

Maryland Hospital Community Benefits Report FY 2008

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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 2008. 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 2009.

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 and many interested parties, including local health departments and other State organizations 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 this report, 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

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 2008 experience has been included in this report.

on the details, format, and updates to the community benefit report. The Fiscal Year 2008 report represents the HSCRC's fifth effort to capture Maryland Hospital Community Benefit Data.

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 has over ten years of voluntary hospital community benefit reporting experience across many states.

Changes to Community Benefit Reporting: FY 2007 to FY 2008

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 will be mandatory for the FY 2009 filings. Hospitals were asked to include all attachments with the FY 2008 CBR. These included 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 2008 Maryland Hospital Community Benefits Report. Another change resulting from the advisory group was the calculation of Indirect Costs. The indirect cost ratio will no longer be applied to all community benefits categories with the option to override. Rather, it will be applied to three categories only with the option to change the default from zero in the other categories if needed.

The new narrative guidelines were developed, in part, to provide a standard reporting format for all hospitals. This will provide readers of the individual hospital reports with more information than was previously available as well as allow for comparison across hospitals. In addition, the narrative guidelines were aligned, wherever possible, with the newly created IRS form 990, schedule H, in an effort to provide as much consistency as is practical in reporting on the state and federal levels.

CBR – 2008 Highlights

The reporting period for this Community Benefit Report is July 1, 2007 – June 30, 2008. Hospitals submitted their individual community benefit reports to the HSCRC by January 1, 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 \$861 million in community benefit activities in FY 2008. Of this, \$286 million was provided in the form of

charity care, \$263 million in health professions education activities, over \$191 million in mission driven health services, \$62.5 million in community health services, \$17.8 million in financial contributions, \$16.9 million in community building activities, over \$8.9 million for research activities, \$6.9 million in community benefit operations, and 6.8 million in foundation community benefit initiatives.²

Table I – Total Community Benefit

Community Benefit Category	Number of Staff Hours	Number of Encounters	Total Community Benefit
Community Health Services	665,184	10,484,175	\$62,543,531
Health Professions Education	4,333,042	284,110	\$263,234,030
Mission Driven Health Services	1,917,105	1,049,971	\$191,461,782
Research	78,509	22,332	\$8,932,207
Financial Contributions	36,077	149,485	\$17,848,729
Community Building	182,788	294,720	\$16,922,917
Community Benefit Operations	53,168	190,002	\$6,936,090
Charity Care	n/a	n/a	\$286,323,867
Foundation	66,334	8,178	\$6,884,244
Total	7,332,206	12,482,972	\$861,087,398

For additional detail and 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.

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.

As in previous years, hospitals were directed to use the annual audited cost report data to calculate indirect cost ratios, which continue to vary widely among hospitals. In previous years, the HSCRC included a default indirect cost calculation in all categories of benefit, allowing the hospitals to override the calculated indirect costs where it was thought that the direct costs may, in part, reflect the total costs of the community benefit initiative.

Based on a review of previous years' reports, 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

	2008 Total Community Benefit	2008 Net Community Benefit W/O Indirect Cost	2008 Indirect Costs	Indirect Costs as a Percentage of Total Community Benefit
Community Health Services	\$62,543,531	\$38,565,371	\$23,978,160	38.34%
Health Professions Education	\$263,234,030	\$200,744,207	\$62,489,823	23.74%
Mission Driven Health Care Services	\$191,461,782	\$138,400,998	\$53,060,785	27.71%
Research	\$8,932,207	\$7,290,589	\$1,641,609	18.38%
Financial Contributions	\$17,848,729	\$16,343,118	\$1,505,611	8.44%
Community Building Activities	\$16,922,917	\$11,530,022	\$5,392,896	31.87%
Community Benefit Operations	\$6,936,090	\$4,386,865	\$2,549,226	36.75%
Charity Care	\$286,323,867	\$286,323,867	\$0	0
Foundation Community Benefit	\$6,884,244	\$6,521,616	\$362,628	5.27%
Totals	\$861,087,398	\$710,106,661	\$150,980,737	17.53%

As a result of the changes in indirect cost reporting, the indirect costs as a percentage of total community benefits were reduced from 24.05% in FY 2007 to 17.53% in FY 2008.

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. Since the narrative guidelines were optional for FY 2008, only fifteen of the reporting hospitals used the new guidelines. The HSCRC is now in the process of creating a review mechanism that will provide feedback to the hospitals with regard to their community benefit activities. Additionally, staff is working to reorganize this report allowing for a more comprehensive and informative reporting tool in the future.

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, uncompensated care, and direct graduate medical education costs that are included in rates for Maryland hospitals in Fiscal Year 2008 funded by all payers.

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 2008, approximately \$10 million was provided in hospital rate adjustments. 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. 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.

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 2008, these direct costs totaled \$179 million. The Commission did not quantify the indirect costs associated with medical education for FY 2008. For further information about funding provided to specific hospitals, please see Attachment II.

