H5

Office of the President

TO MEMBERS OF THE HEALTH SERVICES COMMITTEE:

DISCUSSION ITEM

For Meeting of June 14, 2023

COMMUNITY BENEFIT AND COMMUNITY IMPACT ANNUAL REPORT

EXECUTIVE SUMMARY

Executive Vice President Byington and Todd Hjorth, UC Health Director of Finance, 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 2021-22.

Using the IRS Form 990 Schedule H methodology of reporting community benefits, the UC Health medical centers provided \$1.7 billion in community benefits in fiscal year 2021-22. When hospital Medicare costs for uncompensated care are added, the total medical center community benefits come to \$3.6 billion. If charity care and uncompensated care for Medicare and Medicaid at UC Faculty Practice Groups are included, the total UC Health community benefits come to \$4.4 billion in fiscal year 2021-22.

BACKGROUND

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 on government to improve health.

Every three years, each of the UC health locations 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, UC Health has committed to provide an annual update from its locations on the community benefits that align with the principles and needs identified in the CHNAs. The Community Benefits Report discussed at this Health Services Committee meeting will present data for fiscal year 2021-22 and represents UC Health's fourth such report.

HEALTH SERVICES COMMITTEE -2-June 14, 2023

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 2021-22 that was approved by the Regents in November 2022. In addition, the report again this year includes charity care and net Medicaid and Medicare patient care expense for the faculty practice groups of the campuses with Medical Centers. The University of California also operates 20 health professional schools that provide many substantive benefits to communities throughout the state and beyond.

The information in this report represents 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 file a Form 990 or submit information related to their community benefits annually to the Internal Revenue Service on the Form 990, Schedule H,¹ this report has been prepared in accordance with instructions published by the Internal Revenue Service for that schedule as well as nationally recognized guidelines. All non-governmental, tax-exempt hospital organizations described by Section 501(c)(3) of the Internal Revenue Code must file an IRS Form 990, Schedule H and follow the same instructions and guidelines. The UC Medical Centers decided to prepare reports pursuant to the Form 990 Schedule H instructions and guidelines 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.

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

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

- Demonstrating ongoing commitment to UC'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.
- Helping to advance knowledge through health professions education and research that benefits the public.

¹ Instructions for Form 990 Return of Organization Exempt from Income Tax (2019),

<u>https://www.irs.gov/instructions/i990#d0e745</u> (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.

HEALTH SERVICES COMMITTEE -3-June 14, 2023

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 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.² This report thus supplements materials published in the University of California Medical Centers Annual Financial Report for 2021-22.³

Definition and Description of Community Benefit Activities

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

Category	Definition and Description
Financial Assistance	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.
Medicaid	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.
Other Means-tested Government Programs	Government-sponsored health programs in which eligibility for benefits or coverage is determined by income and/or assets (e.g., county indigent care programs).

² 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 & Safety Code §§ 127345-60.

³ <u>https://www.ucop.edu/financial-accounting/financial-reports/medical-center-financial-reports.html</u>

Community Health Improvement Services	Activities or programs carried out or supported for the express purpose of improving public health that are subsidized by the health care organization. Examples include:
	 Community health education, including classes and education campaigns, support groups and self-help groups. Community-based clinical services, such as screenings, annual flu vaccine clinics and mobile units. Health care support services for lower-income persons, such as transportation, case management, Medicaid enrollment assistance, and services to help homeless persons upon discharge. 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.
Health Professions Education	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. Expenses incurred by the UC Medical Centers in educating interns and residents, medical students, and allied health professionals are reported in this category.
Subsidized Health Services	Clinical services provided despite a financial loss to the organization because they are needed to assure access to care for members of the community. The financial loss is measured net of any financial assistance and Medicaid losses to avoid double counting.
Research	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. Research (e.g., clinical trials) funded by for- profit entities is not reportable as community benefit on Schedule H.
Cash and In-kind Contributions for Community Benefit	Contributions made by the organization to support community benefits provided by other organizations.

-4-

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.

The following table provides the net community benefits provided by the UC Medical Centers and Faculty Practice Groups in fiscal year 2021-22.

