

**Office of the President**

**TO MEMBERS OF THE HEALTH SERVICES COMMITTEE:**

**DISCUSSION ITEM**

*For Meeting of June 23, 2021*

**COMMUNITY BENEFIT AND IMPACT, UC HEALTH**

**EXECUTIVE SUMMARY**

Executive Vice President Byington and Todd Hjorth, UC Health Finance Director, will present the results of the recently completed report on the Community Benefits provided by the University of California Medical Centers and Faculty Practice Groups for the fiscal year 2019-20.

Community benefits are programs or activities that provide treatment or promote health and healing as a response to identified community needs and meet at least one of these objectives:

- Improve access to health care services.
- Enhance public health.
- Advance increased generalizable knowledge.
- Relieve or reduce the burden of government to improve health.

Every three years, each of the UC health systems collaborates with other local health systems to complete a Community Health Needs Assessment (CHNA) to identify and prioritize the significant health needs of people living in the communities they serve. In addition to the needs assessment, last year UC Health committed to provide an annual update on the community benefits provided by each UC health system, which align with the principles and needs identified in the CHNAs. The Community Benefits Report scheduled for presentation at the June 23, 2021 Health Services Committee meeting will present data for fiscal year 2019-20 and represents UC Health's second such update.

The Community Benefits Report presents data gathered by the hospitals operated by UC Davis Health, UC Irvine Health, UCLA Health, UC San Diego Health, and UCSF Health and supplements the materials included in the audited financial report for the UC Medical Centers for fiscal year 2019-20 that was approved by the Regents in November 2020. In addition, this year's report includes charity care and net Medicaid patient care expense for the faculty practice groups of the campuses with medical centers, including UC Riverside Health. The University of California also operates 20 health professional schools that provide many substantive benefits to communities throughout the state and beyond. In the future, UC Health plans to include data

regarding the community benefits provided through the health professional schools in the annual Community Benefits Report.

The information in this report is for the activities and programs accounted for within the UC medical centers and faculty practice groups only. Although, as governmental organizations, the UC Medical Centers are not required to submit information related to their community benefits annually to the Internal Revenue Service via Form 990, Schedule H,<sup>1</sup> this report has been prepared in accordance with instructions published by the Internal Revenue Service for that schedule. All non-governmental, tax-exempt hospital organizations described by Section 501(c)(3) of the Internal Revenue Code must file IRS Form 990, Schedule H, which includes information on community benefits they provide based on its instructions as well as nationally-recognized guidelines. The UC Medical Centers decided to prepare reports pursuant to the Form 990 Schedule H instructions and guidelines in order to provide transparent, standardized information about the significant community benefits they are providing and to facilitate comparing these investments to benchmarks for other tax-exempt non-profit academic medical centers.

## **BACKGROUND**

The UC Health system is proud to be actively involved in advancing health and health care throughout the state of California and beyond. Every year, the UC health system partner with or sponsor hundreds of community events and programs, investing resources in the community in alignment with UC Health's tripartite mission of patient care, research, and education. These community benefit activities align with the principles and significant health needs identified in the CHNA that each UC academic health center completes at least once every three years and with the UC Health system implementation strategy to address those needs.

The UC Health system, like other tax-exempt non-profit health systems across the nation, provides community benefits for a variety of strategic reasons, including:

- Demonstrating its ongoing commitment to UC Health's tripartite mission;
- Providing vital support to improve population health and achieve strategic objectives related to the quality, efficiency, and affordability of health care;
- Highlighting the significant resources devoted to providing access to care for low-income and other underserved patient populations; and
- Helping to advance knowledge through health professions education and research that benefits the public.