Attachment I

FY 2008 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	304,264	9,680,422	\$16,317,880	\$8,797,648	\$23,510,024	\$14,712,375
Support Groups	15,468	64,395	\$730,404	\$415,372	\$1,137,160	\$721,788
Self-Help	34,031	176,733	\$1,757,575	\$915,814	\$2,163,658	\$1,247,844
A2 Community-Based Clinical Services	93,186	107,449	\$6,750,632	\$3,859,689	\$9,791,550	\$5,931,861
Screenings	27,804	84,051	\$1,791,118	\$951,784	\$2,575,276	\$1,623,492
One-Time/Occasionally Held Clinics	6,905	33,894	\$611,901	\$310,524	\$754,049	\$443,525
Free Clinics	4,176	17,498	\$156,602	\$94,985	\$251,587	\$156,602
Mobile Units	15,309	6,248	\$758,660	\$384,280	\$1,142,940	\$758,660
A3 Health Care Support Services	117,972	189,904	\$12,084,435	\$6,677,538	\$17,148,310	\$10,470,772
A4 Other	46,070	123,582	\$2,772,195	\$1,570,526	\$4,068,977	\$2,498,450
totals	665,184	10,484,175	\$43,731,403	\$23,978,160	\$62,543,531	\$38,565,371

	# of Staff Hours	# of Encounters	Direct Cost (\$)	Indirect Cost (\$)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
B Health Professions Education						
B1 Physicians/Medical Students	3,791,388	55,573	\$179,725,386	\$57,712,079	\$237,436,417	\$179,724,338
B2 Scholarships/Funding for Professional Education	10,964	5,500	\$2,531,567	\$99,057	\$2,630,625	\$2,531,567
B3 Nurses/Nursing Students	311,229	115,828	\$11,057,507	\$2,782,044	\$13,803,169	\$11,021,125
B4 Technicians	37,500	10,830	\$1,338,748	\$478,727	\$1,715,253	\$1,236,526
B5 Other Health Professionals	134,507	59,337	\$4,893,515	\$968,911	\$5,807,224	\$4,838,313
B6 Other	47,455	37,042	\$1,400,765	\$449,004	\$1,841,342	\$1,392,338
Totals	4,333,042	284,110	\$200,947,487	\$62,489,823	\$263,234,030	\$200,744,207

	# of Staff Hours	# of Encounters	Direct Cost (\$)	Indirect Cost (\$)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
C Mission Driven Health Services						
	1,917,105	1,049,971	\$243,694,435	\$53,060,785	\$191,461,782	\$138,400,998

	# of Staff Hours	# of Encounters	Direct Cost (\$)	Indirect Cost (\$)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
D Research						
D1 Clinical	66,877	21,805	\$6,549,029	\$1,638,912	\$5,996,248	\$4,357,336
D2 Community Health Research	1,131	150	\$79,350	\$2,697	\$82,046	\$79,350
D3 Other	10,501	377	\$2,853,912	\$0	\$2,853,912	\$2,853,912
Totals	78,509	22,332	\$9,482,291	\$1,641,609	\$8,932,207	\$7,290,598

	# of Staff Hours	# of Encounters	Direct Cost (\$)	Indirect Cost (\$)	Net Community Benefit W/Indirect Cost	Net Community Benefit W/O Indirect Cost
E Financial Contributions						
E1 Cash Donations	1,924	6,738	\$5,740,425	\$1,078,055	\$6,481,178	\$5,403,123
E2 Grants	0	0	\$641,413	\$0	\$353,184	\$353,184
E3 In-Kind Donations	30,516	140,357	\$4,357,602	\$363,422	\$4,612,059	\$4,248,637
E4 Cost of Fund Raising for Community Programs	3,637	2,390	\$449,175	\$64,134	\$513,309	\$449,175
E5 Sales Taxes, Property Taxes, Income Taxes*	0	0	\$5,889,000	\$0	\$5,889,000	\$5,889,000
Totals	36,077	149,485	\$17,077,614	\$1,505,611	\$17,848,729	\$16,343,118

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	1,386	184,339	\$2,028,417	\$404,305	\$2,432,722	\$2,028,417
F2 Economic Development	18,753	5,812	\$1,236,195	\$759,605	\$1,614,400	\$854,795
F3 Support System Enhancements	47,042	21,687	\$2,284,976	\$1,285,085	\$3,294,623	\$2,009,538
F4 Environmental Improvements	9,686	224	\$262,537	\$147,468	\$410,006	\$262,537
F5 Leadership Development/Training for Community Members	12,219	8,054	\$636,937	\$322,796	\$955,858	\$633,062
F6 Coalition Building	7,228	8,874	\$687,976	\$370,406	\$1,058,360	\$687,954
F7 Community Health Improvement Advocacy	9,763	31,005	\$902,274	\$397,314	\$1,195,702	\$798,389
F8 Workforce Enhancement	20,975	13,552	\$2,558,916	\$1,344,315	\$3,699,668	\$2,355,353
F9 Other	55,736	21,173	\$1,921,024	\$361,601	\$2,261,579	\$1,899,978
Totals	182,788	294,720	\$12,519,251	\$5,392,896	\$16,922,917	\$11,530,022

