a series of legal challenges from the Inova Health System, an entrenched, multibillion-dollar competitor. Over decades Inova has become the dominant player in the Virginia suburbs. In 2008 the Federal Trade Commission blocked its attempt to acquire another independent hospital, saying that Inova already controlled roughly 75% of the market in Northern Virginia, and that further consolidation would be anticompetitive. That said, by all accounts the not-for-profit Inova's 16,000 employees and five hospitals provide state-of-the-art health care, and it is regularly ranked as one of the nation's top medical systems.

When it took up arms against HCA, Inova alleged that the certificate of need hadn't been properly granted. Years of legal wrangling followed, and Inova tried to appeal all the way to the Virginia Supreme Court, which declined to hear the case in 2008.

Inova ultimately lost in court, but it was simultaneously backing public campaigns to try to pressure local officials to stop StoneSprings with zoning rules. Mailings and newspaper advertisements portrayed HCA as a carpetbagging mega-corporation.

"What's the deal?" asked an ad in the Loudoun Times-Mirror that highlighted a stake in HCA owned by Merrill-Lynch, which it assailed as "one of the first Wall Street companies that needed financial rescue as it suffered under the weight of its bad decisions."

The Washington Post reported in January 2009 that Inova had also sent direct mail to residents of Loudoun County, and that it had given "at least \$20,000 to a grass-roots movement that has spoken out against HCA Virginia's plan at public meetings." County officials twice voted to block construction of the new hospital, only granting approval in 2010 after HCA agreed to build in a different location, farther away from a facility operated by Inova.

It's not hard to understand why Inova might fight so hard to keep out challengers: There's a direct correlation between prices and competition. In a paper released in December, economists with Yale, Carnegie Mellon and the London School of Economics evaluated claims data from Aetna, Humana and UnitedHealth. They found that rates were 15.3% higher, on average, in areas with one hospital, compared with those serviced by four or more. In markets with a two-

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## FRANKLIN CENTER NEWS

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# VERMONT'S ENVIRONMENTAL MOVEMENT



*With its beautiful northeastern scenery and idyllic towns, the state of Vermont has long been a bastion of environmental rectitude and environmentally-conscious policies. But whatever sort of coherence there may have been in the environmental movement in prior decades has been shattered in recent years. The rift in environmental priorities springs from the state's ambitious goals of achieving 90 percent of its electricity from renewable energy by the year 2050. Our bureau in Vermont is committed to covering the many policy developments that will come about from this goal, as well as the potential for corruption that state initiatives like this can invite.*

## **CITIZENS GROUP ASKS ATTORNEY GENERAL TO INVESTIGATE GREEN-ENERGY 'CORRUPTION' IN VERMONT GOVERNMENT**

BY BRUCE PARKER | MONTPELIER, VT.

A citizen-led group is calling on Vermont Attorney General William Sorrell to investigate ethically questionable relationships between government officials and renewable-energy developers in the state.

On March 22, Vermonters for a Clean Government delivered a 16-document packet to the attorney general's office that provides ammunition for investigating "suspected misconduct" among top Vermont officials.

One of the documents, an eight-page petition for a corruption investigation, cites potential ethics violations ranging from conflicts of interest and favoritism to influence peddling and collusion.

According to the Swanton-based group, cozy connections between government officials and

renewable-energy companies have resulted in regulatory capture, a form of corruption that occurs when state regulators advance the interests of corporations and their associated lobbyists and trade groups.

VCG's petition takes aim at five instances in which state officials or agencies had the appearance of advancing green-energy business interests over the objections of towns and local residents.

Officials mentioned in the petition include House Speaker Shap Smith and House Energy Committee Chair Tony Klein, along with current and former officials from the Public Service Board, the Public Service Department and the Agency of Natural Resources.

Members of VCG claim the officials had conflicts of interest while conducting state business with developers and their law firms, and that those relationships resulted in preferential treatment. Companies cited in the petition include AllEarth

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## STAFF SPOTLIGHT

# MEET NICOLE KUROKAWA NEILY

*Q&A with Franklin Center's New President Nicole Kurokawa Neily*

### **Can you share a bit about your past work experience and how you came to be at the Franklin Center?**

For the majority of my career, I worked in and around the free market movement; following grad school, I moved to Washington D.C. to work at the Cato Institute in their media department, and then created their external relations department, building relationships with think tanks in the states, in Washington D.C. on both sides of the aisle, and internationally. I actually remember when the Franklin Center was created, because I facilitated a presentation by several Cato scholars to Franklin's staff reporters about health care and education policy. I knew it was a terrific concept, and over the years I've had the privilege of watching the organization grow and mature.

