Maryland Hospital Community Benefits Report FY 2009

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Health Services Cost Review Commission
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Introduction

Each year, the Health Services Cost Review Commission ("Commission," or "HSCRC") collects hospital community benefit information from individual hospitals to compile into a publicly-available statewide Community Benefit Report (CBR). The CBR process was introduced by the Maryland legislature in 2001 (Health-General Article, §19-303 Maryland Annotated Code), and the first CBR (reporting FY 2004 experiences) was released in July 2005. This document contains summary information for all submitting Maryland hospitals for FY 2009. Individual hospital community benefit reports and additional documents are available in written format at the Commission's offices. Individual community benefit report data spreadsheets and reports will be available on the Commission's website in June 2010.

The CBR offers an opportunity for each Maryland hospital to critically review and report its community benefit activities. As in previous years, Maryland hospitals and the Commission worked collaboratively with one another regarding issues associated with the CBR. The HSCRC commits to continuing this work to further improve the report and to refine definitions as needed.

Definition of Community Benefits:

As defined under current Maryland law, "community benefit" means an activity that is intended to address community needs and priorities primarily through disease prevention and improvement of health status, including:

- Health services provided to vulnerable or underserved populations;
- Financial or in-kind support of public health programs;
- Donations of funds, property, or other resources that contribute to a community priority;
- Health care cost containment activities; and
- Health education screening and prevention services.

As evidenced in the hospital reports, Maryland hospitals provide a broad range of health services to meet the needs of their communities, often receiving partial or no compensation. These activities, however, are expected from Maryland's 46 not-for-profit hospitals as a result of the tax exemptions they receive.[1]

Background

Since 2003, the Commission has worked with the Maryland Hospital Association and interested hospitals, local health departments, and health policy organizations and associations on the details, format, and updates to the community benefit report. The Fiscal Year 2009 report represents the HSCRC's sixth year of reporting on Maryland Hospital Community Benefit Data.

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[1] As Maryland's only for-profit hospital, Southern Maryland Hospital is not required to submit a community benefits report under the law. Southern Maryland, however, has continued to submit a community benefit report to the HSCRC. Its FY 2009 experience has been included in this report.

The Maryland data reporting spreadsheet and instructions draw heavily on the experience of the Voluntary Hospitals of America ("VHA") community benefit process. The VHA is a nationwide network of community-owned health care systems and their physicians, and possesses over ten years of voluntary hospital community benefit reporting experience across many states.

Changes to Community Benefit Reporting: FY 2008 to FY 2009

During the fall of 2008, the HSCRC convened a Community Benefit Advisory Group to review proposed revised guidelines for reporting, provide feedback on the current reporting process, and discuss options for a model to provide feedback to hospitals about their community benefits activities. As a result of the advisory group meetings, the Commission issued revised narrative guidelines that were optional in the filing of the FY 2008 CBR; however, they were mandatory for the FY 2009 filings. Hospitals were required to include all attachments with the FY 2009 CBR. These include a description of the hospital's charity care policies, a copy of its Financial Assistance Policy, a description of the hospital's mission, vision, and value statements, and a copy of the actual mission, vision, and value statements of the hospital. These attachments may be reviewed upon request at the HSCRC offices, or on the HSCRC's website as part of the FY 2009 Maryland Hospital Community Benefits Report.

The narrative questions were developed, in part, to provide a standard reporting format for all hospitals. This uniformity not only provides readers of the individual hospital reports with more information than was previously available, but allows for comparison across hospitals. The narrative guidelines were aligned, wherever possible, with the IRS form 990, schedule H, in an effort to provide as much consistency as is practical in reporting on the state and federal levels.

In addition to providing a standard format for reporting, the HSCRC considers the narrative guidelines a mechanism to assist hospitals in critically examining their Community Benefit programs. Any examination of the effectiveness of major program initiatives may help hospitals determine which programs are achieving the desired results as well as identify programs that may not be achieving the intended results.