Medical Center Community Benefits (\$000s)	F	Y 2022		Adjusted rior Year		cr (Decr) ver Prior	% Increase
Net community benefit expenses							
Financial assistance (charity care)	\$	94,263	\$	72,898	\$	21,366	29%
Medicaid		999,305		1,021,282		(21,977)	-2%
Other means tested government programs		2,414		1,777		637	36%
Community health improvement services		64,723		72,070		(7,347)	-10%
Health professions education		368,058		348,488		19,570	6%
Subsidized health services		28,365		27,006		1,358	5%
Research		100,588		88,395		12,193	14%
Cash and in-kind contributions		7,804		4,941		2,863	58%
Net community benefit expenses	\$:	1,665,521	\$	1,636,856	\$	28,665	2%
Medicare		1,947,878		1,723,688		224,190	13%
Community benefits with Medicare	\$ 3	3,613,400	\$	3,360,545	\$	252,855	8%
Total operating expenses	\$1	8,326,682	\$1	6,484,317	\$1	,842,365	11%
Community benefit as a percentage of operating expenses (excludes Medicare)		9.1%		9.9%		-0.8%	
Faculty Practice Plan Community Benefits (\$000s)	F	FY 2022		Adjusted rior Year		cr (Decr) ver Prior	% Increase
Charity Care + Medicare & Medi-Cal Losses	\$	764,147		671,630		92,517	14%
TOTAL COMMUNITY BENEFIT INCLUDING MEDICARE AND FACUTLY PRACTICE PLANS	\$ 4	4,377,547	\$	4,032,175	\$	345,372	9%

UC Medical Centers & Faculty Practice Group Net Community Benefits FY 2021/2022

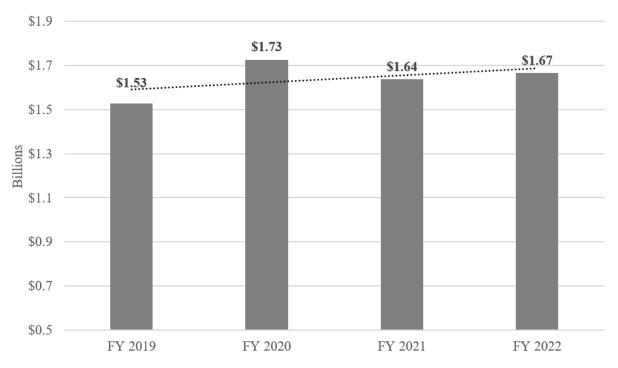
For the fiscal year ending June 30, 2022, the UC Medical Centers provided \$4.4 billion in community benefit spending:

- \$1.7 billion in Medical Center net community benefits, an increase of \$28.7 million over the prior year, due mostly to increases in charity care and health education.
- Uncompensated care for Medicare patients contributes another \$1.9 billion in community benefit, an increase of \$224 million over the prior year.
- The Faculty Practice Groups add \$764 million in community benefit, through charity care and Medicaid and Medicare uncompensated care.
- The UC Medical Centers' community benefit spending represents 9.1 percent of total operating expenses. The decrease from the prior year's 9.9 percent of total operating expenses is attributable to the 11 percent increase in the Medical Centers' operating expenses compared to the prior year, while community benefit expenses increased by only two percent compared to the prior year.

HEALTH SERVICES COMMITTEE -6-June 14, 2023

UC Health Community Benefit Spending Trended

UC Health's community benefit spending has grown significantly over the base year of FY 2019, when it first began reporting community benefit to the Regents. An increase in community benefit spending occurred in FY 2020 during the early months of the COVID-19 pandemic, when UC Health incurred high amounts of expense related to charity care and uncompensated Medicaid patient care.

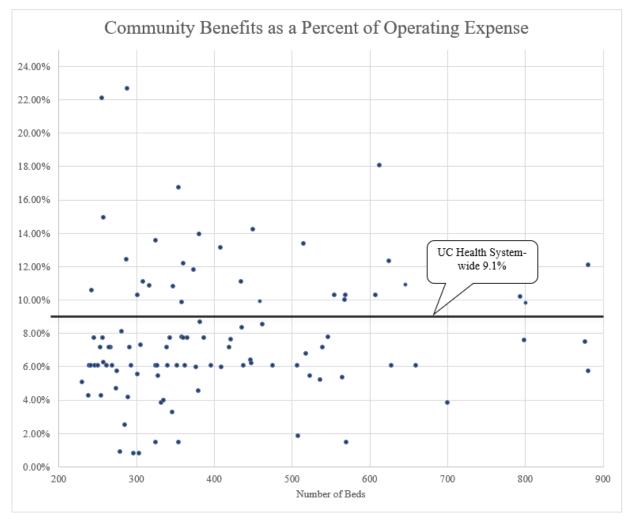


UC Health Community Benefits Spending Trended in \$Billions

Comparison to Benchmark Hospitals (California Hospitals 230+ Beds)

The UC Medical Centers' 9.1 percent net community benefit expenses as a percent of operating expense is comparable to benchmark data for other California tax-exempt hospitals. <u>Community</u> <u>Benefit Insight</u> publishes community benefit spending information for tax-exempt hospitals throughout the United States. Community Benefit Insight data is used for all benchmarking analysis in this report.

