

Telling the Story of Community Benefit



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Cincinnati's University Hospital opened its doors in 1823 as one of the country's first teaching hospitals. A public, charitable organization, University Hospital's mission to "provide for the aged, indigent and orphaned," wasn't questioned for the better part of 170 years. That is, until it joined with Christ Hospital in 1994 to form The Health Alliance of Greater Cincinnati.

"In 1997, it also became a private not-for-profit institution as opposed to a public institution," says Gail Myers, vice president of public relations and marketing for the Health Alliance. "The city of Cincinnati filed a lawsuit claiming that by becoming private, it would lose its charitable mission."

To reestablish goodwill and underscore its commitment to charity, the Health Alliance settled the lawsuit by agreeing to donate \$2 million over 10 years to establish a center dedicated to closing the health gap that exists between poor and affluent communities.

The Health Alliance, now an integrated healthcare delivery system serving portions of southeast Ohio and northern Kentucky, has far exceeded the financial commitment, according to Myers. But it's still just a drop in the larger bucket of community benefit that the provider pours out across the region to justify its tax-exempt status.

Forces Challenging Hospitals' Community Benefit

There was a time when community not-for-profit organizations generated great respect; the services they provided naturally improved conditions in their cities and neighborhoods. For hospitals that treated the uninsured with no real expectation of being compensated, that respect bordered on reverence.

These days, however, with healthcare costs rising, confusion about hospitals' pricing structure, and perhaps a bit of healthy skepticism, such sentiment is no longer taken for granted; regulators, businesses, consumer groups, and the general public have questioned providers' community benefit. Are not-for-profit hospitals providing enough charity care? How much are they reinvesting in the region? Is anyone monitoring their finances?

"There is no question we are facing more challenges to our tax-exempt status," says Bill Leaver, president and CEO of Trinity Regional Health System, which serves communities in western Illinois and eastern Iowa. "Various regulatory agencies

and advocacy groups are asking us what we are doing to justify operating as a not-for-profit institution."

Scrutiny begins at the top: Amid many discussions in Congress about whether to assume more oversight of not-for-profit hospitals' community benefit, and particularly charity care, the House Committee on Ways and Means asked the Congressional Budget Office to study measures of community benefit that hospitals provide. While CBO's report delivered this past December offered no policy recommendations, the report itself underscored the fact that healthcare providers are being watched closer than ever.¹ In April, a member of the Committee on Finance asked the Government Accountability Office to study how not-for-profit hospitals meet their requirement to provide community benefits in exchange for their tax-exempt status.²

State and local governments, themselves in a budgetary pinch, want to make sure hospitals are not cheating taxpayers by skimping on community benefit, while for-profit institutions are questioning not-for-profits' tax-exempt status as an unfair competitive advantage. Providers can ease tensions in their community by injecting transparency into their community benefit collection and reporting process, and even more important, by improving how they "tell the story" of community benefit to stakeholders throughout their region.

What Is Community Benefit?

Contrary to what many people outside the healthcare industry believe, community benefit is more than simply a calculation of the charity care hospitals provide. The IRS ruled in 1969 that other activities involved in promoting health care qualify as charitable and justify not-for-profit hospitals' tax-exempt status.

While this leaves some flexibility in interpretation, and rightly so given the diversity in needs from one community to the next, HFMA has stepped forward with guidelines for healthcare providers on what can and should constitute community benefit.³ With some examples provided by Lehigh Valley Hospital from its FY04 report on estimated value of community benefit, the following are 10 major attributes of not-for-profit organizations:⁴

Mission to provide community benefit. Mission is a cornerstone of granting tax exemption. According to federal law, the tax-exempt provider must have a clearly defined mission statement committing the organization to charitable

endeavors. Both the organization's historical background and the community's needs are important in determining the mission statement.

Use of financial surpluses. No individual may receive any portion of a tax-exempt organization's financial surpluses as a result of ownership. Both federal and state laws require that all financial surpluses must go toward furthering the organization's charitable purpose. Compensation arrangements must be carefully constructed to reflect fair market value for services rendered.

Accountability. The organization's board of trustees must hold themselves answerable to their community for maximizing the organization's contribution to the community.

Goodwill. Successful tax-exempt hospitals gain this intangible attribute by continuing their mission of providing care and meeting their community responsibility over a long period of time. Such hospitals usually have stable ownership and governance structures and regularly receive significant philanthropic and volunteer support.