Tax-exempt health systems and hospitals also recognize that being exempt from federal and State income tax, and other State and local income taxes as applicable, as well as their ability to

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<sup>1</sup> Instructions for Form 990 Return of Organization Exempt from Income Tax (2019), <https://www.irs.gov/instructions/i990#d0e745> (last visited Mar. 22, 2020). State institutions whose income is excluded from taxation pursuant to Section 115 of the Internal Revenue Code are not required to file a Form 990. Children's Hospital and Research Center at Oakland, known as UCSF Benioff Children's Hospital Oakland, is a private tax-exempt hospital organization described in Section 501(c)(3) of the Internal Revenue Code and must file a Form 990 and Schedule H each year.

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receive tax-deductible charitable donations and issue tax-exempt debt, represent significant and invaluable benefits that are needed to support their missions.

Since 2009, non-governmental, charitable hospital organizations that are exempt from federal income tax pursuant to section 501(c)(3) of the Internal Revenue Code, have filed information related to their community benefit activities using IRS Form 990 Schedule H.<sup>2</sup> Although, as governmental hospital organizations, the UC Medical Centers are not required to file IRS Form 990 and Schedule H,<sup>3</sup> this report has been prepared in accordance with instructions that apply to that schedule. This report also follows other nationally-recognized guidelines that supplement the Schedule H instructions. This report thus supplements materials published in the University of California Medical Centers Annual Financial Report for 2019-20.<sup>4</sup>

### *Definition and Description of Community Benefit Activities*

On IRS Form 990 Schedule H, the following activities and programs are reported as community benefit:

<b>Category</b>	<b>Definition and Description</b>
<b>Financial Assistance</b>	Free or discounted health services provided to persons who meet the organization's criteria for financial assistance (as specified in a Financial Assistance Policy) and are thereby deemed unable to pay for all or a portion of the services. Financial assistance does not include self-pay discounts, prompt pay discounts, contractual allowances, and bad debt. Financial assistance is reported based on cost – not the amount of gross patient charges forgiven.
<b>Medicaid</b>	The United States health program for individuals and families with low incomes and resources. Medicaid (Medi-Cal) community benefits are reported as the difference between the cost of care and reimbursement. Net community benefits thus are the loss incurred by the UC Medical Centers in providing access to care for Medi-Cal recipients.
<b>Other Means-tested Government Programs</b>	Government sponsored health programs where eligibility for benefits or coverage is determined by income and/or assets (e.g., county indigent care programs).

<sup>2</sup> Since 1994, California State law also has required private non-for-profit hospitals to review their mission statements, conduct community needs assessments, and develop and implement community benefit plans and report such information to the California Office of Statewide Health Planning and Development. Cal. Health and Safety Code §§ 127345-60.

<sup>3</sup> Instructions for Form 990 Return of Organization Exempt from Income Tax (2019), <https://www.irs.gov/instructions/i990#d0e745> (last visited Mar. 22, 2020). State institutions whose income is excluded from taxation pursuant to Section 115 of the Internal Revenue Code are not required to file a Form 990. Children's Hospital and Research Center at Oakland, known as UCSF Benioff Children's Hospital Oakland, is a private tax-exempt hospital organization described in Section 501(c)(3) of the Internal Revenue Code and must file a Form 990 and Schedule H each year.

<sup>4</sup> <https://www.ucop.edu/financial-accounting/financial-reports/medical-center-financial-reports.html>