CBR – 2009 Highlights

The reporting period for this Community Benefit Report is July 1, 2008 – June 30, 2009. Hospitals submitted their individual community benefit reports to the HSCRC by December 15, 2009 using audited financial statements as the source for calculating costs in each of the care categories.

As shown in Table I below, Maryland hospitals provided approximately $946 million in community benefit activities in FY 2009. Of this, over $309 million was provided in the form of charity care, $306.4 million in health professions education activities, just under $210 million in mission driven health services, $67.4 million in community health services, $17.7 million in community building activities, $17.4 million in financial contributions, over $8.5 million in

foundation funded community benefits, $5.2 million in community benefit operations, and $3.5 million in research.[2]

Table I – Total Community Benefit

Community Benefit Category	Number of Staff Hours	Number of Encounters	Total Community Benefit
Community Health Services	775,825	9,977,272	$67,402,544
Health Professions Education	5,254,635	355,400	$306,456,178
Mission Driven Health Services	1,591,721	1,110,646	$209,985,520
Research	52,998	19,357	$3,593,568
Financial Contributions	36,001	167,351	$17,461,512
Community Building	159,378	293,753	$17,766,671
Community Benefit Operations	36,387	40,623	$5,267,811
Charity Care	n/a	n/a	$309,721,840
Foundation	50,255	6,008	$8,582,520
Total	7,332,206	12,482,972	$946,238,164

For additional detail and a description of subcategories under each community benefit category, please see the chart under Attachment I – Aggregated Hospital CBR Data.

Effect of Indirect Cost Ratio on Community Benefits

Indirect Costs are costs not attributed to products and/or services that are included in the calculation of costs for community benefits. These could include, but are not limited to, salaries for human resource and finance departments, insurance, and overhead expenses.

As in previous years, hospitals were directed to use the annual audited cost report data to calculate indirect cost ratios. In previous years, the HSCRC included a default indirect cost calculation in all categories of benefit, allowing the hospitals to override the calculated indirect

[2] These totals include hospital reported indirect costs, which vary by hospital from a fixed dollar amount to a calculated percentage of the hospital's reported direct costs.

costs where it was thought that the direct costs may, in part, reflect the total costs of the community benefit initiative.

As noted last year, the HSCRC and the Community Benefit Advisory Group determined that a better method for the allocation of indirect costs would be to apply the indirect cost ratio to the following community benefit categories: (A) Community Health Services; (F) Community Building Activities; and (G) Community Benefit Operations. For the remaining categories, the indirect cost calculation was defaulted to zero. A hospital had the option to override the default if it believed there were indirect costs involved with the initiative, but not accurately reflected in the direct costs. Table II, Indirect Costs as a Percentage of Total Benefit, provides the total amount of indirect costs within each community benefit category and its percentage of the total community benefit provided.

Table II – Indirect Costs as a Percentage of Total Benefit

	2009 Total Community Benefit	2009 Net Community Benefit W/O Indirect Cost	2009 Indirect Costs	Indirect Costs as a Percentage of Total Community Benefit
Community Health Services	$67,402,544	$41,861,265	$25,541,279	37.89%
Health Professions Education	$306,456,178	$240,396,253	$66,059,925	21.56%
Mission Driven Health Care Services	$209,985,520	$154,204,998	$55,780,522	26.56%
Research	$3,593,568	$2,051,057	$1,542,511	42.92%
Financial Contributions	$17,461,512	$16,058,907	$1,402,605	8.03%
Community Building Activities	$17,766,671	$11,721,840	$6,044,831	34.02%
Community Benefit Operations	$5,267,811	$3,388,013	$1,879,798	35.68%
Charity Care	$309,721,840	$309,721,840	$0	0.00%
Foundation Community Benefit	$8,582,520	$5,700,205	$2,882,315	33.58%
Totals	$946,238,164	$785,104,378	$161,133,786	17.03%

As a result of the changes in indirect cost reporting, the indirect costs as a percentage of total community benefits were again, as in FY 2008, held to a much lower 17.03% in FY 2009 versus 24.05% in FY 2007 before the change in reporting occurred.