When I left the Cato Institute, I worked at the Independent Women's Forum, first as a scholar and then as their executive director. Following that, I worked in public affairs,



but remained engaged with the Franklin Center because I had many friends who worked there. It sounds corny, but after I had my children, I really wanted to move back to working on the causes I cared about to make the world a better place ... so I approached then-president Erik Telford about joining the Franklin team.

### **What are you most excited about as you take the reins at the Franklin Center?**

Waste, fraud, and abuse are big problems with government at all levels — federal, state, and local. I suspect that as traditional newspapers have downsized, government officials have become emboldened because they know that there are fewer eyes on them than

ever before. That's where the Franklin Center steps in. There are a lot of groups out there watching Washington D.C., but what takes place in the states is just as important, and impacts families just as much. Corruption, cronyism, old boys' networks — those kinds of problems are insidious and rot the system from

within. That's what we're here to expose, and I'm so thrilled to be part of that. Our reporters file the FOIAs, do the interviews, and ask the questions that nobody else is asking. We're uncovering phenomenal stories that force the government to change its behavior, to be more accountable. That's an amazing mission.

### **What is the most important lesson you've learned about advocating for freedom and government transparency so far in your career?**

For years, the free market movement believed that because we had facts on our side, we'd win — and that obviously hasn't been the case. Unfortunately, the

war of ideas can't be won with white papers alone; outside of Washington, people just don't think like that. We need stories that put a human face on the cost of these big government policies, and anecdotes in simple terms that help average citizens understand the real impact of bureaucratic overreach. The left has been employing these tricks for years against us, and we need to take that space back.

**In your view, what is the biggest (or a few of the biggest) future challenges facing watchdog journalism?**

Uncovering and reporting a story is one thing — getting it out into the wider public is a challenge that we're trying to overcome in a variety of different ways. Traditional outlets are threatened by the competition, so they're not always keen to pick up on our work, despite the fact that we have real, legitimate news.

In Wisconsin, local papers ran our content for a while, but they were systematically intimidated

through a pressure campaign that threatened to pull advertising from the papers if they continued to work with us. In that case, we successfully reached out to talk radio and national news outlets, which picked up our work... in turn, shaming statewide outlets into covering the stories on their own.

In Texas, many of the mainstream papers refused to acknowledge the University of Texas enrollment scandal was a problem — period. We got creative and began mailing eight page newsletters aggregating our work on the topic around the state, and then conducted follow-up polling to test the impact of those mailers. We learned that these newsletters are viewed as more trustworthy than mass media sources. But more importantly, the impact was statistically significant among both Democrats and Republicans on both awareness and perception of widespread corruption.

In addition, over 70% of respondents thought positively of Watchdog newsletters in "its role

in exposing political leaders' wrongdoing." And when follow-up polling was conducted on these same readers, Watchdog papers were found to be incredibly "sticky," with respondents remembering the issue six months later.

We continue to experiment with new ways to get our content out to the public; fortunately, technology and social media provide additional ways to break the stranglehold that the legacy media has on the topics that are reported, and the perspectives that they present.

**You've spent much of your career working in the Washington D.C. area, but currently live in Austin, Texas. Having spent time both inside and outside the Beltway, have you found that a lot Washington bureaucrats and politicians are out of touch?**

Absolutely. When I moved to Texas, I noticed that it was a place where people made things —

even if it was hipster beard wax, there were entrepreneurs and business people everywhere! In Washington, the main industry is skimming off the top, getting a cut from the hard work of others. There's no need to invest money in R&D to innovate, when you could just as easily (and far more cheaply) have a lobbyist raise "safety concerns" about your competitor's product, which would cost them millions of dollars and tie them up in red tape for years. It's a completely different way of looking at the world, where people look to use the levers of power for personal enrichment. It's appalling, and that's why I want those people to have as little access to power as possible.

**Anything else in particular that you'd like to share with our supporters?**

Thanks to tips from citizen whistleblowers, we've been able to break blockbuster stories. As the saying goes, "the price of liberty is eternal vigilance," so please continue to send us story leads! ●

hospital duopoly, prices were 6.4% higher. Where only three hospitals compete they were 4.8% higher.