Provision of charity care. Free or discounted care is undeniably important among the attributes that justify a not-for-profit hospital's tax exemption. Organizations that provide charity care must establish and communicate a clear charity care policy based on community needs and input, with easy-to-understand, written eligibility criteria. Lehigh Valley calculated \$5,063,172 in uncompensated charity care in FY04, a figure that doesn't include bad debt, which is determined at Lehigh "by [patient] ability to pay but unwillingness to do so."⁵

Reduction of government burden. Many tax-exempt hospitals provide services that the government would otherwise have to provide. Such services include, in particular, high-tech, high-intensity services; emergency care; chronic care; long-term care; and unprofitable services (also discussed below).

Provision of essential healthcare services. A not-for-profit hospital often warrants tax-exempt status because it is the sole provider of healthcare services that are essential to a community. Such essential services include emergency departments and outpatient clinics serving low-income patients.

Provision of unprofitable services. The provision of unprofitable services is a common charitable response of hospitals to a community need. Such unprofitable services lose money not because of inefficient operations, but because of high

costs combined with low volume or inadequate payment. Common examples of unprofitable services include burn, neonatal, and trauma centers and community mental health centers. Considering Medicare as an unprofitable service, Lehigh Valley recorded a shortfall of \$11,852,074 when noting the difference between Medicare payments and the cost for providing patient care.⁶

Public education. Most tax-exempt hospitals provide a range of educational programs to enhance public health. Examples of such programs include public health education, wellness programs, and the sponsorship of educational activities. Lehigh Valley's documented public education activities included nutrition counseling and education services, patient care services such as support groups, and injury prevention programs.

Serving other unmet human needs. Some tax-exempt hospitals provide important services that are tangential to health care but that no entity in the service area can or will provide. Examples of these activities include senior citizen education and outreach programs, care for "boarder" babies, or the operation of meals on wheels programs. In cooperation with the Allentown Health Bureau, Lehigh Valley provided 175 Pap tests, 139 mammograms, and 35 ultrasounds to high-risk women in the community free of charge but with an estimated value of \$16,094.⁷

Key Community Benefit Messages

The easiest and perhaps most important message not-for-profits can deliver to the community at large is their policy on charity care. "Charity programs are available at many health systems but a number of them don't advertise it as well as they could, leaving patients who aren't aware of available programs stuck with a bill they can't pay," says Doug Gardner, patient financial services director at the Health Alliance.

Hospitals must be forthcoming about their charity options early in the registration process to help avoid needless bad debt from uninsured patients. "We do a number of things operationally to inform patients about charity care, such as posting this information on areas such as signs in the ED, patient statements, collection letters, and financial assistance applications," according to Gardner.

He also has a financial counseling team for individual patient encounters. "We have placed counselors in the ED and many

outpatient clinical areas to help educate our patients on available programs. Many patients don't realize how many options there really are. If we get a patient who says he or she can't pay, our team educates about the programs that are available and helps him or her fill out appropriate forms," he says.

Perhaps the greater challenge for providers is effectively getting their community benefit message to other stakeholders throughout the community—state and local government officials, business leaders, and consumer and advocacy groups—who drive policy and can serve as a powerful ally to help hospitals spread their message of community benefit.

While the amount of charity care a hospital provides can help policymakers grasp the true scope and financial impact of the uninsured in their region, often it's the only measure of a hospital's community benefit that they recognize. "To many regulators, community benefit is just free care," Leaver says. "We are trying to educate them on additional things we view as community benefit, such as providing increased access to care and mechanisms that enable our patients and the general public to take control of their health."

Trinity aims to expand policymakers'—among other stakeholders—field of vision with its annual "report card" detailing the amount of charity care it provides, the number of hours its employees volunteer in the community, and direct grant funds it supplies to local organizations, among other community benefit details. This information is analyzed, assigned a dollar figure, and communicated to the public in a direct-mail piece.

The message for the local business community is one of economic impact and development. The Health Alliance's annual community benefit report details the provider's economic footprint—\$729.8 million dispersed in benefits and wages, \$423.1 million spent on supplies and services, \$120.9 million invested in building upgrades and advanced medical equipment—much of which is funneled back into the region through salaries and commerce with local suppliers.