Community Benefits Narrative Guidelines and Evaluation

As previously noted, the HSCRC convened a Community Benefits Advisory Group in August 2008. One of the tasks for the group was to approve the revised narrative guidelines. The intent behind the narrative guidelines was to provide a better link between the data reported in the community benefit activity categories with the identified needs within the hospitals' communities. The HSCRC again met with a review group comprised of hospital community benefit people from a few hospitals in Maryland. The group approved a review mechanism developed to provide feedback to the hospitals with regard to their community benefit reports. This first step in creating an evaluation process will be ensuring that the hospitals provide the information set forth in the narrative guidelines. This is a critical first step in creating an effective evaluation mechanism.

Hospital Rate Support for Community Benefit Programs

In Maryland, the costs of uncompensated care (both charity care and bad debt) and graduate medical education are built into rates that hospitals are reimbursed by all payers, including Medicare and Medicaid. Additionally, the HSCRC includes amounts in rates for hospital nurse support programs provided at Maryland hospitals. To avoid accounting confusion among programs that are not funded in part by hospital rate setting (unregulated), the HSCRC requested that hospitals not include revenue provided in rates as offsetting revenue on the CBR worksheet.

The following section details the amounts of nurse support program and direct graduate medical education costs that are included in rates for Maryland hospitals in Fiscal Year 2009 funded by all payers. The uncompensated care amounts are from FY 2008, but provide a reasonable estimate as to what was at least provided in rates for FY 2009.

Nurse Support Program I

The Nurse Support Program I is aimed at addressing the short and long term nursing shortage impacting Maryland hospitals. In FY 2009, approximately $10.6 million was provided in hospital rate adjustments. For further information about funding provided to specific hospitals, please see Attachment II.

Graduate Medical Education

Another social cost funded in Maryland's rate-setting system is the cost of graduate medical education (GME), generally for interns and residents trained in Maryland hospitals. Graduate medical education direct costs are wages and benefits of residents and interns, faculty supervisory expenses, and allocated overhead. The Commission utilizes the annual cost report to quantify the direct costs of medical education in physician training programs. In FY 2009, these

direct costs totaled $213.5 million. The Commission did not quantify the indirect costs associated with medical education for FY 2009. For further information about funding provided to specific hospitals, please see Attachment II.

Uncompensated Care

The HSCRC includes a provision in hospital rates for uncompensated care; this includes charity care (eligible for inclusion as a community benefit by Maryland hospitals in their CBRs) and bad debt (not considered a community benefit). In FY 2008, over $ 256 million was provided in Maryland hospital rates for the provision of charity care funded by all payers. The calculations for total dollar amounts provided in rates for FY 2009 has yet to be determined, but it can be reasonably estimated to be at least the amount provided in FY 2008. Hospitals were asked not to include revenue provided through hospital rates as offsetting revenue on the CBR worksheet. For further information about funding provided to specific hospitals, please see Attachment II.

Attachment I

FY 2009 Maryland Hospital Community Benefit Totals

	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
A Community Health Services						
A1 **Community Health Education**	301,686	9,006,687	$17,237,630.68	$9,327,988.46	$24,674,551.24	$15,346,562.78
Support Groups	26,218	77,221	$993,305.34	$530,747.27	$1,515,459.61	$984,712.34
Self-Help	39,518	192,922	$2,033,472.30	$998,249.42	$2,347,213.22	$1,348,963.80
A2 **Community-Based Clinical Services**	104,587	148,449	$6,693,322.68	$3,656,218.84	$8,988,667.22	$5,332,448.38
Screenings	47,051	116,019	$2,004,838.52	$1,081,116.96	$2,951,637.06	$1,870,520.10
One-Time/Occassionally Held Clinics	2,124	17,551	$305,667.05	$142,291.38	$299,279.51	$156,988.13
Free Clinics	4,879	7,041	$619,353.17	$366,315.19	$893,765.62	$527,450.43
Mobile Units	21,627	26,983	$815,723.41	$384,532.30	$1,200,255.70	$815,723.41
A3 **Health Care Support Services**	186,195	279,995	$14,680,477.15	$7,746,317.14	$20,712,301.53	$12,965,984.39
A4 **Other**	41,941	104,405	$2,822,901.13	$1,307,502.01	$3,819,413.06	$2,511,911.05
totals	**775,825**	**9,977,272**	**$48,206,691.42**	**$25,541,278.97**	**$67,402,543.77**	**$41,861,264.80**

