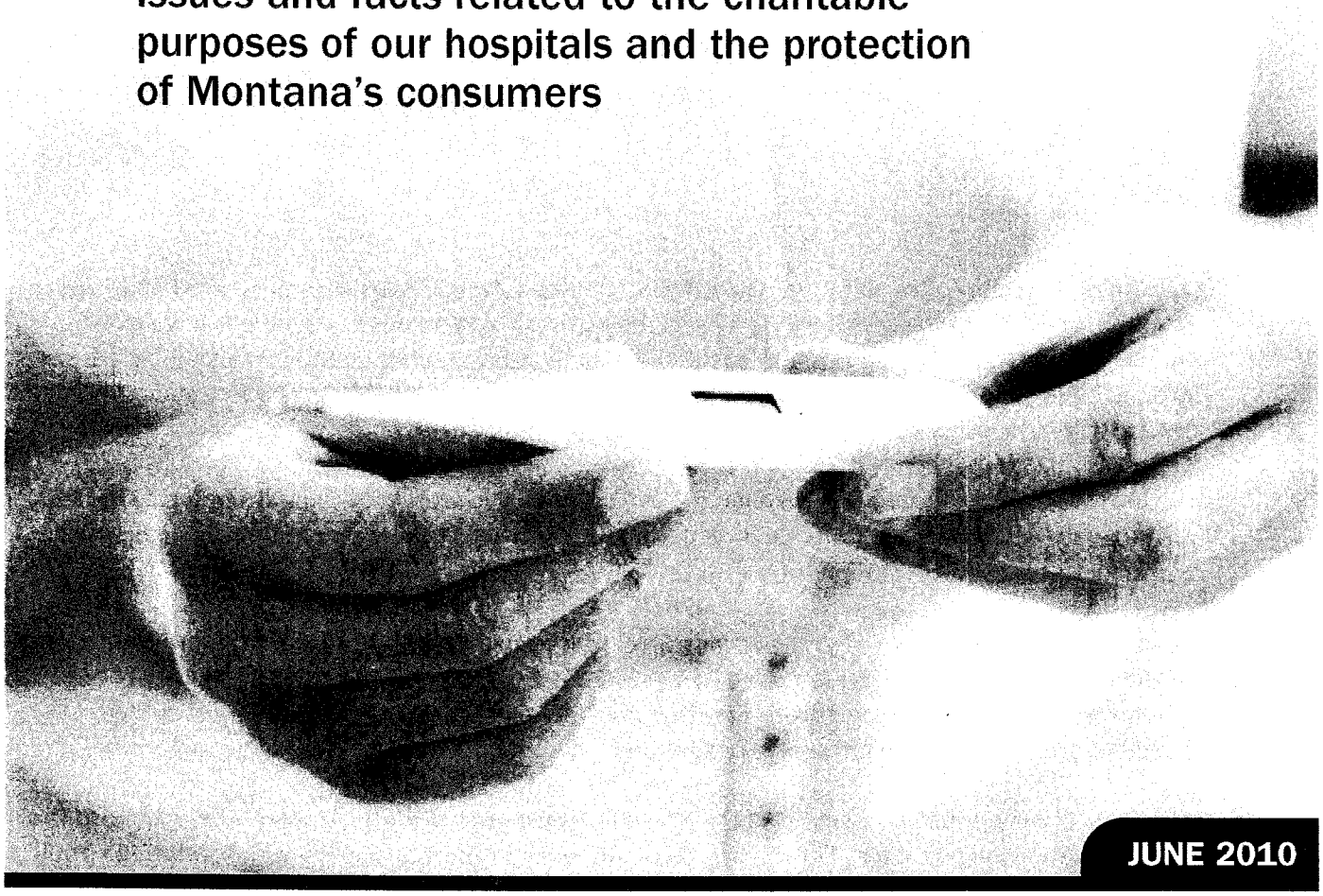
EXHIBIT 4
DATE 1/28/11
HB 305

Montana's Hospitals

Issues and facts related to the charitable purposes of our hospitals and the protection of Montana's consumers



JUNE 2010

Third Annual Report Prepared for
Montana Attorney General Steve Bullock

MONTANA OFFICE OF CONSUMER PROTECTION

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We are no stranger to tough times. Older Montanans survived the Great Depression and younger ones are relearning the same hard lessons as they struggle to find work, afford housing and raise families in these challenging economic times. Rising health care costs continue to take a greater proportion of wages, causing many Montana families to cut back on care and worry about being able to afford health insurance and the cost of catastrophic illness.

Against this backdrop, my office, in cooperation with the School of Public and Community Health Sciences at The University of Montana, makes the third annual ***Montana's Hospitals*** report available to consumers throughout the state.

In Montana, the Attorney General is responsible both for monitoring nonprofit corporations and for protecting the interests of those served by a nonprofit corporation. Thus, the Attorney General is responsible for monitoring nonprofit hospitals and their foundations, and ensuring that the hospitals are fulfilling their charitable obligations.

The report is an annual assessment of the charitable purposes of the 11 largest nonprofit hospitals and foundations in our state. For the first time, this year's report also includes information about 11 smaller, critical access hospitals in Montana.

All of these 22 nonprofit hospitals are public benefit corporations under Montana law. They exist only to serve their communities, not to make money. Because of this, they have been given tax exempt status – a status that saves them tens of millions of dollars annually. These hospitals have a duty to provide community benefits to the areas they serve. Charity care – free or discounted services to those living below or near the federally established poverty level – is the most significant community benefit nonprofit hospitals provide. It is in the interest of all hospitals to ensure that all qualified patients are provided charity care rather than incurring bad debts.

As this third report shows, charity care is increasing in Montana, although it still varies widely across hospitals. The 11 large hospitals have increased charity care significantly over the past three years, from a median 1.57% of their budgets in 2006 to 2.43% of their budgets in 2008. In 2008, the four hospitals that provided the greatest amount of charity care as a percent of their operating expenses were St. James in Butte, Billings Clinic, St. Patrick in Missoula, and Benefis in Great Falls. See Tables 5(A) & (B).

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As one would expect, the hospitals that provided the greatest share of charity care are those with the most generous charity care policies, which is reflected in the income level at which people are eligible for charity care. Montana's smaller hospitals, studied for the first time this year, show a lower level of charity care overall and even more variation in charity care policies. See Tables 2 & 3.

Traditional charity care now amounts to only a fraction of a hospital's total community benefits. Hospitals need to ensure that less specific community benefits are not displacing direct charity care. By explaining how other forms of "community benefit" fulfill their public benefit mission, hospitals could also encourage community interest groups to assess whether their local hospitals are providing the "community benefits" that are wanted or needed in a particular community.

This year's report also notes that it is still too hard for patients to understand hospital pricing, which varies widely across similar services. Additionally, some hospitals could better ensure that their supporting foundations make the most of dollars contributed by their communities.

Again this year, I would like to express my thanks to Larry White and his team for pulling together the statistical data that we hope will help consumers gain a greater understanding of hospital care in Montana.

Most sincerely,

Steve Bullock
Attorney General

Overview

Charity care is increasing but varies widely across hospitals.

- Large hospitals have increased charity care significantly over the three years covered by the reports, from a median 1.57% of their budgets (about 35% of their surplus "profits") in 2006 to 2.43% of their budgets (about 64% of their surplus "profits") in 2008. Tables 5(A) & (B)
- Four hospitals – St. James in Butte, Billings Clinic, St. Patrick in Missoula, and Benefis in Great Falls – provide the highest levels of charity care. Tables 5(A) & (B)
- The variation in charity care among hospitals reflects the differences in charity care policies, where the most liberal policies (charity care begins at 400% of poverty level with a full write-off at 200%) are twice as generous as the most strict policies (200% and 100%, respectively). Table 2
- Smaller hospitals show a lower level of charity care overall, and even more variation in charity care policies. Tables 2 & 3
- Charity policies are strongly correlated to charity care approvals, and some hospitals could better communicate those policies to consumers. Based on a review of the readability and online availability of the hospitals' charity care policies, the report concludes that "Clearly, hospitals have an opportunity to better communicate their charity policies."
- Uncompensated care (the total of charity care and bad debt) as a share of hospital budgets ranges from less than 3% to more than 10%, but it is in the interest of all hospitals to ensure that all qualified patients are provided charity care rather than incurring bad debts. Tables 11 & 12

Some "community benefits" are vaguely defined and are overtaking basic charity care.

Charity care and unreimbursed Medicaid costs are clear indicators of a hospital's public benefit, and are the primary forms of community benefit provided by most hospitals. However, more vague categories of "community benefits" predominate at some hospitals.

- Traditional charity care now amounts to only a fraction of hospitals' total tax exemption value compared to community benefits. Table 9
- Several large hospitals spend millions more on "subsidized health services" than they spend on charity care, but those services are not specified and, in practice, the benefit provided by these services is unclear. Appendices 2 & 5
- Smaller hospitals show a similar divergence between those focused on direct charity care and those focused on subsidized health services. Appendices 3 & 5

Pricing remains confusing and varies widely.

The MHA website provides basic hospital pricing information through Montana Hospital Pricepoint. However, it is still difficult to compare pricing across hospitals. It may be impractical to comparison shop for emergency procedures, but there are significant price differences for the most common causes of hospitalization. Some treatments may cost twice as much on average at one hospital over another. Appendix 4.

Hospital foundations provide mixed benefits for their donations.

Hospital foundations are charities that direct community donations to supporting the community hospital. Many provide millions of dollars in annual grants to support specific services. Some of them, however, make more efficient use of donors' dollars than others.