In addition, employers want assurances from hospitals that expenditures for providing charity care, along with other initiatives, are truly a community benefit and will not be shifted back onto patients in higher costs. "Business leaders would like to know that providers in their area are relatively efficient and are not overcharging for their services," explains William O. Cleverley, PhD, professor emeritus of health services

management & policy, The Ohio State University, and president of healthcare professional services firm Cleverley & Associates in Worthington, Ohio.

Community and consumer groups, whether advocating for the uninsured, providing services to abused children, raising money for cancer research, or lobbying for a cleaner environment, are critical community benefit partners as well. Those directly involved in working with disadvantaged people are very much tuned into benefits local hospitals offer the community.

Providers must deliver a message of willingness to join consumer groups in sponsoring fundraising efforts or offering free medical services such as health screenings and educational clinics. The Health Alliance's Jewish Hospital is involved with the community's annual Cancer Survivor's Day, an event drawing nearly 800 individuals in search of "fellowship, food, and entertainment."

Following the lead of its neighbors in the corporate world, hospitals and health systems are making a concerted effort to leverage the media, such as local newspapers, community newsletters, and TV and radio stations, to relay the message about their presence in and benefit to the community. Widely distributed press releases are standard for all related news, and public service announcements can even be added to a hospital's media relations repertoire. Trinity's Leaver appeared in a PSA on behalf of Junior Achievement last year.

Even paid advertising is becoming more common among providers, whether it's to promote community services, tactfully proclaim community service and investment, or simply advertise upcoming community benefit meetings.

Overcoming the Challenges of Reporting Community Benefit

Challenges to accurate and effective tracking and reporting of community benefit require that healthcare providers take an organized approach to collecting, organizing, and disseminating information.

Challenge 1: Collecting and organizing accurate data about charity care

Before they can tell the story of community benefit, providers must ensure they are adequately capturing and comparing quantitative charity care data. While it may seem obvious on the surface—a simple measure of uncompensated services, for example—needs to be determined. Sadly, a lack of

collection, valuation, and reporting standards among hospitals has made navigating the charity care landscape a precarious task. Patrick McDermott, senior vice president of revenue services at Chicago's Resurrection Health Care comments, "The traditional process is burdensome on the patient and the hospital because of the paper chase."

Contracting with third-party financial solutions companies or deploying automated tools such as Medicaid eligibility and even community benefit software has become essential for guiding a hospital's patient financial team from the initial charity care decision-making process through the collection of data that are used in charity care reporting.

With charity care data in hand, providers can set about organizing the information and valuing it in a standard, comparative manner. In light of increased congressional and legal pressure on not-for-profit hospitals, HFMA revised its Principals and Practices Board Statement 15 late last year to clarify charity care reporting practices.

"As the magnitude of unreimbursed care grows, so does the urgency to report uncompensated care—and to distinguish between charity and bad debt—clearly and comparably. However, current reporting practices are inconsistent and contribute to confusion about the amount of charity care healthcare facilities provide and the amount of bad debt facilities have."⁸ Statement 15 will help providers implement consistent reporting measures within their own walls, as well as encourage standard practices throughout the industry.

Providers must consider that valuation is not limited to charity care, financial donations, or other community benefits that are typically associated with a hard dollar figure. Trinity has devised a method for calculating the value of less quantifiable benefits such as organizing a health fair or sponsoring a wellness clinic, according to Berlinda Tyler-Jamison, corporate vice president of Trinity Regional Health System and president of the Trinity Health Foundation.

Competing Providers Collaborate to Assist the Uninsured in Their Community

The growing uninsured population is driving up demand for hospital charity cares. Unchecked, this demand will place undue financial burden on providers, limiting the amount of charity care they are able to provide. While there are often many small efforts to care for the uninsured throughout a given community, they are typically unrelated, leaving providers with little measure of effectiveness.

"There are pockets of care provided through community health centers, through the health department, and through multiple not-for-profits such as our Alliance Medical Ministry," says Susan T. Weaver, MD, executive director and physician, Alliance Medical Ministry in Raleigh, N.C. "And while there is good census data on the total number of people in our area and we have fairly good statistical data on the number of the uninsured, it's really hard to quantify what services are available and how the uninsured are accessing them."

