

Comparative Analysis of Uncompensated
Community Benefits Provided by NFP
Hospitals with the Estimated Value of
Georgia Tax Exemptions

Prepared for the Georgia Alliance of Community Hospitals
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Areas to be Addressed

1. Cost of Uncompensated Community Benefits
 - Indigent & Charity Care
 - Medicaid Shortfall
 - Presumptive Charity Care
 - Other Community Benefits

2. Estimated Value of State Tax Exemptions – What would a for-profit hospital pay to state for:
 - Income Tax?
 - Sales Tax?
 - Property Tax?

Potential Data Sources

1. 2009 Audited Financial Statements (AFS)
2. 2009 IRS Form 990 and IRS Form 990 Schedule H
3. Community Benefit Reports
4. Georgia Department of Community Health Hospital Financial Survey information
5. Medicare cost reports (Worksheet S-10) for Medicaid shortfalls
6. Data received pursuant to specific requests from 36 Health Systems including 62 hospital facilities

Community Benefit Process Utilized

1. Publicly Available Data (GDCH Survey) used to estimate value of uncompensated indigent and charity care at cost
2. GDCH Survey used to identify amount of bad debt for each facility
3. GDCH Survey used to identify Medicaid Contractual Allowance for each facility

Community Benefit Process Utilized

4. Process of Estimating Medicaid Shortfall

- Published Community Benefit Reports/specific data requests selected as primary source for Medicaid shortfall information
- Gross Medicaid Charges requested from each hospital used in alternative calculation with DCH survey data
- S-10 Data utilized for two facilities

Community Benefit Process Utilized

5. Presumptive Charity Care portion of Bad Debts
 - Medlytix Report concludes that, on average, at least 30% of hospital bad debts can be reclassified as charity care.
6. Community Benefits obtained from participating facilities (Form 990 Schedule H format) and/or published Community Benefits Reports

Uncompensated Community Benefits Identified

- Charity & Indigent Care
- Medicaid Shortfall
- Presumptive Charity Care portion of Bad Debts
- Form 990 Schedule H
 - Community Health Improvements
 - Health Professional Education
 - Subsidized Health Services
 - Research
 - Financial & in-kind support
 - Community Building Activities

Process - Value of State Tax Exemption

1. Property Tax Estimate

- Net depreciated cost at year end (Form 990 or AFS) presumed to be Fair Market Value
- State Assessment Rate applied (40%)
- Primary local millage rate applied

Process - Value of State Tax Exemption

2. Sales Tax Estimate

– Method 1 (Primary)

- Cost of property and supplies (excluding drugs & construction) obtained from hospital
- Local sales tax rate applied

– Method 2 (Alternative)

- For Non-responders a proxy was used consisting of the ratio of the weighted average taxable property to operating expenses (statewide average)

Process - Value of State Tax Exemption

3. Income Tax Estimate

- Excess Revenue over Expense (Form 990 or AFS)
- Less adjustments for
 - Contributions received by organization
 - State property, sales, and income taxes estimated per above
 - Estimated FUTA (calculated based upon number of employees at year end)

Conclusions - Excess Benefits Provided by NFP Hospitals

	Area 1 (North)	Area 2 (Metro Atlanta)	Area 3 (Central)	Area 4 (Southeast)	Area 5 (Southwest)	Total All Areas
Estimated Cost of Uncompensated Community Benefits	152,071,192	509,464,133	122,312,056	156,969,593	208,215,923	1,149,032,897
Estimated Value of State Tax Exemptions	36,493,522	143,937,443	29,139,852	39,765,866	38,177,589	287,514,271
Excess Cost of Uncompensated Community Benefits over Estimated Value of State Tax Exemptions	115,577,670	365,526,691	93,172,204	117,203,727	170,038,334	861,518,626

Conclusions – Excess Benefits Provided by NFP Hospitals

- For every dollar (\$1) value of total state tax exemptions, NFP hospitals provide on average \$4 of uncompensated benefits to their local communities
- Total benefits in excess of the estimated value of state tax exemptions provided by participating hospitals is \$862 million
- Every Alliance member included in this analysis provides uncompensated community benefits in excess of the estimated value of state tax exemptions

Conclusions – Uncompensated Community Benefits

- On average, net charity and indigent care comprise the largest portion of total uncompensated community benefits provided at 48%. Net Medicaid shortfall comprises 34%.
- Presumptive charity care makes up 12% of total uncompensated community benefits on average. Other community benefits make up 6% of the total.