The following chart includes all California tax-exempt hospitals that submit IRS Form 990 Schedule H and that have 230 beds or more (104 hospitals). At 9.1 percent, the UC Health system is placed at the 70th percentile of comparable California hospitals. It is important to note that published benchmark data lags behind the data reported in the UC Health Community Benefit Report. That means that the chart below compares California hospital data from fiscal years 2019 and 2020 to UC Health community benefits spending data from fiscal year 2022. HEALTH SERVICES COMMITTEE -7-June 14, 2023 -7-



Source: Data published in Community Benefits Insight. Source: <u>https://www.communitybenefitinsight.org</u>

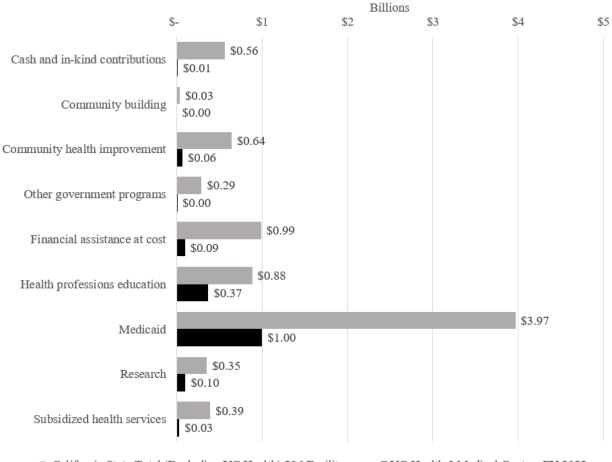
In reviewing benchmarking information, it is also important to recognize that there are significant variations between organizations which are due in part to differences in research accounting (i.e., whether research expenses primarily or exclusively are reflected on the books of the hospitals or of 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 locations continue to improve their systems for gathering these data, UC Health believes that the documented community benefit expenses incurred by the UC Medical Centers will increase.

Comparison of UC Health to All California Tax-exempt Hospitals

In fiscal year 2019 (the most recent year with completed reporting) there were 206 California hospitals that reported \$8.1 billion in community benefits using IRS Form 990 Schedule H. The statewide total does not include UC Health because UC Health medical centers do not file IRS

HEALTH SERVICES COMMITTEE -8-June 14, 2023

Form 990 Schedule H. By comparison, the five UC Health medical centers contributed \$1.7 billion in community benefits in fiscal year 2022.



All 206 California Tax-Exempt Hospitals vs UC Health Medical Centers Total Community Benefit Spending

California State Total (Excluding UC Health) 206 Facilites UC Health 5 Medical Centers FY 2022

Source: Data published in Community Benefits Insight. Source: <u>https://www.communitybenefitinsight.org</u> Note: The Medicaid values shown reflect uncompensated care, or the gap between net patient revenue and cost of care. These figures do not reflect the total value of care delivered.

This table illustrates that UC Health alone contributed \$1 billion in unreimbursed Medicaid care as a benefit to its communities – which is equal to a quarter of Medicaid community benefit care from all tax-exempt hospitals in the state combined. Additional amounts of unreimbursed care for Medicaid enrollees were delivered at UC faculty practices. All other 206 California tax-exempt hospitals combined contributed just under \$4 billion in Medicaid community benefit spending. Similarly, UC Health medical centers alone deliver nearly 50 percent as much community benefit spending on health professions education as all other California tax-exempt hospitals combined. This helps to document the pivotal role of UC Health in improving the health and well-being of the communities it serves.

Comparison of UC Health to Major California Hospital Systems (230+ Beds)

The following table shows a comparison of UC Health medical centers community benefits spending as a percentage of operating expenses to that of the five largest tax-exempt hospital systems in the state, including Adventist, Dignity, Providence, Kaiser, and Sutter. Only hospitals with 230 or more beds are shown, to avoid comparing UC's large academic medical centers to smaller rural hospitals.