The CapitalCare Collaborative, an initiative joining three hospitals and five other clinics and county agencies, was formed to provide services to uninsured patients in Wake County, N.C. "We're developing Web-based initiatives that will make a communitywide database for the uninsured ... almost a shared electronic record," Weaver says. "This will allow us to do a community needs assessment with these communitywide data that we've never had access to before."

Not only is the CapitalCare Collaborative a way to provide service to uninsured patients, which is good for the benefit of the community, but in a self-serving way, the healthcare providers are also able to decrease their own expenses by cutting down on the number of uninsured patients who go from hospital to hospital, racking up large bills for often redundant medical tests and care.

“We send a survey to all our managers and directors with questions about the community benefit we provide, such as the number of health screenings we hold,” she says. “We turn that around and place a value on it. We have our human resources department help us in terms of staff time dedicated to those events and the value of that based on salaries, etc.”

Even medical assistance advocacy, or uncompensated care management—a part of the patient financial management process that typically goes unreported—can be placed in the broad category of community benefit. While its primary function is to manage the risk of bad debt, providers are well within their rights to call attention to this function as a service to the community.⁹

And when collecting and organizing the data is all said and done, providers just may realize they have a little something to brag about. “Most hospitals will find that with the services they’re providing, they provide much more community benefit than they thought,” Tyler-Jamison says.

Challenge 2: Telling the Story of Community Benefit

Using financial data to tell the story of community benefit is important, but it often doesn’t give the whole picture, particularly for the general public. “Community benefit is a fairly complex issue,” Cleverley concedes. “I’m not certain the average citizen is much interested in this area.”

Myers can attest to this first hand. Even with an advertisement in the local newspaper and notice on the Health Alliance’s web site announcing its annual community benefit meeting hosted by CEO Ken Hanover, the organization has a tough time drawing the apathetic public. “We typically don’t get a large crowd at our annual meeting,” she says.



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This is why Myers places a premium on less tangible metrics as a way to reach out to the community. “Anecdotes are what really tell the story of community benefit for us,” she says. “In addition to direct community benefit activities, we document something called ‘leadership journal entries’ in our reporting software—things we can’t really put a price tag on but we certainly can talk about such as awards our hospitals have won.”

The Health Alliance has racked up a bevy of awards over the past several years including repeat “America’s Best Hospitals” from *U.S. News and World Report* and “Solucient Top 100 Hospitals” honors. “The awards show we benefit the community by providing high-quality care,” Myers says.

And often overlooked—but no less critical to the story of community benefit—are providers’ employees. With 15,000 personnel, the Health Alliance is the third largest employer in the Cincinnati area. “It’s good to remind our own people that we do a lot for the community. They in turn become ambassadors, telling our story to friends and neighbors,” Myers says. “It also makes them feel better about where they work and what they’re doing for the community.”

Challenge 3: Explaining Illogical Pricing

With healthcare costs steadily rising, everyone from policy-makers to business leaders to the general public is wondering who’s to blame. Providers face an uphill battle explaining what amounts to fiscal quagmire: healthcare’s complex and irrational pricing structure, where costs often shift to private payers to make up for shortfalls resulting from uncompensated care. “As a provider works to keep a certain margin with the insurance companies, the argument in the past was that the self-pay patient was the one who was being penalized,” Gardner says, describing how his organization and many others these days are pursuing a more rational pricing approach. “We have taken the initiative to provide our self-pay patients with a 40 percent discount to make our services more affordable. This, coupled with a number of different payment arrangement programs, has made a significant impact in the community. We have also been an active partner with many local community outreach programs to ensure that we understand the issues and can accommodate the needs of the community.”

The **PATIENT FRIENDLY BILLING**® project, an HFMA-sponsored initiative, draws attention to complex healthcare pricing and suggests how providers can move to a more rational system.

OUR SPONSOR SPEAKS

Defending Community Benefit

Dennis A. Brebner is an attorney and president and CEO of R&B Solutions, a national company and Illinois-based firm focused on assisting hospitals and other healthcare providers with their uninsured patients and advocating on behalf of uninsured patients in administrative hearings and in the court systems. R&B Solutions also offers Medicaid enrollment and outreach services, self-pay receivables management, and RAMP® Medicaid and charity care software. Below, Brebner discusses steps that not-for-profit hospitals are taking to ensure their not-for-profit community benefit reporting withstands outside scrutiny.

Q In today's environment, hospitals and their not-for-profit status are under constant scrutiny from the government, media, and the patient population in general. What are hospitals doing to ensure their community benefit practices are recognized and at the same time will hold up to outside scrutiny?