Areas Analyzed

Area 1

North

Area 2

Metropolitan Atlanta

Area 3

Central

Area 4

Southeast

Area 5

Southwest

Participating GACH Hospitals

Area 1 – North Georgia

<u>System</u>	<u>Includes Facilities</u>
Floyd Healthcare Management, Inc.	Floyd Medical Center
Hamilton Healthcare System, Inc.	Hamilton Medical Center
	Murray Medical Center
Athens Regional Health Services, Inc.	Athens Regional Medical Center
St. Mary's Health Care System	St. Mary's Hospital
Northeast Georgia Health System, Inc.	Northeast Georgia Medical Center
Hospital Authority of Stephens County	Stephens County Hospital

Participating GACH Hospitals

Area 2 – Metro Atlanta

System	Includes Facilities
DeKalb Regional Health System, Inc.	Decatur Hospital
	DeKalb Medical Center
	DeKalb Medical Center at Hillandale
Emory Healthcare	Emory University Hospital
	Emory University Hospital Midtown
Grady Memorial Health Corporation	Grady Memorial Hospital
Gwinnett Health System, Inc.	Gwinnett Medical Center
	Gwinnett Medical Center Duluth
Henry Medical Center, Inc.	Henry Medical Center
Northside Health Services, Inc.	Northside Hospital
	Northside Hospital Forsyth
	Northside Hospital Cherokee

Area 2 - Continued Participating GACH Hospitals

System	Includes Facilities
Piedmont Healthcare, Inc.	Piedmont Hospital
	Piedmont Fayette Hospital
	Piedmont Mountainside Hospital
	Piedmont Newnan Hospital
Southern Regional Hospital System, Inc.	Southern Regional Medical Center
WellStar Health System, Inc.	WellStar Cobb Hospital
	WellStar Kennestone Hospital
	WellStar Kennestone at Windy Hill
	WellStar Douglas Hospital
	WellStar Paulding Hospital

Participating GACH Hospitals

Area 3 – Central Georgia

<u>System</u>	<u>Includes Facilities</u>
Houston Healthcare System, Inc.	Houston Medical Center Perry Hospital
Central Georgia Health Systems, Inc. Hospital Authority of Putnam County Tanner Medical Center, Inc.	Medical Center of Central Georgia Putnam General Hospital Tanner Medical Center Carrollton Tanner Medical Center Villa Rica Higgins General Hospital
West Georgia Health Services, Inc.	West Georgia Medical Center

Participating GACH Hospitals

Area 4 – Southeast Georgia

<u>System</u>	<u>Includes Facilities</u>
Meadows Healthcare Alliance	Meadows Regional Medical Center
MCG Health, Inc.	MCG Health
University Health Services, Inc.	University Hospital
Satilla Health Services, inc.	Satilla Regional Medical Center
Glynn Brunswick Memorial Hospital Authority	Southeast Georgia Health System Brunswick
	Southeast Georgia Health System Camden
St. Joseph's/Candler Health System, Inc.	Candler Hospital
	St. Joseph's Hospital
Hospital Authority of Wayne County	Wayne Memorial Hospital

Participating GACH Hospitals

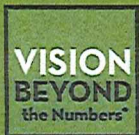
Area 5 – Southwest Georgia

System	Includes Facilities
Archbold Medical Center, Inc.	John D. Archbold Memorial Hospital Brooks County Hospital Early Memorial Hospital and Nursing Home Grady General Hospital Mitchell County Hospital and Nursing Home
Columbus Regional Healthcare System, Inc.	Doctors Hospital The Medical Center
Hospital Authority of Colquitt County	Colquitt Regional Medical Center

Participating GACH Hospitals

Area 5 – Continued

System	Includes Facilities
Hospital Authority of Bainbridge Decatur County Phoebe Putney Health System, Inc.	Memorial Hospital Bainbridge Phoebe Putney Memorial Hospital Phoebe Worth Medical Center Phoebe Sumter Medical Center
Hospital Authority of Valdosta and Lowndes County Lanier Health Services, Inc.	South Georgia Medical Center
Hospital Authority of Clinch County Tift County Hospital Authority	Louis Smith Memorial Hospital Clinch Memorial Hospital Tift Regional Medical Center



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