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<b>Community Health Improvement Services</b>	<p>Activities or programs carried out or supported for the express purpose of improving public health that are subsidized by the health care organization.</p> <p>Examples include:</p> <ul style="list-style-type: none"> <li>• Community health education, including classes and education campaigns, support groups and self-help groups;</li> <li>• Community-based clinical services, such as screenings, annual flu vaccine clinics and mobile units;</li> <li>• Health care support services for lower-income persons, such as transportation, case management, Medicaid enrollment assistance, services to help homeless persons upon discharge; and,</li> <li>• Social and environmental activities known to improve health, such as violence prevention, improving access to healthy foods, and removal of asbestos and lead in public housing.</li> </ul>
<b>Health Professions Education</b>	<p>Educational programs that result in a degree, certificate, or training that is necessary to be licensed to practice as a health professional, as required by State law; or continuing education that is necessary to retain State license or certification by a board in the individual's health profession specialty.</p> <p>Expenses incurred by the UC Medical Centers in educating interns and residents, medical students, and allied health professionals are reported in this category.</p>
<b>Subsidized Health Services</b>	<p>Clinical services provided despite a financial loss to the organization because they are needed to assure access to care for members of the community.</p> <p>The financial loss is measured net of any financial assistance and Medicaid losses to avoid double counting.</p>
<b>Research</b>	<p>Any study or investigation that receives funding from a tax-exempt or governmental entity of which the goal is to generate generalizable knowledge that is made available to the public.</p> <p>Research (e.g., clinical trials) funded by for-profit entities is not reportable as community benefit on Schedule H.</p>
<b>Cash and In-kind Contributions for Community Benefit</b>	<p>Contributions made by the organization to support community benefits provided by other organizations.</p>

Community benefits are accounted for by quantifying the total expense, the direct offsetting revenue, and the resultant net expense borne by the hospital for the above activities and programs. On Schedule H, those activities and programs are reported as community benefit in Part I. Hospitals also account for community building activities (in Part II), and Medicare and bad debt (in Part III). Medicare and bad debt are not reported as community benefit on Schedule H.

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The following table provides the estimated net community benefits provided by the UC Medical Centers in 2019-20.

### UC Medical Centers and Faculty Practice Group Net Community Benefits FY 2019-20

Medical Center FYE 2020 Community Benefits (\$000s)	Davis	Irvine	San Diego	Los Angeles	Riverside	San Francisco	Total Medical Centers	Adjusted Prior Year	Incr (Decr) Over Prior
<b>Net community benefit expenses</b>									
Financial assistance (charity care)	\$ 6,375	\$ 22,871	\$ 28,215	\$ 8,624	\$ -	\$ 15,967	\$ 82,053	\$ 65,034	\$ 17,019
Medicaid	159,842	167,014	197,399	156,633	-	489,472	1,170,361	1,018,736	151,624
Other means tested govt programs	-	1,447	282	-	-	305	2,033	382	1,652
Community health improvement svcs	9,815	-	1,132	2,809	-	50,027	63,781	51,313	12,468
Health professions education	53,269	55,830	48,058	58,440	-	84,420	300,018	280,130	19,887
Subsidized health services	6,364	3,337	1,216	11,555	-	6,403	28,876	16,673	12,203
Research	26,820	-	-	5,132	-	42,582	74,535	85,508	(10,973)
Cash and in-kind contributions	1,223	-	224	3,095	-	-	4,542	9,565	(5,023)
<b>Net community benefit expenses</b>	<b>\$ 263,709</b>	<b>\$ 250,500</b>	<b>\$ 276,527</b>	<b>\$ 246,288</b>	<b>\$ -</b>	<b>\$ 689,176</b>	<b>\$ 1,726,199</b>	<b>\$ 1,527,342</b>	<b>\$ 198,857</b>
Medicare	265,866	176,298	328,795	373,296	-	887,992	2,032,248	1,469,543	562,705
<b>Community benefits with Medicare</b>	<b>\$ 529,576</b>	<b>\$ 426,798</b>	<b>\$ 605,321</b>	<b>\$ 619,583</b>	<b>\$ -</b>	<b>\$ 1,577,169</b>	<b>\$ 3,758,447</b>	<b>\$ 2,996,885</b>	<b>\$ 761,562</b>
<b>Community benefits as % of expenses</b>									
Total operating expenses	2,729,739	1,542,549	2,853,070	3,294,723	-	5,760,212	16,180,293	14,575,984	1,604,309
Net community benefit expenses	9.7%	16.2%	9.7%	7.5%	0.0%	12.0%	10.7%	10.5%	0.2%
<b>Faculty Practice Group FYE 2020 Community Benefits (\$000s)</b>									
<b>Net community benefit expenses</b>									
Charity care & Medicaid	\$ 40,133	\$ 24,806	\$ 39,293	\$ 28,634	\$ 3,632	<i>Included in Med Ctr</i>	\$ 136,498		
<b>FPG Net community benefit expenses</b>	<b>\$ 40,133</b>	<b>\$ 24,806</b>	<b>\$ 39,293</b>	<b>\$ 28,634</b>	<b>\$ 3,632</b>		<b>\$ 136,498</b>		
<b>TOTAL COMMUNITY BENEFIT INCLUDING MEDICARE AND PRACTICE PLAN CHARITY CARE AND MEDI-CAL</b>							<b>\$ 3,894,946</b>		