- Donors should scrutinize large hospital foundations to ensure that they are making the most of charitable contributions. Table 14.
- Basic national guidelines for foundations, such as those suggested by Charity Navigator, recommend that "the most efficient charities spend at least 75% of their budget on their programs and services and less than 25% on fundraising and administrative fees."
- Four large hospital foundations spent less than the 65% of their budgets on programs supporting their hospitals, with the remainder going to overhead and fundraising. Two of these foundations spent under 30% of their budgets on these programs, and one foundation spent nearly forty cents on the dollar of its donations on fundraising.

I. Background

This is the third in a series of evaluations, commissioned by the Montana Attorney General, of Montana hospitals' community benefits and other consumer protection issues. The Attorney General's office is charged with the duties to supervise nonprofit corporations and enforce consumer protection laws. In this report we continue to assess community benefits provided by the eleven largest Montana hospitals and for the first time, we include critical access hospitals (CAH) with gross revenues in excess of $25 million. Coincidentally, there are eleven critical access hospitals in Montana that meet this criterion. For ease of reference, this report refers to the eleven largest hospitals (known in the industry as prospective payment system (PPS) hospitals) as "larger hospitals" and the eleven critical access hospitals as "smaller hospitals." The data contained in this report are taken from information provided by the hospitals about their fiscal year which ended in 2008 as well as from prior years. Table 1 lists the study hospitals.

Table 1
Montana Hospitals – 2008 Community Benefits Study

LARGE (PROSPECTIVE PAYMENT SYSTEM) HOSPITALS	SMALL (CRITICAL ACCESS) HOSPITALS
FACILITY NAME/CITY	FACILITY NAME/CITY
BENEFIS HEALTH SYSTEM - GREAT FALLS	CENTRAL MONTANA MEDICAL CENTER - LEWISTOWN
BILLINGS CLINIC	COMMUNITY HOSPITAL OF ANACONDA
BOZEMAN DEACONESS HOSPITAL	FRANCIS MAHON DEACONESS HOSPITAL - GLASGOW
COMMUNITY MEDICAL CENTER - MISSOULA	GLENDIVE MEDICAL CENTER
HOLY ROSARY HEALTHCARE - MILES CITY	LIVINGSTON HEALTHCARE
NORTHERN MONTANA HOSPITAL - HAVRE	MARCUS DALY MEMORIAL HOSPITAL - HAMILTON
NORTHWEST HEALTHCARE - KALISPELL	NORTH VALLEY HOSPITAL - WHITEFISH
ST. JAMES HEALTHCARE - BUTTE	SIDNEY HEALTH CENTER
ST. PATRICK HOSPITAL - MISSOULA	ST. JOHN'S LUTHERAN HOSPITAL - LIBBY
ST. PETER'S HOSPITAL - HELENA	ST. JOSEPH MEDICAL CENTER - POLSON
ST. VINCENT HEALTHCARE - BILLINGS	ST. LUKE COMMUNITY HEALTHCARE - RONAN

All of the study hospitals are nonprofit corporations formed for public benefit purposes and are prohibited by law from paying out distributions or profits (MCA 35-2-1401). State law requires that nonprofit hospitals operate to benefit the public as a whole and not any class of private individuals such as hospital directors, officers or employees. As such, these hospitals qualify under Internal Revenue Code section 501(c)(3) for an exemption from federal income taxes and donations to these hospitals are tax deductible. Montana state law further provides that property used exclusively for nonprofit health care facilities is exempt from property taxes (MCA 15-6-201) and from income tax (MCA 15-31-102).

In 1956 the Internal Revenue Service requirements for a hospital to qualify as tax exempt stated, very simply, that a hospital must "...provide charity care to the extent of its financial ability." [1]

In the years following the enactment of Medicare and Medicaid, the regulations became less specific as the "community benefit" standard was introduced. In so many words, federal law reflects an expectation that tax exempt hospitals will provide a community benefit proportionate to the value of their tax exemption. The Internal Revenue Service has explained that community benefit is broader than just charity care and "...is a flexible standard based on the totality of the circumstances and that a hospital need not demonstrate every factor to be exempt."[2]

Until 2007 the community benefit standard remained very general. In that year, the IRS defined eight specific community benefits that can count in meeting the hospitals' requirements in return for tax exempt status. This specificity, as well as uniform reporting, has enabled us to more reliably document and evaluate hospital community benefits than was possible for the first report. Meanwhile, the Attorney General retains the duty to ensure that the services hospitals provide under the more specific federal community benefit standards are consistent with their original public benefit obligations under state law.

II. Executive Summary

This is the third in a series of reports commissioned by the Montana Attorney General to assess Montana nonprofit hospital services under public benefit and consumer protection criteria. The data and information studied were provided by the hospitals for their 2008 fiscal year.

Charity care is regarded as the most important community benefit the nonprofit hospital can provide. The cost of the charity care provided by the 22 hospitals studied was more than $52 million in 2008, an increase of more than $6 million from 2007 (Table 3). Three hospitals had more liberal financial assistance policies for charity care than in prior years (Table 2). Over three years, the median cost of the charity care provided compared to operating surplus has gone up more than 80% (Table 5).

Total community benefits, including charity care, were $160 million in 2008 (Table 7), an increase of almost $30 million over the previous year. The cost of all community benefits averaged between 230% and 370% of the value of the hospitals' tax exemptions (Table 9).

Uncompensated care is the sum of charity care and bad debts. The amount of uncompensated care has steadily increased in Montana as well as in the U.S. In 2008, the study hospitals incurred uncompensated care costs totaling more than $112 million as shown in Table 11. The hospitals' bad debts are ordinarily turned to a collection agency before they are written off. In Table 12 we determine the frequency of collection activity as measured by percent of revenue. The study hospitals average about 5.5% of operating revenue turned to an outside agency for collection. The amount of bad debts written off as a result of bankruptcy proceedings (Table 13) continues to be very low and declining.

The medical consumer has a difficult time determining the cost and quality of services in advance. Although the transparency of the hospital services purchasing has improved in recent years, it remains very complex and therefore cloudy. Appendix 4 displays the average prices for certain high volume medical events to illustrate the variability of hospital pricing.

The total resources of the hospital available for community benefit include those of a wholly controlled foundation if there is one. Table 14 displays the fundraising and charitable support performance of hospital foundations.

III. Charity Care

A. Policy

When the IRS published new community benefit regulations in December 2007, charity care remained at the heart of the requirements for tax exempt status. Although Montana hospitals have had financial assistance policies for many years, for the first time, the regulations required a hospital to have such a policy and to make it known to those who might need it. The poverty line established by Federal Poverty Guidelines (FPG) is used by hospitals to gauge need. In 2009, for a family of four, the poverty line is $22,050. Montana's hospitals structure their charity policies on a sliding scale such that financial assistance begins with a 10% discount and progresses to a write off of 100%.

Our analysis of these policies over the past three years shows that three of the larger hospitals have raised the income levels of their charity policy. Table 2 displays the lower and upper limits of the hospitals' charity policies. The five hospitals with the most liberal charity policies (400%-200%) are the Catholic-sponsored institutions where model financial assistance policies are created by out-of-state boards and approved for adoption locally.

Table 2
Hospitals' 2008 Charity Policy and Three-Year Changes

FACILITY NAME	% FPG CHARITY BEGINS 2006	% FPG CHARITY BEGINS 2008	% FPG FOR FULL WRITE OFF 2006	% FPG FOR FULL WRITE OFF 2008
HOLY ROSARY MILES CITY	400%	400%	200%	200%
ST. JAMES BUTTE	400%	400%	200%	200%
ST. PATRICK MISSOULA	400%	400%	200%	200%
ST. VINCENT BILLINGS	400%	400%	200%	200%
BILLINGS CLINIC*	300%	300%	[illegible]	[illegible]
COMMUNITY MED. CTR. MISSOULA	300%	300%	200%	200%
BENEFIS GREAT FALLS**	[illegible]	[illegible]	[illegible]	[illegible]
NORTHWEST HEALTHCARE KALISPELL***	[illegible]	[illegible]	[illegible]	[illegible]
ST. PETER HELENA	200%	200%	125%	125%
BOZEMAN DEACONESS HOSPITAL	200%	200%	100%	100%
NORTHERN MT MED CTR HAVRE	200%	200%	100%	100%
AVERAGE	291%	302%	155.45%	169%
ST. JOSEPH HOSPITAL POLSON	-----	400%	-----	200%
CENTRAL MT MEDICAL CENTER	-----	300%	-----	150%
ST. LUKE COMMUNITY HOSPITAL RONAN	-----	300%	-----	150%
COMM. HOSPITAL OF ANACONDA	-----	200%	-----	100%
GLENDIVE MEDICAL CENTER	-----	200%	-----	100%
LIVINGSTON HEALTHCARE	-----	200%	-----	100%
MARCUS DALY MEMORIAL HAMILTON	-----	200%	-----	100%
ST. JOHN'S LUTHERAN HOSPITAL LIBBY	-----	200%	-----	100%
NORTH VALLEY HOSPITAL WHITEFISH	-----	200%	-----	50%
SIDNEY HEALTH CENTER	-----	175%	-----	100%
FRANCIS MAHON DEAC. HOSPITAL	-----	175%	-----	100%
AVERAGE		232%		114%

*Billings Clinic % for full write off was raised by 90%
**Benefis Great Falls charity start point was raised by 20% and % for full write off by 30%
***Northwest Healthcare Kalispell charity start point was raised by 100% and % for full write off by 25%
(Green denotes a liberalization of charity policies)

Charity Care

B. Costs

Table 3 shows the cost of charity care and its percent of operating expense and surplus. Compared to 2007, the larger hospitals provided $6 million more charity care in 2008. Also of note is that in 2008, the 22 study hospitals provided a combined total of more than $52 million in charity care. Finally, the smaller hospitals charity service, as a percent of operating expense and surplus, is substantially less than the larger institutions. The lower community benefits reported by smaller facilities is a pattern seen throughout this report and in other reports where they have been measured.[3]