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	44,371	128,223	\$2,151,385	\$1,164,760	\$3,250,184	\$2,085,423
G2 Community Health/Health Assets Assessments	1,743	254	\$106,557	\$60,916	\$167,473	\$106,557
G3 Other Resources	7,054	61,525	\$2,194,884	\$1,323,549	\$3,518,434	\$2,194,884
Totals	53,168	190,002	\$4,452,827	\$2,549,226	\$6,936,090	\$4,386,865

H Charity Care (report total only)

\$286,323,867

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	59,797	5,627	\$6,307,840	\$341,651	\$5,759,358	\$5,417,707
J2 Community Building	6,537	2,540	\$1,606,478	\$18,050	\$1,101,994	\$1,083,944
J3 Other (Please indicate below):	0	11	\$19,965	\$2,927	\$22,892	\$19,965
Totals	66,334	8,178	\$7,934,283	\$362,628	\$6,884,244	\$6,521,616

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	665,184	10,484,175	\$43,731,403	\$23,978,160	\$62,543,531	\$38,565,371
B Health Professions Education	4,333,042	284,110	\$200,947,487	\$62,489,823	\$263,234,030	\$200,744,207
C Mission Driven Health Care Services	1,917,105	1,049,971	\$243,694,435	\$53,060,785	\$191,461,782	\$138,400,998
D Research	78,509	22,332	\$9,482,291	\$1,641,609	\$8,932,207	\$7,290,598
E Financial Contributions	36,077	149,485	\$17,077,614	\$1,505,611	\$17,848,729	\$16,343,118
F Community Building Activities	182,788	294,720	\$12,519,251	\$5,392,896	\$16,922,917	\$11,530,022
G Community Benefit Operations	53,168	190,002	\$4,452,827	\$2,549,226	\$6,936,090	\$4,386,865
H Charity Care	0	0	\$0	\$0	\$286,323,867	\$286,323,867
J Foundation Funded Community Benefit	66,334	8,178	\$7,934,283	\$362,628	\$6,884,244	\$6,521,616
Total Hospital Community Benefits	7,332,206	12,482,972	539,839,591	150,980,737	861,087,398	710,106,661

TOTAL OPERATING EXPENSE **\$11,920,248,872**

% OF OPERATING EXPENSES W/IC **7.22%**

% OF OPERATING EXPENSES W/O IC **5.96%**

Attachment II

Nurse Support I Funding

Hospital Name	NSP I Amount in Rates
Washington County	190,944
University of Maryland	987,569
Prince George's	239,399
Holy Cross	333,999
Frederick Memorial	196,273
Harford Memorial	70,076
St. Joseph	342,070
Mercy	292,130
Johns Hopkins	1,322,872
Dorchester General	42,536
St. Agnes	129,600
Sinai	514,199
Bon Secours	93,000
Franklin Square	336,620
Washington Adventist	252,953
Garrett County	30,971
Montgomery General	106,767
Peninsula	96,000
Suburban	178,950
Anne Arundel	298,002
Union Memorial	332,271
Cumberland	85,507
Braddock	115,484
St. Mary's	96,680
JH Bayview	397,022
Chester River	52,087
Union Cecil County	94,600
Carroll Hospital	153,455
Harbor Hospital	106,650
Civista	80,853
Memorial at Easton	118,724
Maryland General	163,919
Calvert Memorial	88,536
Northwest	175,333
Baltimore Washington	210,000
GBMC	331,000
McCready	13,783
Howard County	158,194
Upper Chesapeake	154,647
Doctors	150,515
Southern Maryland	193,872
Laurel Regional	79,611
Fort Washington	0
Atlantic General	54,654
Kernan	76,671
Good Samaritan	230,372
Shady Grove	250,039
Total	10,019,409

(UCC) Charity Care Funding

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

DME Strip from 2009 ROC

Hospital Name	Amount in Rates
Washington County	0
University of Maryland	46,867,800
Prince George's	3,330,600
Holy Cross	1,651,300
Frederick Memorial	0
Harford Memorial	0
St. Joseph	0
Mercy	4,399,300
Johns Hopkins	49,123,600
Dorchester General	0
St. Agnes	6,096,900
Sinai	12,886,100
Bon Secours	0
Franklin Square	7,495,500
Washington Adventist	0
Garrett County	0
Montgomery General	0
Peninsula	0
Suburban	181,800
Anne Arundel	0
Union Memorial	9,010,600
Cumberland	0
Braddock	0
St. Mary's	0
JH Bayview	18,416,400
Chester River	0
Union Cecil County	0
Carroll Hospital	0
Harbor Hospital	3,904,200
Civista	0
Memorial at Easton	0
Maryland General	3,119,100
Calvert Memorial	0
Northwest	0
Baltimore Washington	178,000
GBMC	4,412,622
McCready	0
Howard County	0
Upper Chesapeake	0
Doctors	0
Southern Maryland	0
Laurel Regional	0
Fort Washington	0
Atlantic General	0
Kernan	3,001,900
Good Samaritan	5,018,000
Shady Grove	0
Total	179,093,722