A All of the providers we deal with are very conscious of the issue, recognizing that while they provide an extensive community benefit, they haven't done the best job in communicating this to the community. They've really begun to address this. Over the past couple of years providers we work with have formed committees with initiatives and projects driven by management to review their charity care policies. They put together communications to capture all of the things they do that benefit the community to justify their tax-exempt status. They've reviewed their reporting features to properly identify community benefit areas that are without compensation. More and more are using software packages to capture this information. The software gives them the ability to report information on their financial statements, and

allows them to better communicate the benefit to their patients and the community at large.

As far as holding up to outside scrutiny is concerned, it is important to note the major pressure is coming from the government and state attorney generals. Providers we work with have begun to use state guidelines from Medicaid and other government programs as a baseline to create charity care policies. HFMA also has been a great leader in assisting hospitals with recommended guidelines. There has to be a concerted effort from a public relations standpoint to address outside scrutiny. This begins with capturing information and being able to report on it. Once providers have gathered information they need, they can then put reports out sharing that knowledge with the community. They are willing to share their mission through a sophisticated PR and marketing approach to the community; essentially letting everyone know "here's all the things we do". Hospitals need to be recognized as an essential part of all communities from a care, educational, and employment standpoint. It is the providers' duty that is known. We have found this is the best way to respond to these types of pressures.

Source: R&B Solutions

"While there is not much that can be done directly by hospitals to control this [cost shifting] challenge, providers should be developing a uniform way to calculate this 'surcharge' so that they can express it succinctly."¹⁰

In its public meetings, community benefit reports, and public service announcements, hospitals and health systems must seize the opportunity to describe—in a relatively cursory manner—how the pricing system works: The illogical pricing structure is essentially a critical, albeit convoluted, response to inadequate reimbursements from government payers, forcing hospitals to shift costs to private payers.

And perhaps the best way hospitals can explain cost-shifting to its patients is by simply making their pricing policy more transparent. On the Health Alliance's web site is a page devoted to "Understanding Your Bill," a map of sorts indicating all the pertinent information of the organization's bill—from account numbers to provider names and balance due.

Patients deserve a greater level of detail as to what their charges are and how they were arrived at, as well as a statement that's easier to read. And while it is not a hospital's fault that the pricing structure evolved into the mystery it has become, providers are in an excellent position to help right the ship.

I A Fine Line

Community benefit is a fine line for not-for-profit hospitals. They have an obligation to provide enough charity care so the uninsured who walk through their doors receive the very best treatment possible, regardless of their ability to pay. Not-for-profits also must take a hard line with their finances—collecting from patients who can afford to pay and negotiating favorable reimbursement contracts with payers—if they are to keep their doors open and remain a valuable resource to the community.

As obvious as this message is to those within health care, the community rarely understands hospitals' situation. And while many individuals don't often recognize the community benefit not-for-profits provide, as the Health Alliance's Myers states, "They'd sure recognize if community benefit weren't there."

Endnotes

- 1 Nonprofit Hospitals and the Provision of Community Benefits, Congressional Budget Office, Washington, D.C., December 2006.
- 2 <http://finance.senate.gov/press/Gpress/2007/prg040507b.pdf>.
- 3 "Principals and Practices Board Analysis 05-01: The Relationship of Community Benefit to Hospital Tax-Exempt Status," HFMA, Westchester, Ill., May 2005.
- 4 "Estimated Value of Free Care, Community Service, Charitable Contributions, and Professional and Community Education FY'04," Lehigh Valley Hospital, Allentown, Pa., October 2004.
- 5 Ibid.
- 6 Ibid.
- 7 Ibid.
- 8 "P&P Board Statement 15: Valuation of Financial Statement Presentation of Charity Care and Bad Debts by Institutional Healthcare Providers," HFMA, November 2006.
- 9 "Patient Financial Management as a Community Benefit," *hfm*, March 2007.
- 10 "Patient Friendly Billing Project: Reconstructing Pricing in America," HFMA, Westchester, Ill., May 2007.



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Providers should not wait for policymakers, business leaders, and advocacy groups to approach them about what they are doing to justify their tax-exempt status. Rather, they must devise a strategy that best enables them to collect and value community benefit data and proactively communicate this information to stakeholders throughout the community.