California Hospital System Average Calculations

As Reported by Community Benefit Insights - Includes Hospitals with Bed Size Greater than or Equal to 230 Beds

System & Hospitals		CB %	System & Hospitals	Beds	CB %	
Adventist - Hanford Community Hospital		5.08%	Kaiser - Anaheim	262	6.05%	
Adventist - Health Bakersfield		4.26%	Kaiser - Baldwin Park	269	6.05%	
Adventist - Health Glendale	515	13.37%	Kaiser - Downey	352	6.05%	
Adventist - Health White Memorial	377	5.95%	Kaiser - Fontana	438	6.05%	
Adventist - Averages	344	7.17%	Kaiser - Los Angeles	507	6.05%	
			Kaiser - Oakland	396	6.05%	
System & Hospitals	Beds	CB %	Kaiser - Panorama City	325	6.05%	
Dignity - California Hospital Medical Center	309	11.11%	Kaiser - Roseville	340	6.05%	
Dignity - Enloe Medical Center	298	25.87%	Kaiser - Sacramento	628	6.05%	
Dignity - Mercy General Hospital	419	7.17%	Kaiser - San Diego	659	6.05%	
Dignity - Mercy Medical Center Redding	267	7.17%	Kaiser - San Francisco	239	6.05%	
Dignity - Mercy San Juan Medical Center	254	7.17%	Kaiser - San Jose	247	6.05%	
Dignity - St Mary Medical Center Long Beach	539	7.17%	Kaiser - Santa Clara	327	6.05%	
Dignity - St Mary Medical Center San Francisco	339	7.17%	Kaiser - South Bay	251	6.05%	
Dignity - Averages	346	10.4%	Kaiser - South Sacramento	241	6.05%	
			Kaiser - Vallejo	475	6.05%	
System & Hospitals	Beds	CB %	Kaiser - Walnut Creek	362	6.05%	
Providence - Holy Cross Med Center	257	7.72%	Kaiser - West Los Angeles	293	6.05%	
Providence - Little Co Mary Mc San Pedro		7.72%	Kaiser - Averages	367	6.05%	
Providence - Little Co Mary Mc Torrance		7.72%				
Providence - St Johns Health Center	317	10.88%	System & Hospitals	Beds	CB %	
Providence - St Joseph Medical Center	360	7.72%	Sutter - Alta Bates Medical Center	555	10.27%	
Providence - Tarzana Medical Center	245	7.72%	Sutter - California Pacific Medical Center	608	10.27%	
Providence - Averages	322	8.25%	Sutter - CPMC - California Campus	382	8.67%	
			Sutter - Memorial Hospital Modesto	275	5.74%	
System & Hospitals	Beds	CB %	Sutter - Summit Medical Center	569	10.27%	
University of California - Davis	646	10.90%	Sutter - Medical Center - Sacramento	523	5.47%	
University of California - Irvine		9.90%	Sutter - Memorial Hospital Sacramento	360	12.18%	
University of California - Los Angeles		9.80%	Sutter - Roseville Medical Cente	328	5.47%	
University of California - San Diego		7.60%	Sutter - Averages	450	8.54%	
University of California - San Francisco	1250	8.20%				
University of California - Averages (beds)	791	9.10%				

Source: https://www.communitybenefitinsight.org

Note: Kaiser & Dignity reported as a system, as are the majority of the Providence hospitals

As is shown above, UC Health's community benefit spending of 9.1 percent of operating expenses exceeds almost every other mostly California tax-exempt hospital system. Only Dignity

HEALTH SERVICES COMMITTEE -10-June 14, 2023

exceeds UC Health, primarily due to Dignity's Enloe Medical Center which has an extraordinarily high Medicaid level of community benefit expense.

Examples of Community Involvement from Each Health Campus

Each health campus is asked to identify two community benefit initiatives for the year being reported. The following table includes the initiatives selected for fiscal year 2022. These outstanding and critically important community initiatives represent just a small fraction of all the work being done in the communities served by UC Health.

Location	Description
UC Davis Health	Summer Health Institute of Nursing Exploration and Success (SHINES): A two-week immersive summer program for current and recently graduated high school students. Enthusiastic UC Davis Health employees provide guidance and resources to the students throughout the program experience, highlighting multiple healthcare career paths. <u>SHINES Program at UC Davis School of Nursing - YouTube</u>
	Community Flu Vaccination: Partnered with City Church in Sacramento to host a free flu vaccination clinic. Administered dozens of flu vaccines to Oak Park community members. Donated 500 flu vaccine doses for a Sikh Festival in October 2021. Provided 200 flu vaccines for various community outreach events. Administered 350 flu vaccines for free at community events. <u>https://health.ucdavis.edu/news/headlines/uc-davis-health-hosts-2nd-annual-oak-park-flu-vaccine-event/2021/11</u>
UCI Health	Community Urban Farm: Connecting patients who do not have access to fresh produce with a local urban farm's produce. Using grant funds from Veggie Rx, and providing necessary infrastructure for healthy food access, with a focus on health equity. <u>https://www.facebook.com/crececommunityinresistance.co.op/</u>
	UCI Family Health Center: The oldest Federally Qualified Health Center (FQHC) in Orange County. Since 1985 has trained medical students, nurse practitioners, physician assistants, and residents in the areas of family medicine, pediatrics, and obstetrics and gynecology. <u>https://www.ucihealth.org/locations/santa-ana/family-health-center-santa-ana</u>
UCLA Health	 Mental Health Outreach: Various UCLA programs include: TIES (Training, Intervention, Education & Services) for Families Stress, Trauma and Resilience (STAR) clinic The EMPWR (empower) Program for LGBTQ+ patients. Operation Mend – post traumatic stress and brain injury treatment https://www.uclahealth.org/medical-services/behavioral-health
	Sound Body Sound Mind: The SBSM program opened five new fitness