Research by Chris Koopman of the free-market Mercatus Center suggests that Virginia could have 10,000 more hospital beds and 40 more hospitals offering MRIs if the certificate of need restrictions did not exist. “In many instances, they create a quasi-monopoly,” he says. “In essence, it’s a government guarantee that no one will compete with you, until you get notice and an opportunity to challenge that person’s entry into that market.”

Bill Finerfrock, a health-care policy consultant who serves on the health-care advisory board for nearby Fairfax County, agrees. “There’s no question,” Mr. Finerfrock says, that Inova has used the law “to create a monopoly on service in northern Virginia.” Then he adds: “I think competition is good. It keeps them on their toes.” A 2013 study by three university economists found that breaking up the Inova system would cut health-care prices in the region by 7%.

Officials at Inova, of course, take a different view. Steven Pearlstein, a business columnist for the Washington Post, wrote in 2006 that Inova CEO Knox Singleton believes “competition is overrated because it produces neither lower prices nor better quality of care,

while it undermines other social goals, like providing for the uninsured.”

It’s true that Inova spends more than \$100 million each year treating patients who are unable to pay. But it’s also true that although Inova is not-for-profit, it is far from poor. In 2014 the system had \$2.7 billion in operating revenue, and a 2013 report filed with the IRS shows about two dozen Inova executives making more than \$500,000.

Virginia lawmakers are starting to turn a critical eye toward health-care competition. A bill introduced last month in the House of Delegates would remove much of the authority given to the state Board of Health. Certificate of need laws, says one of the bill’s sponsors, John O’Bannon, “limit competition, which means fewer choices and higher costs for Virginia families.”

Proponents say getting a certificate of need isn’t an unreasonable burden. An Inova spokesman told Washington media that the system “continues to oppose the piecemeal deregulation.” But as StoneSprings Hospital Center demonstrates, the process is the punishment — and a competitor with connections and influence can stand in the way. ●

*Eric Boehm is a national regulatory reporter with Watchdog.org.*

**“There’s no question,”  
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Renewables, Green Mountain Power, UPC Vermont Wind and Eolian Renewable Energy.

While the group stops short of alleging criminal wrongdoing, VCG members want the attorney general to open an “impartial, in-depth, formal investigation” into cases of suspected misconduct cited in the petition.

The group also claims that citizens and town leaders have endorsed dozens of bills at the Statehouse to improve renewable energy siting, but that those efforts were blocked by elected representatives and state agencies captured by green corporate interests.

“I think regulatory capture encompasses the whole picture — the appointments, the bills, the money. It’s two words that sum up the whole packet,” said Sally Collopy, a Fairfield resident and member of Vermonters for a Clean Government.

Collopy said she hopes Vermont will follow the lead of New York, where Attorney General Eric Schneiderman last week issued a revised code of conduct for that state’s wind energy industry, in part due to ties between government officials and developers.

“It is their job and responsibility to do similar to what Eric Schneiderman, AG in New York, did to investigate this and look into it deeper and get to the bottom of it,” she said. “We deserve that based on the length of time this has been going on.”

Vermonters for a Clean Government is one of many citizen groups to arise in response to Vermont’s long-range energy plan. That plan lays out a path for Vermont to become the nation’s first all-

green-energy economy, with 90 percent of power coming from renewable sources by 2050.

On March 15, a citizen-led group called the Irasburg Ridgeline Alliance filed a complaint with Vermont’s attorney general and the U.S. Federal Trade Commission accusing wind-energy producers of violating consumer protection laws. Other groups pushing back against Big Renewables include Grafton Woodlands Group, which is opposing a 28-turbine power plant in Windham County, and Oppose Swanton Wind, which helped organize the 731-160 vote in November against a seven-turbine power plant intended for Swanton.

Michael Duane, Vermont’s senior assistant attorney general, confirmed that his office is reviewing materials submitted by Vermonters for a Clean Government. He said while the packet lacks any formal allegation, the group’s claims generally fall under the jurisdiction of the Division of General Counsel and Administrative Law.

“We can only do what the statute allows the attorney general to do, and (the petition) doesn’t seem to be an allegation of any criminal wrongdoing,” Duane said. “So, we’re looking at the materials that came in to see if there is anything our office could do regarding what’s in the papers that were filed.” ●

*Bruce Parker is Bureau Chief for Watchdog.org’s Vermont bureau.*

**According to the Swanton-based group, cozy connections between government officials and renewable-energy companies have resulted in regulatory capture, a form of corruption that occurs when state regulators advance the interests of corporations and their associated lobbyists and trade groups.**

Read and share this story online at [www.watchdog.org/261841/petition-for-corruption-investigation/](http://www.watchdog.org/261841/petition-for-corruption-investigation/)



Or scan this QR code with your phone for a quick link to the story.