Table 3
Charity Care Costs Percent of Operating Expense/Dollars – 2008

FACILITY	CHARITY CARE % OP. EXP.	CHARITY COSTS 2008	CHARITY CARE % SURPLUS
ST. JAMES BUTTE	3.55%	$ 2,616,819	*
BILLINGS CLINIC	3.38%	$ 14,362,268	161.9%
ST. PATRICK MISSOULA	3.30%	$ 6,618,203	174.1%
BENEFIS GREAT FALLS	2.95%	$ 6,248,359	69.5%
ST. PETER HELENA	2.70%	$ 2,980,227	40.9%
COMMUNITY MED. CTR.	2.43%	$ 2,964,108	63.6%
ST. VINCENT BILLINGS	2.29%	$ 6,592,783	30.1%
BOZEMAN DEACONESS	1.77%	$ 2,452,589	22.9%
NORTHWEST HEALTHCARE (KRH)	1.49%	$ 2,856,665	371.1%
HOLY ROSARY MILES CITY	1.18%	$ 400,174	26.2%
NORTHERN MT MED CTR HAVRE	0.97%	$ 516,560	134.9%
AVERAGE/TOTAL	2.37%	$ 48,608,755	109.5%
NORTH VALLEY HOSPITAL	2.28%	$ 707,333	*
LIVINGSTON HEALTHCARE	2.01%	$ 653,229	*
ST. JOSEPH HOSPITAL	1.92%	$ 404,127	125.0%
ST. JOHN'S LUTHERAN HOSPITAL	1.80%	$ 394,660	66.0%
FRANCIS MAHON DEAC. HOSPITAL	1.52%	$ 357,613	18.1%
CENTRAL MT MEDICAL CENTER	1.34%	$ 316,313	57.6%
GLENDIVE MEDICAL CENTER	1.29%	$ 371,994	16.7%
SIDNEY HEALTH CENTER	0.72%	$ 266,789	*
ST. LUKE COMMUNITY HOSPITAL	0.65%	$ 175,729	9.2%
COMM. HOSPITAL OF ANACONDA	0.46%	$ 102,525	7.8%
MARCUS DALY MEMORIAL	0.37%	$ 148,691	11.3%
AVERAGE/TOTAL	1.31%	$ 3,899,003	39.0%
* Facility had operating loss			

Charity Care

C. Approvals

Another way to assess a hospital's financial aid practices is to measure the number of charity applications that were approved compared to the number of patients the hospital served. Adjusted patient days is a volume measure that combines inpatient and outpatient care, thus capturing the total workload of the facility. When we divide charity approvals by 1000 adjusted patient days, we have a measure of charity approvals that enables comparisons between large and small hospitals. Table 4 provides this analysis. While the total amount of charity care increased in 2008 over 2007, the approval rate per 1000 adjusted patient days declined from 34.1 to 31.6 for the larger hospitals.

Table 4
Approved Charity Applications per 1000 Adjusted Patient Days - 2008

FACILITY NAME/CITY	APPROVALS Per 1000 ADJ.PATIENT DAYS	TOTAL CHARITY APPLICATIONS	CHARITY APPLICATIONS APPROVED	PERCENT APPROVED	AVG. COST PER CHARITY CASE APPROVED
ST. JAMES BUTTE	104.7	2936	2921	99.5%	$ 896
COMMUNITY MED. CTR. MISSOULA	53.3	2539	2443	96.2%	$ 1,213
ST. PATRICK MISSOULA	46.2	4051	3999	98.7%	$ 1,655
NORTHWEST HEALTHCARE (KRH)	41.3	2462	2216	90.0%	$ 1,289
BENEFIS GREAT FALLS	36.4	4028	3680	91.4%	$ 1,698
BILLINGS CLINIC	26.5	5128	4591	89.5%	$ 3,128
ST. VINCENT BILLINGS	20.3	2167	2084	96.2%	$ 3,164
BOZEMAN DEACONESS HOSPITAL	19.1	791	740	93.6%	$ 3,314
ST. PETER HELENA	10.0	579	490	84.6%	$ 6,082
NORTHERN MT MED CTR HAVRE	9.2	200	159	79.5%	$ 3,249
HOLY ROSARY MILES CITY	6.2	327	324	99.1%	$ 1,235
AVERAGE	**31.6**			**92.6%**	**$ 2,448**
NORTH VALLEY HOSPITAL	36.7	481	452	94.0%	$ 1,565
ST. JOSEPH HOSPITAL	26.8	275	269	97.8%	$ 1,502
GLENDIVE MEDICAL CENTER	21.6	222	214	96.4%	$ 1,738
CENTRAL MT MEDICAL CENTER	13.8	196	174	88.8%	$ 1,818
LIVINGSTON HEALTHCARE	12.2	217	140	64.5%	$ 4,666
ST. JOHN'S LUTHERAN HOSPITAL	7.2	157	88	56.1%	$ 4,485
SIDNEY HEALTH CENTER	7.1	101	86	85.1%	$ 3,102
FRANCIS MAHON DEAC. HOSPITAL	6.8	101	71	70.3%	$ 5,037
MARCUS DALY MEMORIAL HOSP.	6.3	160	94	58.8%	$ 1,582
COMM. HOSPITAL OF ANACONDA	3.7	53	52	98.1%	$ 1,972
ST. LUKE COMMUNITY HOSPITAL	3.5	53	48	90.6%	$ 3,661
AVERAGE	**12.6**			**81.9%**	**$ 2,830**

Again this year, we attempted to analyze the variation in charity care approvals and amounts by comparing them to the poverty and uninsured rates of the counties where each hospital is located. Like last year, we found no correlation between these variables and the amount of charity services provided. The factor that most strongly correlates to charity approval rates is the hospital's charity policy (summarized in Table 2).

The extent to which the hospital's financial assistance (charity) policy is invoked depends on how well it is made known to patients and the public. We analyzed the charity policies for all 22 hospitals and then examined each facility's web site to determine if information about financial

assistance could be found. Compared with last year when four of the larger hospitals did not have web page information about financial assistance, this year just one (Northern Montana Health Care – Havre) lacks this information. However, only four of the eleven smaller facilities provide financial assistance information on the web (Anaconda, Polson, Libby and Sidney). [4]

We also examined the readability of the financial assistance provided on-line.[5] The majority are not easy to read. Only five of 13 sites require less than a high school education to understand. Three require more than a college education. Clearly, hospitals have an opportunity to better communicate their charity policies.

Charity Care

D. Trends

In summary, Montana hospitals are public benefit corporations and as such have an obligation to provide charity care. We now have three years of information about hospitals' charity care as well as financial performance. We can therefore begin to show the trends in charity care compared to the hospitals' operating surplus (which is the excess of revenues over expenses). Operating surplus (also called profit) is a good gauge for measuring the relative amount of charity care provided because it is the resource from which charity care can be afforded. Likewise, the amount of surplus would be lower if the hospitals were not tax exempt. As a group, the eleven large hospitals have recorded significant increases in the amount of charity care provided compared to operating surplus earned over the period 2006 – 2008. The same trend is demonstrated when evaluating the group's charity care compared to operating expense. The results of the group and the individual hospitals are shown in Tables 5(A) and (B).

Table 5(A)
Trends - Charity Cost Percent of Operating Surplus

FACILITY	2006	2007	2008
NORTHWEST HEALTHCARE	19.49%	19.51%	371.08%
ST. PATRICK MISSOULA	68.95%	88.75%	174.05%
BILLINGS CLINIC	68.35%	125.85%	161.89%
NORTHERN MT MED CTR	35.69%	NA	134.90%
BENEFIS GREAT FALLS	30.85%	61.13%	69.50%
COMMUNITY MED. CTR.	34.72%	951.92%	63.56%
ST. PETER HELENA	12.54%	47.11%	40.91%
ST. VINCENT BILLINGS	12.77%	30.73%	30.06%
HOLY ROSARY MILES CITY	67.81%	36.44%	26.17%
BOZEMAN DEACONESS	9.48%	20.01%	22.92%
ST. JAMES BUTTE	127.73%	55.43%	NA
MEDIAN	**34.72%**	**47.11%**	**63.56%**

NA - Operating Deficit

Table 5(B)
Trends – Charity Care Percent of Operating Expense (2006-2008)

FACILITY	2006	2007	2008
ST. JAMES BUTTE	2.90%	4.32%	3.55%
BILLINGS CLINIC	3.42%	3.74%	3.38%
ST. PATRICK MISSOULA	2.86%	3.51%	3.30%
BENEFIS GREAT FALLS	1.51%	2.14%	2.95%
ST. PETER HELENA	1.57%	2.42%	2.70%
COMMUNITY MED CTR	0.88%	1.15%	2.43%
ST. VINCENT BILLINGS	1.57%	1.98%	2.29%
BOZEMAN DEACONESS	1.37%	1.97%	1.77%
NORTHWEST HEALTHCARE	1.61%	1.40%	1.49%
HOLY ROSARY MILES CITY	2.07%	3.09%	1.18%
NORTHERN MT MED CTR	0.75%	0.96%	0.97%
MEDIAN	**1.57%**	**2.14%**	**2.43%**

IV. Community Benefits

A. Community Benefits - Cost

Charity care is, of course, the primary community benefit provided by tax exempt hospitals. The other community benefits stipulated by recent IRS regulations are:

- unreimbursed Medicaid costs
- community health improvement services
- subsidized health services
- contributions to community groups
- health professions education
- research
- community benefits operations

A full definition of each can be found in Appendix 1.

This year's report also includes community building as a component of community benefit. These are the costs of activities and programs that address the root causes of health problems such as poverty, homelessness and environmental problems. Costs incurred by hospitals on behalf of community building are included in this year's data.