	centers, providing students with facilities to support their physical health. Serving 152 middle schools and high schools in Los Angeles County with nearly 200,000 students across six school districts. <u>https://www.uclahealth.org/programs/soundbodysoundmind</u>
UCR Health	Black Health Equity Initiative: STOP COVID-19: Creation of a toolkit that explores some fears within the Black community (one of the hardest hit by the virus that causes COVID-19); it responds to questions in an effort to separate fact from fiction; and it provides resources as well as a mechanism for updates and feedback. <u>https://healthycommunities.ucr.edu/sites/default/files/2022-</u> <u>03/stop_covid_black_community.pdf</u>
	Unidas Por Salud (Unidas): Project to examine the context of health care decisions for Mexican migrants in the United States. This project identified barriers to health care service use for migrants in rural areas of the US. <u>https://healthycommunities.ucr.edu/usmex-united-states-mexico-unidos-por-salud</u>
UC San Diego Health	El Centro Regional Medical Center: In February 2023, UC San Diego Health agreed to a plan to assume day-to-day operational, clinical, and financial management of ECRMC with backing from their majority bondholder, Preston Hollow Community Capital. Appointment of new CEO, Pablo Velez. <u>https://health.ucsd.edu/news/press-releases/2023-02-27-local-leaders-announce- plan-to-strengthen-health-services-in-imperial-county/</u>
	Safe Transitions of Care for Vulnerable Populations: Care management team helps patients navigate hospital stays and provides assistance and resources as patients prepare to return home. <u>https://health.ucsd.edu/care/care-management/</u>
UCSF Health	Black Women's Health and Livelihood Initiative: Prioritizes and amplifies the voice and power of Black women, at UCSF and beyond, to achieve their optimal health and well-being. Part of a national movement to address the current realities of health care inequities for Black women. https://womenshealth.ucsf.edu/coe/black-womens-health-livelihood-initiative
	 Benioff Children's Hospital (BCH) Oakland Pediatric ACES and Related Life Events Screener (PEARLS) and FINDConnect[™]: PEARLS screen for true primary prevention to identify most at-risk kids for poor health outcomes, secondary to exposure to trauma. FIND addresses the social and environmental factors affecting children's health outcomes. FINDConnect treats social drivers of health such as food insecurity, housing instability, mental health, and developmental issues. <i>https://give.ucsfbenioffchildrens.org/pearls-state-wide-screening-tool-for-medi-cal</i>

A Final Thought

"Delivering on programs and investing in resources that advance the health of our communities is fundamental to our public mission, The results of partnerships with local organizations are especially rewarding because they help ensure our work is addressing the specific needs of our communities and improving the health of Californians."

Carrie L. Byington, Executive Vice President University of California Health

Acknowledgement

This report represents the work of many individuals across all UC Health locations. Special thanks to the following individuals for their valuable contributions.

UCD Health	Tammy Trovatten, Executive Director, Government Reimbursement
UCD Health	Carolyn Ramirez, Committee Chair for Equity, Diversity & Inclusion
UCI Health	Gina Churchill, Government Reimbursement Director
UCI Health	Christopher Leo, Director of Government Affairs
UCI Health	Rebecca Brusuelas-James, Associate Dean of Administration & Finance
UCR Health	Anthony Simmons, Interim Director of Clinical Finance
UCR Health	Elizabeth Romero, Government Relations Manager
UCLA Health	Paul Cox, Assistant Director, Strategy & Business Development
UCLA Health	Kathie Hale, Finance Director, UCLA Faculty Practice
UCSD Health	David Mier, Director of Health Community Relations
UCSD Health	Marc Castro, UC San Diego Health Finance
UCSD Health	Vicki Moore, Controller Physician Group
UCSF Health	Wylie Liu, Executive Director Community Engagement
UCSF Health	Charlotte Canari, Reimbursement Director
UCOP Health	Sunaal Raj, Decision Support Manager, UCOP Health Division