# MEET OUR NEW WATCHDOG EDUCATION REPORTERS

*The mainstream media doesn't always do a great job of covering education issues and clearing up misconceptions about innovative approaches to education reform. At the Franklin Center, we are continuing to make sure that we fill that gap, especially as key education reform battles continue to brew in local communities and state capitols throughout the country.*

*This year, we have four reporters working full time on the education beat. HEATHER KAYS serves as our national reporter, JAMES WIGDERSON serves as our Wisconsin reporter, EMILY LEAYMAN serves as our Washington D.C. reporter, and AMELIA HAMILTON serves as our content aggregator — identifying top education content from around the web to share with our network. Additionally, we are currently hiring to fill a position that will focus on Denver.*



**Amelia Hamilton** is a blogger and author of the Growing Patriots children's books. A lifelong writer and patriot, she also loves hockey, old cars, old movies and apple juice. Amelia has a master's degree in both English and 18th-century history from the University of St. Andrews in Scotland.

"Writing about education is so rewarding, because I hear incredible stories of innovation serving children," said Amelia. "Whether that's a family that was able to take advantage of school choice and change the trajectory of their lives or a school that has found a way to engage a child that hadn't been interested in or challenged by a traditional learning environment, they are stories of communities coming together to make a brighter future."



**Heather Kays** has more than 12 years experience as a reporter and editor covering education and politics. She has written for the Herald News, The Record and the Staunton, Virginia Gannett newspaper the News Leader. Her work has been published by USA Today, the Associated Press and various other newspapers and websites. Kays has won numerous awards, including second place for First Amendment writing (while working with four other reporters) from the New Jersey Press Association; third place for the Robert P. Kelly Award for first-year reporting from the New Jersey Press Association; second place by the Society of Professional Journalists for first-year reporting and Virginia School Board

Association's Media Honor Roll for the year. In 2008, she won a scholarship to attend the Neiman Narrative Conference at Harvard University.

"I've covered everything from education to politics to crime to up to eight municipalities at a time while working for newspapers and websites. To be honest, education is the only beat I've ever had that I didn't get sick of," said Heather. "I think education is underreported and those covering the education beat have a great responsibility to speak up for marginalized communities and those who may not otherwise have a voice. We get to hold government officials accountable. We get to question why things work the way they do and how can they be better. We get to be the voice for students, parents, teachers, and taxpayers. I can't think of a better job than that."



**Emily Leayman** has been covering education for nearly four years. She has interned at the Washington Examiner and

Americans for Tax Reform. She has also covered college free speech issues for the College Fix. Her stories have been picked up by Drudge Report, the Washington Post and many other websites and newspapers. In addition to keeping DC informed about its schools, she loves watching hockey and is working toward visiting all 50 states.

"I love covering education because of the incredible impact it can have on a community. Holding schools and politicians accountable for their educational policies could create better futures for students. With school choice, even the poorest families can determine the best form of education for their children. Education reform is key to future generations making America more globally competitive. I look forward to covering DC education in particular because of how strong its charter school movement is and how that is an incentive to approve the quality of public school education. With DC schools being in the backdrop of the nation's capital, there is plenty to follow on their relations with Congress, unions, educational agencies and nonprofits."



**James Wigderson** started blogging about Wisconsin politics in 2004 after dabbling in political campaigns. In 2006 he started writing a weekly column for the Waukesha Freeman, and since then his work has appeared at The MacIver Institute, RightWisconsin, Patch.com, BizTimes.com and The Wisconsin Interest. He has also made numerous appearances on local radio and television. He currently lives in Waukesha, WI with his wife and two children.

"I love writing about education because as a parent I've come to appreciate how every child's learning needs are different. My own children are daily reminders of this for me. My son attends an online public charter school and my daughter attends a parochial school.