B Health Professions Education	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
B1 **Physicians/Medical Students**	4,702,916	147,547	$218,953,311.67	$60,189,155.69	$277,764,318.36	$217,575,162.67
B2 **Scholarships/Funding for Professional Education**	12,988	1,911	$2,533,412.63	$40,463.10	$2,573,875.73	$2,533,412.63
B3 **Nurses/Nursing Students**	301,651	71,535	$11,848,109.53	$3,901,925.08	$15,737,221.61	$11,835,296.53
B4 **Technicians**	59,002	35,871	$2,112,654.76	$474,710.28	$2,402,726.31	$1,928,016.02
B5 **Other Health Professionals**	152,652	93,410	$6,008,726.07	$1,216,859.76	$7,173,709.83	$5,956,850.07
B6 **Other**	25,427	5,125	$570,855.40	$236,810.72	$804,326.13	$567,515.40
Totals	**5,254,635**	**355,400**	**$242,027,070.07**	**$66,059,924.64**	**$306,456,177.97**	**$240,396,253.33**

C Mission Driven Health Services	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
	1,591,721	**1,110,646**	**$258,322,755.38**	**$55,780,522.17**	**$209,985,520.01**	**$154,204,997.84**

D Research	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
D1 **Clinical**	46,634	19,311	$3,414,008.16	$1,542,510.93	$3,211,172.03	$1,668,661.11
D2 **Community Health Research**	124	46	$77,032.34	$0.00	$77,032.34	$77,032.34
D3 **Other**	6,240	0	$305,364.00	$0.00	$305,364.00	$305,364.00
Totals	**52,998**	**19,357**	**$3,796,404.50**	**$1,542,510.93**	**$3,593,568.37**	**$2,051,057.45**

E Financial Contributions	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
E1 **Cash Donations**	1,695	2,558	$7,234,963.03	$1,054,645.17	$8,069,733.20	$7,015,088.03
E2 **Grants**	9	125	$966,026.00	$8,794.96	$677,975.96	$669,181.00
E3 **In-Kind Donations**	31,498	161,310	$3,162,732.84	$246,282.06	$3,327,027.90	$3,080,745.84
E4 **Cost of Fund Raising for Community Programs**	2,800	3,358	$573,409.57	$92,882.81	$666,292.38	$573,409.57
E5 **Sales Taxes, Property Taxes, Income Taxes'**	0	0	$4,720,482.93	$0.00	$4,720,482.93	$4,720,482.93
Totals	**36,001**	**167,351**	**$16,657,614.36**	**$1,402,605.00**	**$17,461,512.37**	**$16,058,907.36**

Attachment I

F	Community Building Activities	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
F1	Physical Improvements/Housing	2,296	182,492	$1,903,574.69	$359,249.77	$2,262,824.46	$1,903,574.69
F2	Economic Development	17,004	5,993	$1,359,151.63	$776,011.96	$1,763,004.59	$986,992.63
F3	Support System Enhancements	31,267	19,054	$2,811,694.79	$1,506,039.97	$4,127,588.76	$2,621,548.79
F4	Environmental Improvements	9,535	427	$333,502.37	$198,211.02	$531,713.39	$333,502.37
F5	Leadership Development/Training for Community Members	7,540	4,685	$541,318.35	$307,860.18	$849,178.53	$541,318.35
F6	Coalition Building	6,840	11,035	$502,047.86	$282,659.61	$784,207.47	$501,547.86
F7	Community Health Improvement Advocacy	10,484	18,227	$1,081,270.73	$587,844.89	$1,669,115.62	$1,081,270.73
F8	Workforce Enhancement	20,678	17,123	$2,207,522.89	$1,126,886.93	$3,126,565.82	$1,999,678.89
F9	Other	53,733	34,717	$1,798,049.34	$900,067.07	$2,652,472.41	$1,752,405.34
	Totals	**159,378**	**293,753**	**$12,538,132.65**	**$6,044,831.41**	**$17,766,671.06**	**$11,721,839.65**