For the fiscal year ending June 30, 2020, the UC Medical Centers provided nearly \$4 billion in community benefits:

- \$1.7 billion in Medical Center net community benefits, an increase of more than \$271 million over prior year.
- Losses on medical center Medicare patient care, contribute another \$2 billion in community benefit, an increase of more than \$559 million over the prior year.
- The faculty practice groups add \$136 million in community benefit, through charity care and Medicaid losses.
- On average, the UC Medical Centers' estimated net community benefit expense represents 10.7 percent of the UC Medical Centers' total expenses.

### Comparison to Benchmarks

The UC Medical Centers' 10.7 percent average "net community benefit expenses as a percent of total expense" is comparable to benchmark data for academic medical centers, including:

- Stanford Health Care, 10.8 percent
- University of Chicago Medical Center, 10.9 percent
- The Johns Hopkins Hospital, 11.2 percent

- University of Maryland, 11.9 percent, and certain other academic medical centers

Hospital Organization	Total Operating Expenses (\$000s)	Net Community Benefits Expense (\$000s)	Net Community Benefits % of Expenses	Tax Year
Albany Medical Center Hospital	\$ 1,972,025	\$ 135,785	6.9%	2018
Anne Arundel Medical center	530,583	44,913	8.5%	2017
Baystate Medical Center	1,197,406	94,351	7.9%	2017
Beth Israel Deaconess Medical Center	1,757,006	253,437	14.4%	2017
Billings Clinic	710,874	32,294	4.5%	2017
Boston Medical Center	1,442,991	278,126	19.3%	2017
Carilion Medical Center	1,319,984	120,575	9.1%	2017
Cedars-Sinai Medical Center	3,391,835	256,933	7.6%	2017
Childrens Hospital Los Angeles	1,255,703	77,698	6.2%	2018
City Of Hope National Medical Ctr	1,227,705	116,393	9.5%	2017
Cooper University Hospital	1,320,769	163,497	12.4%	2018
Dartmouth Hitchcock Alliance Hospital	1,210,474	132,786	11.0%	2017
Eisenhower Medical Center	811,816	58,685	7.2%	2017
Huntington Hospital	678,983	77,641	11.4%	2018
Lehigh Valley Hospital	1,636,507	145,590	8.9%	2017
Loma Linda University Medical Center	1,204,730	60,853	5.1%	2017
Loyola University Medical Center	1,424,639	90,931	6.4%	2018
Maimonides Medical Center	1,208,562	238,810	19.8%	2018
Maine Medical Center	1,332,149	192,276	14.4%	2017
Mary Imogene Bassett Hospital	563,517	38,506	6.8%	2018
Montefiore Medical Center	3,883,964	595,889	15.3%	2018
NYU Langone Hospitals	4,215,534	795,988	18.9%	2017
Penn Presbyterian Medical Center	743,253	40,917	5.5%	2017
Pennsylvania Hospital Of UPHS	638,270	47,951	7.5%	2017
Stanford Health Care	4,050,032	438,435	10.8%	2017
Strong Memorial Hospital	4,007,593	337,981	8.4%	2018
The Johns Hopkins Hospital	2,394,714	267,438	11.2%	2017
UF Health Shands	1,584,941	122,391	7.7%	2018
University of Chicago Medical Center	1,774,662	194,097	10.9%	2017
University of Maryland Medical System	1,616,200	192,815	11.9%	2017
Vanderbilt University Medical Center	4,046,629	499,921	12.4%	2017
Yale-New Haven Hospital	2,767,594	521,466	18.8%	2017
Totals/Average	\$57,921,644	\$6,665,369	10.5%	