Table 6 provides an overview of the cost of all community benefits in 2008, together with the percent of total operating expenses represented by these costs. Like charity costs, critical access hospitals incur community benefit costs at about 53% of larger hospitals. The complete detail for all community benefit costs can be found in Appendix 2.

Table 6
Community Benefits Percent Operating Expenses and Total Costs – 2008

FACILITY	% OPERATING EXPENSES 2008	TOTAL
ST. PETER HELENA	12.10%	$ 13,336,166
ST. PATRICK MISSOULA	10.32%	$ 20,704,775
ST. JAMES BUTTE	9.89%	$ 7,284,341
BOZEMAN DEACONESS HOSPITAL	9.67%	$ 13,389,138
NORTHERN MT MED CTR HAVRE	9.05%	$ 4,799,162
COMMUNITY MED. CTR. MISSOULA	7.86%	$ 9,592,824
BILLINGS CLINIC	7.14%	$ 30,361,601
BENEFIS GREAT FALLS	6.95%	$ 14,737,541
NORTHWEST HEALTHCARE (KRH)	6.65%	$ 12,751,568
ST. VINCENT BILLINGS	6.44%	$ 18,526,152
HOLY ROSARY MILES CITY	6.08%	$ 2,061,800
MEDIAN/TOTAL	7.86%	$ 147,545,068
FRANCIS MAHON DEAC. HOSPITAL	10.89%	$ 2,560,112
COMM. HOSPITAL OF ANACONDA	8.00%	$ 1,771,692
MARCUS DALY MEMORIAL HOSPITAL	4.94%	$ 1,978,596
NORTH VALLEY HOSPITAL	4.52%	$ 1,400,339
SIDNEY HEALTH CENTER	4.26%	$ 1,571,169
GLENDIVE MEDICAL CENTER	3.74%	$ 1,079,848
LIVINGSTON HEALTHCARE	3.42%	$ 1,110,555
ST. JOHN'S LUTHERAN HOSPITAL	3.09%	$ 680,368
ST. LUKE COMMUNITY HOSPITAL	2.53%	$ 669,676
CENTRAL MT MEDICAL CENTER	1.92%	$ 596,707
ST. JOSEPH HOSPITAL	1.92%	$ 404,458
MEDIAN/TOTAL	3.74%	$ 13,811,034

B. Community Benefits - Composition

The make-up of community benefits among the hospitals varies considerably. Some community benefit costs like charity care and Medicaid costs are not subject to interpretation (either they were incurred or they were not) and are largely determined by factors out of the hospital's control. Other community benefits costs such as contributions to community groups and community health improvement services are entirely elective and controllable. Yet another group of costs are subject to interpretation (particularly subsidized health care services). This may be due to the ambiguity of the IRS instructions and/or the differences in the complement of services

provided by the individual hospitals. Our in-depth evaluation of the data submitted revealed that losses on hospital-owned physician practices are where the IRS instructions are subject to the most variation in interpretation.

Tables 7 and 8 display the variation in hospital operating expenses for certain categories of community benefits. The hospitals in the 25th and 75th percentiles for the selected benefits are color coded green and salmon respectively. Of the categories reported, subsidized services show the greatest range of expense percent (see appendix 5).

Table 7

Analysis of Variation in Community Benefit Costs 2008
Larger Hospitals

FACILITY	CHARITY CARE COST	UNREIMB. MEDICAID COST	SUBSID. SERV. COST	SERVICES TO COMMUNITY*	TOTAL
ST. PETER HELENA	2.70%	1.44%	[illegible]	0.57%	[illegible]
ST. PATRICK MISSOULA	3.30%	2.95%	3.24%	0.51%	[illegible]
ST. JAMES BUTTE	[illegible]	[illegible]	0.00%	0.16%	9.89%
BOZEMAN DEACONESS HOSP.	1.77%	0.58%	4.48%	[illegible]	9.67%
NORTHERN MT MED CTR	0.97%	1.95%	[illegible]	0.63%	9.05%
COMMUNITY MED. CTR.	2.43%	3.74%	0.34%	0.38%	7.86%
BILLINGS CLINIC	[illegible]	0.69%	1.78%	0.92%	7.14%
BENEFIS GREAT FALLS	2.95%	1.32%	1.45%	0.96%	6.95%
NORTHWEST HEALTHCARE	1.49%	2.48%	1.96%	0.22%	6.65%
ST. VINCENT BILLINGS	2.29%	0.48%	1.67%	[illegible]	6.44%
HOLY ROSARY MILES CITY	1.18%	[illegible]	0.00%	0.40%	6.08%

* includes community health improvement services, contributions to community groups and community building

Table 8
Analysis of Variation in Community Benefit Costs 2008
Smaller Hospitals

FACILITY	CHARITY CARE COST	UNREIMB. MEDICAID COST	SUBSID. SERV. COST	SERVICES TO COMMUNITY	TOTAL
FRANCIS MAHON DEAC. HOSPITAL	1.52%	0.00%	[illegible]	0.29%	[illegible]
COMM. HOSPITAL OF ANACONDA	0.46%	[illegible]	[illegible]	0.43%	[illegible]
MARCUS DALY MEMORIAL HOSP.	0.87%	0.26%	3.29%	0.07%	4.94%
NORTH VALLEY HOSPITAL	[illegible]	0.08%	1.16%	0.37%	4.52%
SIDNEY HEALTH CENTER	0.72%	0.00%	3.98%	0.13%	4.26%
GLENDIVE MEDICAL CENTER	1.29%	0.00%	1.59%	0.28%	3.69%
LIVINGSTON HEALTHCARE	[illegible]	1.13%	0.00%	0.17%	3.42%
ST. JOHN'S LUTHERAN HOSPITAL	1.80%	0.00%	0.00%	0.89%	3.09%
CENTRAL MT MEDICAL CENTER	1.34%	0.00%	0.79%	0.07%	2.53%
ST. LUKE COMMUNITY HOSPITAL	0.65%	[illegible]	0.00%	0.03%	2.49%
ST. JOSEPH HOSPITAL	1.92%	0.00%	0.00%	0.00%	1.92%

* includes community health improvement services, contributions to community groups and community building

C. Community Benefits – Tax Exemption Comparison

By comparing the value of the nonprofit hospitals' tax exemptions to the costs of the community benefits they provided, Table 9 below, we get a "big picture" perspective of the economic exchange society makes by granting tax exempt status to Montana's hospitals. The calculation of the value of the hospitals' tax exemption includes federal and state income taxes, Montana property taxes, and the tax advantage from issuing tax exempt bonds. The value of the tax exemption for both operating income (patient care activities) and total income (includes non-operating income such as investment earnings and rent income) is displayed because non-operating income can vary significantly from year to year.

Table 9
Community Benefit Cost Compared to Value of Tax Exemption – 2008

FACILITY NAME	TOTAL COMMUNITY BENEFIT COST- 2008	VALUE TAX EXEMPTION (OPR. INC.)	OPR. INC. COMMUNITY BENEFIT % TAX EXEMPTION	VALUE TAX EXEMPTION (TOTAL INC.)	TOTAL COMMUNITY BENEFIT % TAX EXEMPTION
BILLINGS CLINIC	$30,361,601	$8,017,308	379%	$4,605,763	659%
ST. PATRICK MISSOULA	$20,704,775	$3,009,556	688%	$2,729,644	759%
ST. VINCENT BILLINGS	$18,526,152	10,035,769	185%	$12,550,071	148%
BENEFIS GREAT FALLS	$14,737,541	$7,159,615	206%	$7,243,256	203%
BOZEMAN DEACONESS	$13,389,138	$4,363,098	307%	$4,977,358	269%
ST. PETER HELENA	$13,336,166	$3,502,806	381%	$5,528,288	241%
NORTHWEST HEALTHCARE (KRH)	$12,751,568	$621,797	2051%	$1,382,311	922%
COMMUNITY MED. CTR.	$9,592,824	$2,080,411	461%	$3,391,802	283%
ST. JAMES BUTTE	$7,284,341	$3,518	*	$3,518	*
NORTHERN MT MED CTR HAVRE	$4,799,162	$291,213	1648%	$1,122,404	428%
HOLY ROSARY MILES CITY	$2,061,800	$634,048	325%	$531,659	388%
TOTAL	**$147,545,068**	**$39,719,139**	**371%**	**$44,066,074**	**335%**
2007 Totals	$119,810,267	$37,209,637	322%	$59,813,352	200%
FRANCIS MAHON DEAC. HOSPITAL	$2,560,112	$807,758	317%	$1,038,047	247%
MARCUS DALY MEMORIAL HOSPITAL	$1,978,596	$644,402	307%	$803,033	246%
COMM. HOSPITAL OF ANACONDA	$1,771,692	$505,632	350%	$745,287	238%
SIDNEY HEALTH CENTER	$1,571,169	$342,233	459%	$342,233	459%
NORTH VALLEY HOSPITAL	$1,400,339	$206,840	677%	$206,840	677%
LIVINGSTON HEALTHCARE	$1,110,555	$34,825	*	$95,113	*
GLENDIVE MEDICAL CENTER	$1,067,362	$920,375	116%	$695,115	154%
ST. JOHN'S LUTHERAN HOSPITAL	$680,368	$236,941	287%	$362,656	188%
ST. LUKE COMMUNITY HOSPITAL	$669,676	$1,045,207	64%	$879,785	76%
CENTRAL MT MEDICAL CENTER	$596,707	$256,012	233%	$374,374	159%
ST. JOSEPH HOSPITAL	$404,458	$322,956	125%	$363,741	111%
TOTAL	**$13,811,034**	**$5,323,180**	**259%**	**$5,906,224**	**234%**

* Percentage is not shown, value of tax exemption less than $100,000.