G	Community Benefit Operations	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
G1	Dedicated Staff	28,839	21,946	$1,760,351.56	$959,237.01	$2,705,270.57	$1,746,033.56
G2	Community Health/Health Assets Assessments	1,468	206	$107,989.25	$56,682.13	$164,671.38	$107,989.25
G3	Other Resources	6,079	18,471	$1,533,990.29	$863,878.67	$2,397,868.96	$1,533,990.29
		36,387	**40,623**	**$3,402,331.10**	**$1,879,797.81**	**$5,267,810.91**	**$3,388,013.10**

H Charity Care (report total only) **$309,721,840**

J	FOUNDATION COMMUNITY BENEFIT	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
J1	Community Services	6,211	1,558	$3,172,386.63	$437,488.08	$3,544,910.71	$3,107,422.63
J2	Community Building	43,924	4,433	$3,435,638.00	$2,433,619.14	$4,833,435.14	$2,399,816.00
J3	Other (Please indicate below):	120	17	$192,966.45	$11,207.37	$204,173.82	$192,966.45
	Totals	**50,255**	**6,008**	**$6,800,991.08**	**$2,882,314.58**	**$8,582,519.66**	**$5,700,205.08**

K	Total Hospital Community Benefit	# of Staff Hours	# of Encounters	Direct Cost ($)	Indirect Cost ($)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
A	Community Health Services	**775,825**	**9,977,272**	**$48,206,691.42**	**$25,541,278.97**	**$67,402,543.77**	**$41,861,264.80**
B	Health Professions Education	**5,254,635**	**355,400**	**$242,027,070.07**	**$66,059,924.64**	**$306,456,177.97**	**$240,396,253.33**
C	Mission Driven Health Care Services	**1,591,721**	**1,110,646**	**$258,322,755.38**	**$55,780,522.17**	**$209,985,520.01**	**$154,204,997.84**
D	Research	**52,998**	**19,357**	**$3,796,404.50**	**$1,542,510.93**	**$3,593,568.37**	**$2,051,057.45**
E	Finanical Contributions	**36,001**	**167,351**	**$16,657,614.36**	**$1,402,605.00**	**$17,461,512.37**	**$16,058,907.36**
F	Community Building Activities	**159,378**	**293,753**	**$12,538,132.65**	**$6,044,831.41**	**$17,766,671.06**	**$11,721,839.65**
G	Community Benefit Operations	**36,387**	**40,623**	**$3,402,331.10**	**$1,879,797.81**	**$5,267,810.91**	**$3,388,013.10**
H	Charity Care	**0**	**0**	**$0.00**	**$0.00**	**$309,721,839.94**	**$309,721,839.94**
J	Foundation Funded Community Benefit	**50,255**	**6,008**	**$6,800,991.08**	**$2,882,314.58**	**$8,582,519.66**	**$5,700,205.08**
	Total Hospital Community Benefits	**7,957,199**	**11,970,409**	**$591,751,990.55**	**$161,133,785.52**	**$946,238,164.06**	**$785,104,378.54**