I also enjoy that there are so many different aspects to education. Not only do I get to write about the different types of education and how they are funded, I also get to write about how the different schools impact their communities. It is exciting to write for Watchdog.org as the education reporter in Wisconsin, the 'cradle' of the school choice movement." ■



## HIGHLIGHTS FROM THE STATES

### PENNSYLVANIA

Evan Grossman, Watchdog.org's Pennsylvania education reporter, has spent a year reporting on wasteful spending in the state's education department. Last spring, Grossman exposed how teachers in the School District of Philadelphia are permitted to walk away from their day jobs to work full-time on union efforts — all while they continue to earn a public salary and a posh benefits package including free healthcare and pension benefits. Philadelphia schools paid at least 18 teachers \$1.7 million while they worked for the Philadelphia Federation of Teachers last year. For many of these teachers, it's been years since they taught in the classroom; some have even been on release time for decades. In October, Pennsylvania lawmakers introduced a bill in the state House of Representatives that closes the loophole that allows these "ghost teachers." Our work is credited for prompting the bill, with officials noting that before Evan began digging, the issue had been, "previously unnoticed for many, many years. Bringing it to the forefront was the starting point for Rep. Phillips-Hill and our education committee pursuing the accompanying legislation." In addition, a Senate bill was introduced in March seeking

to stop the practice of teachers leaving the classroom to work full-time for their unions.

Most recently, in Allentown, the cash-strapped school district has dished out more than \$1.4 million in public funds since 1999 to pay the salary of the president of the Allentown Education Association, the local teachers union. In response, the Fairness Center, a free legal service that represents employees with cases against unions, is bringing a lawsuit on behalf of Allentown taxpayers Steven Ramos and Scott Armstrong to end the practice of allowing the AEA president to work full-time for the union while drawing a salary and benefits from taxpayers.

### WISCONSIN

In January, the Wisconsin State Legislature introduced a bill that would have granted the state attorney general's office excessive administrative subpoena power as they exercised their duties. The measure was unsettling for public defenders and others concerned that the law might leave the door open to prosecutorial mischief. Wisconsin Watchdog bureau chief Matt Kittle began reporting on the potential far-reaching nature of this subpoena power, interviewing the Public Defender's Office that

noted that such investigative tools would expand the "government's ability to obtain information on people, who, at that moment, are still presumed innocent by law." In response to the Public Defender's objections and Kittle's reporting, the bill's sponsors will accept amendments designed to narrow the power of the subpoenas. The new version of the bill will remove language that suggested granting the AG authority to dig through content without a warrant.

### MISSISSIPPI

In March, Mississippi Watchdog received national attention on an education bill that reporter Steve Wilson brought to light. Under House Bill 4, also known as the Parent Involvement and Accountability Act, teachers would be required to grade parents' involvement with their children's education. The legislation would mandate a section be added to each child's report card on which the parents are graded on their responsiveness to communication with teachers, the students' completion of homework and readiness for tests, and the frequency of absences and tardiness. This story went viral and was mentioned on Fox & Friends and was picked up by Drudge, Reason, FoxNews.com, TownHall, and 20 other outlets.



## DONOR SPOTLIGHT

# CONNIE REEDER

## A Very Special Thank You

We'd like to recognize one of the members of the Silence Dogood Society — special partners in our mission who have chosen to include



the Franklin Center for Government and Public Integrity in their estate planning.

Connie Reeder passed away on June 22, 2015, and was loved dearly by those closest to her. Born and raised in California, she was described by friends as “one of the most forward thinking women of her generation.” She became involved with the Franklin Center and other causes to help with what she thought was best for our country.

Connie and her husband of over fifty years, Ervin Reeder, began their marriage in Pasadena where they raised two children and enjoyed life to the fullest. During their marriage they also lived in North Carolina and Washington.

In addition to the Franklin Center, Connie was passionate about the work done by Young America's Foundation; the Tea Party of Nevada County; the Heritage Foundation; and Freedom Works, as well as several community organizations in Libby, Montana that supported and rallied behind her family as Connie's daughter fought cancer.

We are grateful for Connie's generosity as we seek to lay a foundation for long-term change in our society and government through these watchdog journalism efforts. ●