This analysis shows that, in 2008, the larger hospitals provided community benefits in amounts more than three times greater than the value of their total tax exemptions. This compares with the previous year when the larger institutions provided about two times more community benefit. The increase in 2008 was due to the fact that total income declined at the same time that total community benefits increased by almost $30 million. The smaller hospitals provided about two

and a half times more benefits than the value of their tax exemptions. Details on hospital income and tax exemptions can be found in Appendix 3.

V. Hospital Billing and Collection Practices

A. Uncompensated Care

Hospitals have the obligation to provide care to anyone who comes needing medical services. For individuals who do not qualify or fail to apply for charity care and who do not pay, the charges for services result in bad debts. The combination of charity care and bad debts comprise the total amount of charges for services that the hospital writes off as uncollectable. This sum is called uncompensated care, and its calculation allows a comparison between hospitals.

According to the American Hospital Association, in 2008 uncompensated care averaged 5.8% of hospital operating expenses.[7] The uncompensated care experience for the Montana study hospitals for 2008 is shown in Table 10. Although the percent expense of uncompensated care remained virtually the same from 2007 (5.27% vs. 5.28%), the actual amount of uncompensated care provided by the larger hospitals increased by $10 million.

Table 10
Uncompensated Care Percent of Expenses and Costs - 2008

FACILITY NAME	UNCOMP CARE %	UNCOMP. CARE COST
ST. PETER HELENA	6.70%	$ 7,383,057
ST. JAMES BUTTE	6.57%	$ 4,840,884
BILLINGS CLINIC	5.72%	$ 24,322,546
BOZEMAN DEACONESS HOSPITAL	5.67%	$ 7,850,974
BENEFIS GREAT FALLS	5.56%	$ 11,777,767
ST. VINCENT BILLINGS	5.27%	$ 15,151,069
NORTHWEST HEALTHCARE (KRH)	4.69%	$ 8,997,992
HOLY ROSARY MILES CITY	4.61%	$ 1,563,695
NORTHERN MT MED CTR HAVRE	4.33%	$ 2,297,523
ST. PATRICK MISSOULA	4.19%	$ 8,406,804
COMMUNITY MED. CTR. MISSOULA	3.92%	$ 4,785,354
AVERAGE/TOTAL	**5.27%**	**$ 97,377,665**
NORTH VALLEY HOSPITAL	7.21%	$ 2,235,097
MARCUS DALY MEMORIAL HOSPITAL	6.75%	$ 2,703,657
LIVINGSTON HEALTHCARE	6.46%	$ 2,100,920
ST. JOHN'S LUTHERAN HOSPITAL	5.69%	$ 1,250,029
GLENDIVE MEDICAL CENTER	5.38%	$ 1,556,220
COMM. HOSPITAL OF ANACONDA	5.00%	$ 1,106,750
ST. LUKE COMMUNITY HOSPITAL	4.12%	$ 1,108,005
ST. JOSEPH HOSPITAL	3.11%	$ 655,927
FRANCIS MAHON DEAC. HOSPITAL	3.03%	$ 711,175
CENTRAL MT MEDICAL CENTER	2.94%	$ 691,701
SIDNEY HEALTH CENTER	1.60%	$ 588,305
AVERAGE/TOTAL	**4.77%**	**$ 14,707,786**

The trend in uncompensated care percent of expenses over three years is shown in Table 11. In each year, the Montana hospitals have been slightly lower than the national average. However the difference has reduced significantly in 2007 and 2008.

Table 11
Uncompensated Care Trend – Percent Operating Expense

FACILITY NAME/CITY	2006	2007	2008	Direction
ST. PETER HELENA	4.49%	5.09%	6.70%	Increasing
ST. JAMES BUTTE	5.68%	6.24%	6.57%	Increasing
BILLINGS CLINIC	5.76%	5.59%	5.72%	Unchanged
BOZEMAN DEACONESS	5.25%	7.12%	5.67%	Varying
BENEFIS GREAT FALLS	2.89%	4.14%	5.56%	Increasing
ST. VINCENT BILLINGS	4.26%	5.31%	5.27%	Slight Increase
NORTHWEST HEALTHCARE	5.07%	5.28%	4.69%	Slight Decrease
HOLY ROSARY MILES CITY	4.96%	5.86%	4.61%	Varying
NORTHERN MT MED CTR	4.84%	4.98%	4.33%	Slight Decrease
ST. PATRICK MISSOULA	5.68%	4.65%	4.19%	Decreasing
COMMUNITY MED. CTR.	2.85%	3.83%	3.92%	Increasing
Montana Average	**4.70%**	**5.28%**	5.27%	**Increasing**
National Average	**5.70%**	**5.80%**	**5.80%**	**Unchanged**

B. Collection Practices

Hospitals usually attempt to collect the portion of uncompensated care costs composed of bad debt by referral to a collection agency. We asked the hospitals about their collection practices and the amounts turned over to a collection agency. When viewed as a percent of operating revenue, the percent turned to collection can indicate the extent to which a hospital is aggressive with collections. It can also reflect how liberal the hospital's charity policy is and how effectively it is implemented. In any circumstance, it is in the consumer's and the hospital's interest to identify qualified charity care cases rather than to attempt collection of unpayable debts. Table 12 shows the percent of revenues turned to a collection agency. The average for both large and small hospitals is about 5.5%, although there is substantial variation from high to low.

Table 12
Amounts Turned to Collection as Percent of Operating Revenue – 2008

FACILITY	OPERATING REVENUES	AMOUNT TURNED TO COLLECTION	NUMBER ACCOUNTS TURNED TO COLLECTION	AVERAGE AMOUNT PER ACCOUNT	AMOUNT AS % OP REV
ST. PATRICK MISSOULA	$ 204,504,924	$ 5,841,829	6,013	$ 972	2.86%
ST. PETER HELENA	$ 117,510,029	$ 4,580,937	5,192	$ 882	3.90%
BENEFIS GREAT FALLS	$ 220,915,124	$ 8,923,444	6,419	$ 1,390	4.04%
ST. VINCENT BILLINGS	$ 309,553,105	$ 17,303,402	16,457	$ 1,051	5.59%
BOZEMAN DEACONESS HOSPITAL	$ 149,159,849	$ 8,571,856	7,178	$ 1,194	5.75%
BILLINGS CLINIC	$ 433,812,318	$ 25,419,111	13,596	$ 1,870	5.86%
NORTHWEST HEALTHCARE (KRH)	$ 192,507,435	$ 11,718,980	12,109	$ 968	6.09%
HOLY ROSARY MILES CITY	$ 35,433,281	$ 2,205,669	3,408	$ 647	6.22%
NORTHERN MT MED CTR HAVRE	$ 53,393,738	$ 3,687,373	2,361	$ 1,562	6.91%
COMMUNITY MED. CTR. MISSOULA	$ 126,640,741	$ 8,945,637	11,416	$ 784	7.06%
ST. JAMES BUTTE	$ 66,652,863	$ 6,779,724	529	$ 12,816	10.17%
ST. JOSEPH HOSPITAL	$ 21,422,261	$ 359,771	737	$ 488	1.68%
FRANCIS MAHON DEAC. HOSPITAL	$ 26,479,062	$ 701,293	777	$ 903	2.65%
CENTRAL MT MEDICAL CENTER	$ 24,095,035	$ 707,899	601	$ 1,178	2.94%
GLENDIVE MEDICAL CENTER	$ 31,135,624	$ 1,198,451	2,338	$ 513	3.85%
SIDNEY HEALTH CENTER	$ 36,628,742	$ 1,486,874	2,522	$ 590	4.06%
ST. JOHN'S LUTHERAN HOSPITAL	$ 22,582,822	$ 1,033,340	1,868	$ 553	4.58%
ST. LUKE COMMUNITY HOSPITAL	$ 28,823,384	$ 1,589,844	4,856	$ 327	5.52%
COMM. HOSPITAL OF ANACONDA	$ 23,455,985	$ 1,346,270	1,722	$ 782	5.74%
MARCUS DALY MEMORIAL HOSPITAL	$ 41,370,193	$ 3,353,395	2,091	$ 1,604	8.11%
LIVINGSTON HEALTHCARE	$ 32,543,837	$ 2,713,732	2,844	$ 954	8.34%
NORTH VALLEY HOSPITAL	$ 30,645,946	$ 3,169,445	2,343	$ 1,353	10.34%

Recently, significant national attention has been given to the amount of bankruptcy caused by medical expenses.[8] Like the two previous Community Benefits reports, this year we again collected hospital data about accounts that were written off because they were included in a bankruptcy filing. The average dollar value of these accounts is very low again this year; $1,306 for large hospitals, $950 for small hospitals.

Because these small amounts should not cause a bankruptcy, a more in-depth investigation about bankruptcy in Montana would be necessary to understand this situation. It is also noteworthy that, for the large hospitals, the number of accounts involved in bankruptcy declined again for the third year in a row to 2,250. Table 13 contains a summary of the information collected arrayed by amount in bankruptcy as a percent of operating revenue.