TOTAL OPERATING EXPENSE	$12,442,727,824
% OF OPERATING EXPENSES W/IC	7.60%
% OF OPERATING EXPENSES W/O I(	6.31%

Nurse Support I Funding FY 2009

Hospital Name	NSP I Amount in Rates
Washington County	194,797
University of Maryland	1,078,712
Prince George's	222,037
Holy Cross	336,674
Frederick Memorial	196,273
Harford Memorial	70,076
St. Joseph	345,175
Mercy	325,030
Johns Hopkins	1,422,729
Dorchester General	43,009
St. Agnes	136,080
Sinai	567,654
Bon Secours	94,833
Franklin Square	344,120
Washington Adventist	259,384
Garrett County	32,569
Montgomery General	119,694
Peninsula	150,000
Suburban	198,516
Anne Arundel	325,942
Union Memorial	368,210
Cumberland	64,363
Braddock	87,079
St. Mary's	98,500
JH Bayview	412,852
Chester River	57,016
Union Cecil County	94,600
Carroll Hospital	153,500
Harbor Hospital	107,810
Civista	91,366
Memorial at Easton	127,273
Maryland General	170,567
Calvert Memorial	94,109
Northwest	191,846
Baltimore Washington	210,000
GBMC	332,400
McCready	15,925
Howard County	162,389
Upper Chesapeake	154,647
Doctors	169,629
Southern Maryland	193,872
Laurel Regional	85,254
Fort Washington	43,853
Atlantic General	63,648
Kernan	89,323
Good Samaritan	253,958
Shady Grove	284,000
Total	10,641,293

DME Funding FY 2009

Hospital Name	Amount in Rates
Washington County	0
University of Maryland	50,080,100
Prince George's	3,530,200
Holy Cross	2,365,900
Frederick Memorial	0
Harford Memorial	0
St. Joseph	0
Mercy	4,204,800
Johns Hopkins	73,344,300
Dorchester General	0
St. Agnes	6,722,000
Sinai	13,161,100
Bon Secours	0
Franklin Square	8,230,100
Washington Adventist	0
Garrett County	0
Montgomery General	18,400
Peninsula	0
Suburban	195,700
Anne Arundel	0
Union Memorial	12,187,600
Cumberland	0
Braddock	0
St. Mary's	0
JH Bayview	18,696,200
Chester River	0
Union Cecil County	0
Carroll Hospital	0
Harbor Hospital	4,015,400
Civista	0
Memorial at Easton	0
Maryland General	4,060,300
Calvert Memorial	0
Northwest	0
Baltimore Washington	317,300
GBMC	4,562,300
McCready	0
Howard County	0
Upper Chesapeake	0
Doctors	0
Southern Maryland	0
Laurel Regional	0
Fort Washington	0
Atlantic General	0
Kernan	3,068,500
Good Samaritan	4,813,700
Shady Grove	0
Total	213,573,900

(UCC) Charity Care Funding FY 2008

Hospital Name	Amount in Rates
Washington County	$7,295,799
University of Maryland	$31,030,228
Prince George's	$1,129,639
Holy Cross	$8,679,120
Frederick Memorial	$4,490,695
Harford Memorial	$1,126,980
St. Joseph	$3,341,397
Mercy	$10,280,894
Johns Hopkins	$35,459,826
Dorchester General	$720,059
St. Agnes	$13,610,376
Sinai	$10,904,453
Bon Secours	$3,614,251
Franklin Square	$9,990,144
Washington Adventist	$8,723,051
Garrett County	$1,400,800
Montgomery General	$6,244,041
Peninsula	$7,136,141
Suburban	$3,365,199
Anne Arundel	$4,091,513
Union Memorial	$9,685,280
Braddock	$3,465,537
Cumberland	$2,247,137
St. Mary's	$3,123,383
JH Bayview	$22,772,984
Chester River	$665,919
Union of Cecil County	$1,250,303
Carroll Hospital	$4,180,156
Harbor Hospital	$3,495,814
Civista	$707,813
Memorial at Easton	$1,042,184
Maryland General	$1,247,722
Calvert Memorial	$1,342,980
Northwest	$4,031,706
Baltimore Washington	$3,149,883
GBMC	$1,735,949
McCready	$434,300
Howard County	$1,588,791
Upper Chesapeake	$1,733,922
Doctors	$547,414
Southern Maryland	$853,785
Laurel Regional	$226,793
Fort Washington	$589,950
Atlantic General	$1,081,820
Kernan	$410,604
Good Samaritan	$4,194,765
Shady Grove	$7,571,642
Total	$256,013,143