Source: Data published in Community Benefits Insight. Tax years indicate the year during which fiscal years begin rather than end.

For these 32 benchmark organizations, the average net community benefit expense as a percent of total expense was 10.5 percent; the range was from 5.1 percent to 19.8 percent. In reviewing benchmarking information, it is important to recognize that there are significant variations between organizations that are due in part to differences in research accounting (i.e., whether research expenses primarily or exclusively are reflected on the books of the hospitals or of the affiliated medical schools), state public policies (e.g., whether the hospital’s home state expanded Medicaid coverage under the Affordable Care Act), and other factors. As the UC Health system continue to improve their system for gathering these data, UC Health believes that the documented gross and net community benefit expenses incurred by the UC Medical Centers will increase.

## UC Health Opportunities for Improvement in Community Benefit Reporting

Through the process of preparing this report, the UC health systems have identified a number of opportunities to improve the systems used to capture and account for data related to the community benefits provided by UC Medical Centers. For example, for this Community Benefit Report, program information and expenses were compiled retrospectively – many months after fiscal year 2019-20 concluded—and relied on the same sources and data used to prepare the UC Medical Centers 2019-20 Annual Financial Report. By contrast, organizations that have been required to file the Form 990 Schedule H annually have more than ten years of experience with community benefit reporting, and most gather program information concurrently, on a quarterly basis throughout the fiscal year, resulting in more comprehensive reports.

In the UC Medical Centers Annual Financial Report for 2019-20, the UC Medical Centers reported providing \$868 million in Health System Support to the University of California Schools of Medicine.<sup>5</sup> However, only \$36 million of that amount could be classified according to the Schedule H categories and guidelines and included in this Community Benefit Report. Future efforts will focus on developing the data systems and data sources that would be needed to determine the extent to which additional amounts within the broad category of Health System Support can be properly categorized according to the Schedule H definitions of community benefit. In addition, this Community Benefit report includes only data reported by UC Health’s hospitals and faculty practice groups not data reported by the 20 health professions schools. Future reports will endeavor to completely and accurately capture community benefits provided by the health professions schools.

UC Health believes that the following steps will allow UC Health to significantly improve its ability to collect and report on the community benefits provided:

- Clarifying the purposes and activities for which funds provided as Health System Support are being used by the health professions schools in order to determine which of those activities can be counted as community benefits.
- Preparing comprehensive surveys and inventories of community health programs and of cash and in-kind contributions for community benefit.
- Reporting additional health professions education program expenses (beyond those documented solely in Medicare Cost Reports), such as costs to precept nursing students, medical students, and other professionals.
- Conducting additional analysis to identify qualifying subsidized health services provided by the UC hospitals and health professions schools.

Finally, the work to prepare the community benefits report also identified a number of opportunities to improve the UC health systems’ complete, accurate, and consistent reporting of the amounts of financial assistance or “charity care” provided to low-income patients, which is also included in the UC Medical Centers’ Annual Financial Report,<sup>6</sup> and in annual reports to California’s Office of Statewide Health Planning and Development. The UC Health Director of

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<sup>5</sup> University of California Medical Centers 19/20 Annual Financial Report, page 3.

<sup>6</sup> University of California Medical Centers 19/20 Annual Financial Report, pages 69 and 74.

Finance also will lead systemwide efforts to improve financial assistance reporting.

[Attachment 1: UC Health Community Benefits Report](#)