Table 13
Amounts in Bankruptcy as a Percent of Operating Revenues - 2008

FACILITY	AMOUNT IN BANKRUPTCY	NO. ACCOUNTS IN BANKRUPTCY	AVERAGE AMOUNT PER ACCOUNT	AMOUNT AS % OP REV
ST. VINCENT BILLINGS	$ 381,254	352	$ 1,083	0.12%
ST. PATRICK MISSOULA	$ 171,439	151	$ 1,135	0.08%
NORTHWEST HEALTHCARE (KRH)	$ 208,955	187	$ 1,117	0.11%
BILLINGS CLINIC	$ 490,145	651	$ 753	0.11%
COMMUNITY MED. CTR. MISSOULA	$ 194,488	183	$ 1,063	0.15%
ST. PETER HELENA	$ 194,713	138	$ 1,411	0.17%
BENEFIS GREAT FALLS	$ 454,843	220	$ 2,067	0.21%
NORTHERN MT MED CTR HAVRE	$ 145,285	21	$ 6,918	0.27%
ST. JAMES BUTTE	$ 182,418	249	$ 733	0.27%
BOZEMAN DEACONESS HOSPITAL	$ 411,956	91	$ 4,527	0.28%
HOLY ROSARY MILES CITY	$ 103,849	7	$ 14,836	0.29%
SIDNEY HEALTH CENTER	$ 3,899	16	$ 244	0.01%
ST. LUKE COMMUNITY HOSPITAL	$ 6,172	50	$ 123	0.02%
FRANCIS MAHON DEAC. HOSPITAL	$ 6,301	45	$ 140	0.02%
GLENDIVE MEDICAL CENTER	$ 20,791	75	$ 277	0.07%
LIVINGSTON HEALTHCARE	$ 22,177	24	$ 924	0.07%
ST. JOSEPH HOSPITAL	$ 17,261	41	$ 421	0.08%
CENTRAL MT MEDICAL CENTER	$ 35,516	29	$ 1,225	0.15%
COMM. HOSPITAL OF ANACONDA	$ 38,940	33	$ 1,180	0.17%
ST. JOHN'S LUTHERAN HOSPITAL	$ 61,556	86	$ 716	0.27%
NORTH VALLEY HOSPITAL	$ 105,014	114	$ 921	0.34%
MARCUS DALY MEMORIAL HOSP.	$ 227,834	62	$ 3,675	0.55%

C. Price Transparency

It is not easy to be a wise purchaser of health care services. For the consumer who has the time to evaluate options surrounding cost, quality and availability, obtaining comparable information requires a substantial effort. Recent attempts in Montana to improve transparency around price, quality and availability have resulted in the MHA (An Association of Healthcare Providers) sponsoring the web site "Montana Informed Patient" (http://www.mtinformedpatient.org/). The hospitals' individual web sites provide almost no pricing information.

For this report, the inclusion of price comparisons (Appendix 4) serves to illustrate that there are substantial differences in the prices charged by hospitals. However, the effort required was beyond what any individual would be able to invest in price comparisons. Furthermore, the price (charge) for the medical event needs to be evaluated in relationship to the quality of the service

in order to judge the total value of the healthcare purchase. Finally, the average price for a medical event does not inform the consumer about the amount his insurance will cover and the amount that will remain as an out-of-pocket expense. Continued efforts by the individual hospitals, by the MHA, and by insurance companies are needed before Montanans can be informed consumers of health care.

Appendix 4 displays the adjusted (high and low outliers removed) average prices the study hospitals charged for nine of the most common reasons for inpatient hospitalization in 2008. The prices are not strictly comparable because the Diagnostic Related Group (DRG) classifications do not entirely reflect the differences in severity among cases.

Overall, smaller hospitals have lower charges than the larger hospitals. This generally reflects the higher cost structure as well as the higher severity of cases at the larger hospitals. Additionally, it is interesting to note that one larger hospital, Bozeman Deaconess, had the lowest charge for four of the eight services they reported. Among smaller hospitals, Central Montana Medical Center, Lewistown, had the lowest charges in five of eight categories.

VI. Foundations

Table 14 summarizes the information furnished in the IRS 990 reports for the hospitals' foundations.

- Direct public support is the amount donated to the foundation as well as any grants received.
- Total revenue includes investment earnings.
- Program services are amounts spent by the foundation to support the charitable works of the foundation.

We calculated the percent of total expense devoted to program services in an effort to judge the overall efficiency of the foundation. Similarly, the cost of fund raising as a percent of direct public support is a foundation efficiency indicator. Efficient charities spend at least 65 percent of their budget on program services that fulfill their mission, and only 35 percent or less on fundraising and administrative overhead.[9]

Four hospital foundations fell below this efficiency benchmark in 2008, and two were significantly below the 65 percent target. Similarly, the cost of fund raising as a percent of direct public support is a foundation efficiency indicator. Established charities should not spend more than 35 cents, on average, to raise a dollar of donations.[9] By this measure, one hospital foundation had high fundraising costs in 2008.

Table 14
Hospital Foundations: Assets, Receipts and Expenses – 2008

FACILITY NAME	NET ASSETS	DIRECT PUBLIC SUPPORT	TOTAL REVENUE	PROGRAM SERVICES	FUND-RAISING COSTS	TOTAL EXPENSES	PROGRAM SVCS. % TOTAL EXP.	FUNDRAISING COSTS % DIR. PUB. SUPT.
ST. VINCENT HEALTHCARE	$29,787,205	$ 1,871,506	$ 5,735,694	$ 3,352,987	$ 223,131	$ 4,204,652	79.7%	11.9%
BILLINGS CLINIC	$28,814,912	$ 5,502,158	$ 9,006,911	$ 4,857,564	$ 319,271	$ 5,176,835	93.8%	5.8%
BOZEMAN DEACONESS	$13,112,553	$ 1,092,939	$ 1,810,689	$ 804,025	$ 427,741	$ 1,344,154	59.8%	39.1%
ST. PETER HOSPITAL	$10,999,747	$ 1,148,148	$ 1,879,342	$ 981,566	$ 22,471	$ 1,004,037	97.8%	2.0%
BENEFIS GREAT FALLS	$ 8,480,216	$ 2,998,771	$ 3,640,860	$ 1,541,065	$ 417,876	$ 2,433,984	63.3%	13.9%
COMMUNITY MED. CTR.	$ 7,235,234	$ 410,551	$ 676,900	$ 143,062	$ 24,803	$ 537,239	26.6%	6.0%
ST. PATRICK HOSP.	$ 5,701,381	$ 2,843,136	$ 3,011,409	$ 1,533,511	$ 571,949	$ 2,345,029	65.4%	20.1%
NORTHWEST HEALTHCARE	$ 4,062,880	$ 2,129,502	$ 2,897,855	$ 2,153,807	$ 72,180	$ 2,392,460	90.0%	3.4%
NORTHERN MT MED CTR	$ 1,613,628	$ 528,931	$ 581,531	$ 18,993	$ 68,390	$ 125,697	15.1%	12.9%
HOLY ROSARY HEALTHCARE	$ 1,122,445	$ 125,587	$ 287,772	$ 83,794	$ -	$ 105,388	79.5%	0.0%
ST. JAMES HEALTHCARE	$ 359,213	$ 271,228	$ 330,431	$ 274,276	$ 52,649	$ 301,807	90.9%	19.4%

Conclusion

Society's expectations of the nonprofit, community hospital today are greater than ever before and rightly so. In addition to the benefits conferred by tax exemption, invariably the local hospital is the locus of more resources – human, physical and monetary – than any other organization in the community. In addition to the quality and cost of the health care they provide, hospitals are being scrutinized for the charity care and community benefit they furnish. In Montana, over a three-year period, the larger study hospitals as a group have devoted increasingly greater amounts and percentage of resources to community benefit purposes. Specifically, the cost of charity care and its percent of surplus and total community benefits compared to the value of tax exemptions have increased. The data also show there is substantial variation among the hospitals on these measures.

Because community expectations will not diminish, Montana hospital boards of directors and executives should specifically evaluate:

- their Community Health Needs Assessment developed in conjunction with other community organizations that prioritizes needs;
- their Community Benefit Plan that is tied to a community health needs assessment;
- if their Charity Policy is up-to-date and, in particular, the levels at which the sliding scale begins and ends; and
- how the Charity Policy is communicated. Can patients access and understand it easily?

ENDNOTES

1. "Nonprofit Hospitals: Variations in Standards and Guidance Limits Comparison of How Hospitals Meet Community Benefit Requirements", Government Accountability Office, Sept. 2008.

2. "Hospital Compliance Project Interim Report", Internal Revenue Service, July 2007.

3. "Hospital Compliance Project Final Report", Internal Revenue Service, Feb. 2009.

4. At press time, the web pages of Northern Montana Hospital, Community Hospital of Anaconda, and Glendive Medical Center were under re-design.

5. We used the average score provided by the text readability tool found at www.addedbytes.com.

6. "Charitable Expectations of Non Profit Hospitals: Lessons from Maryland", Gray and Schlesinger, *Health Affairs*, July 2009

7 "Uncompensated Care Fact Sheet", American Hospital Association, Nov. 2009.

8. "Medical Bankruptcy in the United States, 2007: Results of a National Survey", Himmelstein et.al., *American Journal of Medicine*, August 2009

9. American Institute of Philanthropy, http://www.charitywatch.org/criteria.html#except.

Appendix 1

Community Benefit Definitions

Charity Care:

The cost of free or discounted services provided to persons who meet the organization's criteria for financial assistance and are thereby deemed unable to pay for all or a portion of the services. Charity care does not include bad debts or uncollectable charges.

Unreimbursed Medicaid:

The unpaid costs of Medicaid and other public programs (such as State Health Insurance Program- SCHIP) for low-income persons. This is the loss created when the payments from these programs are less than the costs of caring for beneficiaries of these programs.

Community Health Improvement Services:

The costs of programs or activities carried out for the express purpose of improving community health and which extend beyond patient care activities that are subsidized by the organization. Examples include community health education and health services and screenings for underinsured and uninsured persons.

Subsidized Health Services:

Clinical services that are provided despite a financial loss to the organization because the service meets an identified community need and if no longer offered, it would either be unavailable in the area or fall to the responsibility of government or another nonprofit organization to provide.

Contributions to Community Groups:

Cash and in-kind services donated to individuals or community groups and nonprofit organizations.

Health Professional Education:

The costs resulting from support for educational programs that result in a degree, certificate, or training necessary to be licensed as a health professional.