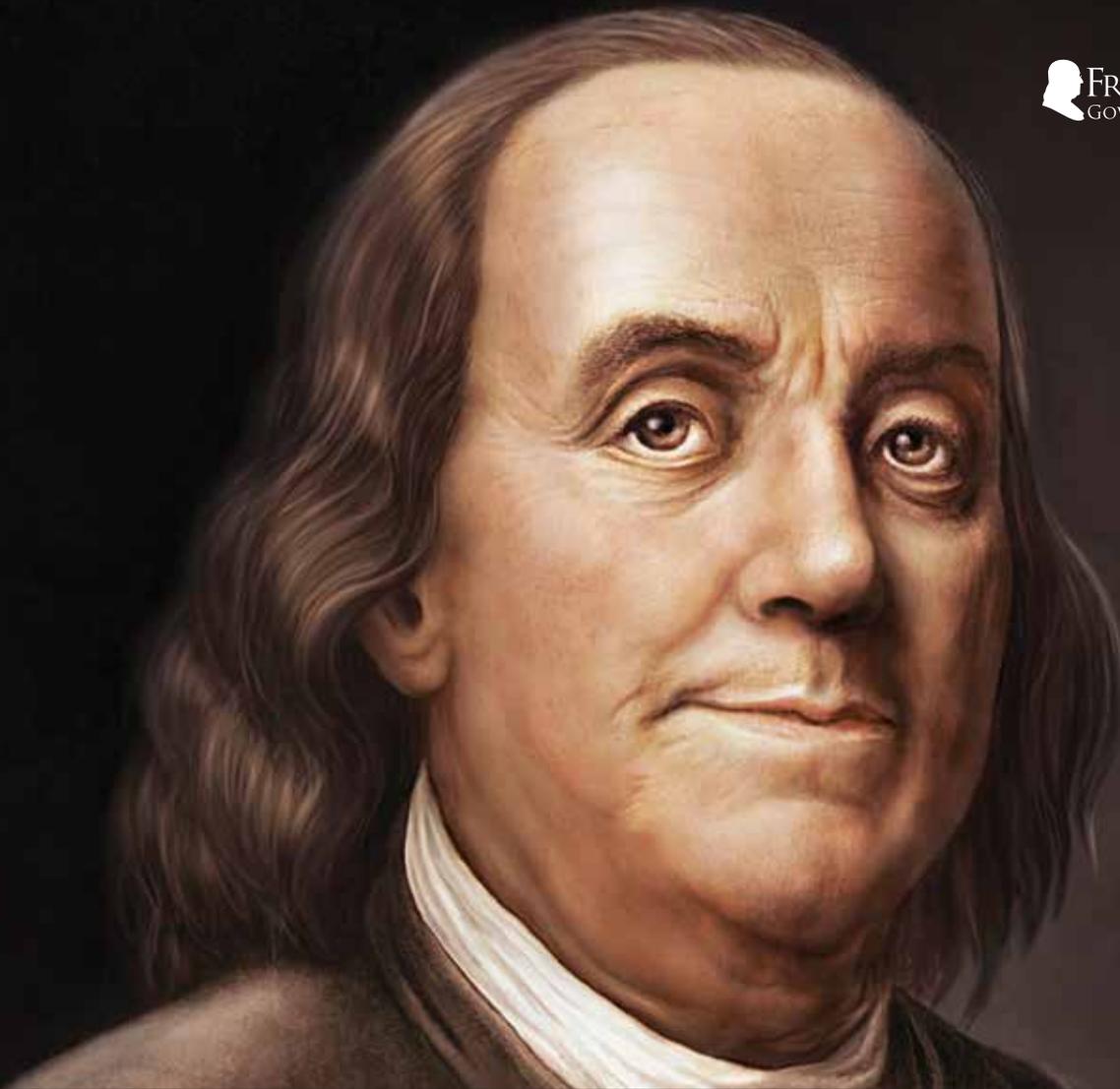
### COLORADO

Over the past year, our Colorado bureau has completed multiple major investigations that have spurred legislative action and other changes in state government.

We aggressively dug into the story of how the state judicial branch exempts itself from public records requests. In response, Rep. Polly Lawrence (R–Douglas County) drafted a bill that would end this special treatment for the courts. The bill, which should be introduced in the coming month, is based on Art's investigative series exposing the problems with the judicial department exempting itself from state open records.

We also provided important coverage of Governor Hickenlooper's mismanagement of the state's alternative fuel program. This reporting prompted the state legislature to block all new compressed natural gas vehicle purchases by the governor's staff.

Finally, our bureau partnered with CBS Denver — Colorado's second-most watched television station — to produce a series of stories on city employees receiving outlandish pay increases and other undue perks while on administrative leave. For instance, one city attorney received \$212,000 in salary while on leave for “litigation misconduct,” and even received a pay increase for “merit” during that time. The series highlighted tremendous waste and inefficiency in city government, applying pressure for change. ●



## WE'RE ON A MISSION FROM BEN

**T**he Franklin Center supports investigative journalists, both professional and citizen, who seek to advance transparency, accountability, and fiscal responsibility in government, with a strategic perspective that emphasizes how those issues begin at the state and local levels. We seek ultimately to democratize the media and change how people expect to receive information about their government.

**For more great stories, visit [Watchdog.org](http://Watchdog.org)**