Research:

The costs of health research and studies which generate generalizable knowledge made available to the public. Examples include clinical trials, studies on community health and research prepared for professional journals.

Community Benefit Operations:

The cost of activities associated with community health needs assessments as well as community benefit planning and administration.

Community Building:

The costs of activities and programs that address the root causes of health problems such as poverty, homelessness and environmental problems. Examples include housing rehabilitation, economic development projects, community leadership development, and child care for residents with qualified need.

Appendix 2

Larger Hospitals Community Benefits – 2008

FACILITY NAME	CHARITY CARE	UNREIMB. MEDICAID COST	COMM HEALTH IMPROVE. SERV.	SUBSID. HEALTH SERV.	CONTRIB. COMM GRP	HEALTH PROF. ED.	RE-SEARCH	COMM. BENEFIT OPS.	COMM. BUILDING	TOTAL
BILLINGS CLINIC	$ 14,362,268	$ 2,920,553	$ 3,701,485	$ 7,556,351	$ 149,122	$ 990,140	$ 591,961	$ 13,525	$ 76,196	**$ 30,361,601**
ST. PATRICK MISSOULA	$ 6,618,203	$ 5,926,625	$ 940,063	$ 6,502,508	$ 80,148	$ 338,668	$ 201,967	$ 96,593	$ -	**$ 20,704,775**
ST. VINCENT BILLINGS	$ 6,592,783	$ 1,372,431	$ 2,348,899	$ 4,809,580	$1,135,759	$ 832,658	$ 126,521	$ 650,222	$ 657,299	**$ 18,526,152**
BENEFIS GREAT FALLS	$ 6,248,359	$ 2,797,226	$ 573,141	$ 3,065,821	$1,328,243	$ 531,427	$ 66,083	$ -	$ 127,241	**$ 14,737,541**
BOZEMAN DEACONESS HOSP.	$ 2,452,589	$ 801,411	$ 642,905	$ 6,200,856	$2,891,094	$ 357,349	$ 3,602	$ 2,952	$ 36,380	**$ 13,389,138**
ST. PETER HELENA	$ 2,980,227	$ 1,590,027	$ 333,349	$ 8,031,569	$ 161,237	$ 109,299	$ -	$ -	$ 130,458	**$ 13,336,166**
NORTHWEST HEALTHCARE	$ 2,856,665	$ 4,752,972	$ 70,437	$ 4,587,570	$ 295,120	$ 132,924	$ -	$ 2,381	$ 53,499	**$ 12,751,568**
COMMUNITY MED. CTR.	$ 2,964,108	$ 4,558,029	$ 192,330	$ 413,612	$ 242,102	$ 1,177,153	$ -	$ 17,206	$ 28,284	**$ 9,592,824**
ST. JAMES BUTTE	$ 2,616,819	$ 4,502,879	$ 111,855	$ -	$ 3,108	$ 49,680	$ -	$ -	$ -	**$ 7,284,341**
NORTHERN MT MED CTR	$ 516,560	$ 1,033,134	$ 133,001	$ 2,848,675	$ 63,996	$ 51,700	$ -	$ 14,003	$ 138,093	**$ 4,799,162**
HOLY ROSARY MILES CITY	$ 400,174	$ 1,412,502	$ 77,212	$ -	$ 52,573	$ 38,777	$ -	$ 75,581	$ 4,981	**$ 2,061,800**
Total	$ 48,608,755	$ 31,667,789	$ 9,124,677	$44,016,542	$6,402,502	$ 4,609,775	$ 990,134	$ 872,463	$ 1,252,431	**$ 147,545,068**

Appendix 2

Smaller Hospitals Community Benefits - 2008

FACILITY NAME	CHARITY CARE	UNREIMB. MEDICAID COST	COMM HEALTH IMPROVE. SERV.	SUBSID. HEALTH SERV.	CONTRIB. COMM GRP	HEALTH PROF. ED.	RE-SEARCH	COMM. BENEFIT OPS.	COMM. BUILDING	TOTAL
FRANCIS MAHON DEAC. HOSP.	$ 357,613	$ -	$ 68,259	$ 1,042,849	$ 952,808	$ 98,969	$ -	$ -	$ 39,614	**$ 2,560,112**
MARCUS DALY MEMORIAL	$ 148,691	$ 102,819	$ 267,879	$ 1,316,576	$ 87,925	$ 46,160	$ -	$ 8,546	$ -	**$ 1,978,596**
COMM. HOSP. OF ANACONDA	$ 102,525	$ 270,069	$ 95,697	$ 1,288,767	$ 10,209	$ 2,380	$ -	$ 1,531	$ 514	**$ 1,771,692**
SIDNEY HEALTH CENTER	$ 266,789	$ -	$ 49,592	$ 1,220,624	$ 11,459	$ 12,156	$ -	$ -	$ 10,549	**$ 1,571,169**
NORTH VALLEY HOSPITAL	$ 707,333	$ 25,841	$ 115,881	$ 358,139	$ 15,686	$ 85,135	$ -	$ 400	$ 91,924	**$ 1,400,339**
LIVINGSTON HEALTHCARE	$ 653,229	$ 366,323	$ 55,822	$ -	$ 20,800	$ 5,881	$ -	$ -	$ 8,500	**$ 1,110,555**
GLENDIVE MEDICAL CENTER	$ 371,994	$ -	$ 80,250	$ 460,290	$ 94,375	$ 53,594	$ -	$ 1,272	$ 5,587	**$ 1,067,362**
ST. JOHN'S LUTHERAN HOSP.	$ 394,660	$ -	$ 194,920	$ -	$ 90,788	$ -	$ -	$ -	$ -	**$ 680,368**
ST. LUKE COMMUNITY HOSP.	$ 175,729	$ 371,154	$ 8,622	$ -	$ 39,129	$ 66,458	$ -	$ 624	$ 7,960	**$ 669,676**
CENTRAL MT MEDICAL CENTER	$ 316,313	$ -	$ 17,416	$ 184,961	$ 13,796	$ 61,815	$ -	$ 2,406	$ -	**$ 596,707**
ST. JOSEPH HOSPITAL	$ 404,127	$ -	$ 331	$ -	$ -	$ -	$ -	$ -	$ -	**$ 404,458**
Total	$ 3,899,003	$ 1,136,206	$ 954,669	$ 5,872,206	$1,336,975	$ 432,548	$ -	$ 14,779	$ 164,648	**$ 13,811,034**

Appendix 3

Total Income Tax Calculation - 2008

FACILITY NAME/CITY	TOTAL INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	PROPERTY TAX	TAX EXEMPT BONDS EXEMPTION VALUE	TOTAL TAX EXEMPTION
ST. VINCENT BILLINGS	$ 28,466,830	$ 9,678,722	$ 1,268,197	$ 1,603,152	$ 1,640,628	$ 12,550,071
BENEFIS GREAT FALLS	$ 9,207,516	$ 3,130,555	$ 410,195	$ 2,061,878	$ 2,098,998	$ 7,243,256
ST. PETER HELENA	$ 12,552,070	$ 4,267,704	$ 559,195	$ 26,011	$ 209,154	$ 5,528,288
BOZEMAN DEACONESS HOSPITAL	$ 12,300,114	$ 4,182,039	$ 547,970	$ 38,195	$ 211,134	$ 4,977,358
BILLINGS CLINIC	$ (33,791)	$ -	$ -	$ 2,506,765	$ -	$ 4,605,763
COMMUNITY MED. CTR.	$ 8,073,957	$ 2,745,145	$ 359,695	$ 75,828	$ 314,102	$ 3,391,802
ST. PATRICK MISSOULA	$ 3,074,554	$ 1,045,348	$ 136,971	$ 757,279	$ 143,786	$ 2,729,644
NORTHWEST HEALTHCARE (KRH)	$ 2,747,497	$ 934,149	$ 122,401	$ 11,659	$ -	$ 1,382,311
NORTHERN MT MED CTR HAVRE	$ 2,544,380	$ 865,089	$ 113,352	$ 177	$ 790,045	$ 1,122,404
HOLY ROSARY MILES CITY	$ 1,262,745	$ 429,333	$ 56,255	$ 46,070	$ 675,378	$ 531,659
ST. JAMES BUTTE	$ (6,927,853)	$ -	$ -	$ 3,518	$ -	$ 3,518
FRANCIS MAHON DEAC. HOSP.	$ 2,569,325	$ 873,571	$ 114,463	$ 25,187	$ 31,082	$ 1,038,047
MARCUS DALY MEMORIAL HOSP.	$ 1,733,482	$ 589,384	$ 77,227	$ 122,333	$ -	$ 925,366
ST. LUKE COMMUNITY HOSPITAL	$ 1,485,911	$ 505,210	$ 66,197	$ 9,134	$ 24,826	$ 879,785
COMM. HOSPITAL OF ANACONDA	$ 1,933,023	$ 657,228	$ 86,116	$ 1,943	$ -	$ 745,287
GLENDIVE MEDICAL CENTER	$ 1,648,393	$ 560,454	$ 73,436	$ 12,499	$ -	$ 695,115
CENTRAL MT MEDICAL CENTER	$ 857,238	$ 291,461	$ 38,190	$ 13,641	$ 136,422	$ 374,374
ST. JOSEPH HOSPITAL	$ 429,267	$ 145,951	$ 19,124	$ 51,010	$ -	$ 363,741
ST. JOHN'S LUTHERAN HOSPITAL	$ 925,208	$ 314,571	$ 41,218	$ 6,867	$ -	$ 362,656
SIDNEY HEALTH CENTER	$ (961,803)	$ -	$ -	$ 3,191	$ -	$ 342,233
NORTH VALLEY HOSPITAL	$ (31,866)	$ -	$ -	$ 206,840	$ -	$ 206,840
LIVINGSTON HEALTHCARE	$ 194,676	$ 66,190	$ 8,673	$ 20,250	$ -	$ 95,113

Appendix 3

Operating Income Tax Calculation – 2008

FACILITY NAME/CITY	OPERATING INCOME	FEDERAL INCOME TAX	STATE INCOME TAX	PROPERTY TAX	TAX EXEMPT BONDS EXPEMPTION	OPERATING TAX EXEMPTION
ST. VINCENT BILLINGS	$ 21,928,531	$ 7,455,701	$ 976,916	$ 1,603,152	$ 1,640,628	$ 10,035,769
BILLINGS CLINIC	$ 8,871,524	$ 3,016,318	$ 395,226	$ 2,506,765	$ 2,098,998	$ 8,017,308
BENEFIS GREAT FALLS	$ 8,990,011	$ 3,056,604	$ 400,505	$ 2,061,878	$ 209,154	$ 7,159,615
BOZEMAN DEACONESS HOSPITAL	$ 10,702,768	$ 3,638,941	$ 476,808	$ 38,195	$ 211,134	$ 4,363,098
ST. PETER HELENA	$ 7,284,923	$ 2,476,874	$ 324,543	$ 26,011	$ -	$ 3,502,806
ST. PATRICK MISSOULA	$ 3,802,450	$ 1,292,833	$ 169,399	$ 757,279	$ 314,102	$ 3,009,556
COMMUNITY MED. CTR. MISSOULA	$ 4,663,761	$ 1,585,679	$ 207,771	$ 75,828	$ 143,786	$ 2,080,411
HOLY ROSARY MILES CITY	$ 1,529,003	$ 519,861	$ 68,117	$ 46,070	$ -	$ 634,048
NORTHWEST HEALTHCARE (KRH)	$ 769,826	$ 261,741	$ 34,296	$ 11,659	$ 790,045	$ 621,797
NORTHERN MT MED CTR HAVRE	$ 382,914	$ 130,191	$ 17,059	$ 177	$ 675,378	$ 291,213
ST. JAMES BUTTE	$ (6,978,203)	$ -	$ -	$ 3,518	$ -	$ 3,518
ST. LUKE COMMUNITY HOSPITAL	$ 1,916,080	$ 651,467	$ 85,361	$ 9,134	$ 31,082	$ 1,045,207
GLENDIVE MEDICAL CENTER	$ 2,234,169	$ 759,617	$ 99,532	$ 12,499	$ -	$ 920,375
FRANCIS MAHON DEAC. HOSPITAL	$ 1,970,471	$ 669,960	$ 87,784	$ 25,187	$ 24,826	$ 807,758
MARCUS DALY MEMORIAL HOSPITA	$ 1,320,972	$ 449,130	$ 58,849	$ -	$ 48,727	$ 644,402
COMM. HOSPITAL OF ANACONDA	$ 1,309,814	$ 445,337	$ 58,352	$ 1,943	$ -	$ 505,632
SIDNEY HEALTH CENTER	$ (210,805)	$ -	$ -	$ 3,191	$ 136,422	$ 342,233
ST. JOSEPH HOSPITAL	$ 323,206	$ 109,890	$ 14,399	$ 51,010	$ -	$ 322,956
CENTRAL MT MEDICAL CENTER	$ 549,443	$ 186,811	$ 24,478	$ 13,641	$ 339,042	$ 256,012
ST. JOHN'S LUTHERAN HOSPITAL	$ 598,294	$ 203,420	$ 26,654	$ 6,867	$ -	$ 236,941
NORTH VALLEY HOSPITAL	$ (336,722)	$ -	$ -	$ 206,840	$ -	$ 206,840
LIVINGSTON HEALTHCARE	$ 37,901	$ 12,886	$ 1,688	$ 20,250	$ -	$ 34,825

Appendix 4

Adjusted Average Prices for Most Common Causes for Inpatient Hospitalization - 2008

Facility	Chronic Obstructive Pulmonary Disease - 088	Simple Pheumonia - 089	Heart Failure and Shock - 127	Esogapagitis - 182	Cesarian Section - 371	Vaginal Delivery - 373	Normal Newborn - 391	Psychosis - 430	Major Joint Replacement - 544
BENEFIS GREAT FALLS			$ 10,804	[illegible]	[illegible]	$ 3,475	$ 1,532	$ 6,622	$ 27,080
BILLINGS CLINIC	$ 11,180	$ 10,711	$ 10,905		$ 10,687	$ 5,468	$ 1,519	$ 8,971	$ 28,193
BOZEMAN DEACONESS HOSPITAL		$ 9,590	[illegible]	$ 8,226	$ 7,562	[illegible]	$ 1,509		$ 30,865
COMMUNITY MED. CTR.			$ 13,989		$ 9,294	$ 5,109	$ 1,477		$ 28,704
HOLY ROSARY MILES CITY	$ 12,971	$ 11,216			$ 9,178	$ 4,514	$ 1,475		$ 35,461
NORTHERN MT MED CTR HAVRE	$ 9,548	$ 14,234	$ 12,418	$ 8,056	$ 9,665	$ 5,307	$ 2,092	$ 5,950	
NORTHWEST HEALTHCARE	$ 9,531	$ 10,433		$ 9,839	$ 10,438	$ 4,291	[illegible]	$ 8,466	[illegible]
ST. JAMES BUTTE	$ 11,812	$ 14,517	$ 12,511	$ 9,321		$ 5,169	$ 1,771		$ 28,859
ST. PATRICK MISSOULA	$ 10,878	$ 11,662						$ 10,775	$ 28,237
ST. PETER HELENA	$ 11,399	$ 10,213		$ 7,987	$ 7,942	$ 3,648	$ 1,429		$ 27,263
ST. VINCENT BILLINGS	$ 8,637	$ 9,950	$ 11,062	$ 9,488	$ 9,728	$ 5,158	$ 1,453		$ 30,805
Average	**$ 10,487**	**$ 11,025**	**$ 11,466**	**$ 8,497**	**$ 9,026**	**$ 4,508**	**$ 1,565**	**$ 7,605**	**$ 29,167**
CENTRAL MT MEDICAL CENTER	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	$ 1,554		[illegible]
COMM. HOSPITAL OF ANACONDA	$ 8,008	$ 9,643	$ 8,174	$ 4,844		$ 4,670			
FRANCIS MAHON DEAC. HOSPITAL	$ 6,453	$ 7,655	$ 6,215		$ 8,244	$ 4,068	$ 1,378		$ 28,647
GLENDIVE MEDICAL CENTER	$ 9,438	$ 10,546	$ 8,116		$ 8,992	$ 4,476	$ 1,315		$ 45,172
LIVINGSTON HEALTHCARE	$ 6,563	$ 8,618	$ 8,873	$ 4,509	[illegible]	$ 3,754			$ 35,104
MARCUS DALY MEMORIAL	$ 7,416	$ 9,071	$ 6,985	$ 5,319		$ 3,840	$ 1,409		$ 37,735
NORTH VALLEY HOSPITAL		$ 10,318		$ 5,461	$ 8,257	$ 4,516	$ 1,457		$ 26,774
SIDNEY HEALTH CENTER	$ 6,439	$ 8,094	$ 7,581	$ 5,626	$ 8,573	$ 4,649	$ 1,304		$ 24,713
ST. JOHN'S LUTHERAN HOSPITAL	$ 9,209	$ 9,547	$ 7,864			$ 4,529	[illegible]		$ 31,430
ST. JOSEPH HOSPITAL POLSON	$ 6,106	$ 8,439	$ 6,548		$ 9,059	$ 6,046	$ 1,475		
ST. LUKE COMMUNITY HOSPITAL	$ 6,789	$ 9,001	$ 7,243	$ 5,802	$ 9,204	$ 5,128	$ 1,319		
Average	**$ 7,159**	**$ 8,880**	**$ 7,344**	**$ 5,150**	**$ 8,634**		**$ 1,381**		**$ 31,727**

Yellow cells = Lowest cost for hospitalization cause

Appendix 5

VARIATIONS IN PATERNS OF COMMUNITY BENEFIT ACTIVITY 2008 - LARGE HOSPITALS

	RANGE			INTERQUARTILE RANGE	
CATEGORY	MEDIAN	MINIMUM	MAXIMUM	25TH PERCENTILE	75TH PERCENTILE
Charity Care	2.43%	0.97%	3.55%	1.41%	[illegible]
Unreimbursed Medicaid Costs	1.95%	0.48%	6.12%	0.65%	[illegible]
Subsidized Services	1.78%	0.00%	7.29%	0.30%	[illegible]
Services to Community*	0.57%	0.16%	2.58%	0.34%	[illegible]
All Other	0.28%	0.07%	0.98%	0.09%	[illegible]
Total Community Benefit	7.86%	6.08%	12.10%	6.60%	[illegible]

VARIATIONS IN PATERNS OF COMMUNITY BENEFIT ACTIVITY 2008 - SMALL HOSPITALS

	RANGE			INTERQUARTILE RANGE	
CATEGORY	MEDIAN	MINIMUM	MAXIMUM	25TH PERCENTILE	75TH PERCENTILE
Charity Care	1.34%	0.37%	2.28%	0.60%	[illegible]
Unreimbursed Medicaid Costs	0.00%	0.00%	1.38%	0.00%	[illegible]
Subsidized Services	1.16%	0.00%	5.82%	0.00%	[illegible]
Services to Community*	0.28%	0.00%	0.89%	0.06%	[illegible]
All Other	0.14%	0.00%	0.42%	0.01%	[illegible]
Total Community Benefit	3.69%	1.92%	10.89%	2.52%	[illegible]

* Includes community health improvement services, contributions to community groups and community building