



2019

NEBRASKA HOSPITALS COMMUNITY

Benefits Report



NHA Nebraska
Hospital
Association

The influential voice of Nebraska's hospitals

EXECUTIVE SUMMARY

Nebraska's hospitals are the cornerstone of health and wellness for individuals in the communities they serve. Hospitals also drive economic growth within these communities. The information presented in this publication highlights the impact that Nebraska's hospitals have on their communities. By investing in local communities, Nebraska's hospitals make the state a better place to live, work, learn and grow.

Community benefits extend beyond the scope of traditional care and are provided by hospitals in lieu of tax payments. Often, the extent of community benefit services — and associated costs — is neither publicly recognized nor understood.

It is no longer just about patients coming through the doors of the hospital. While Nebraska hospitals have consistently been leaders and partners to help build strong, healthy communities; now, hospitals are being called upon to defend their nonprofit status and increase their accountability and contributions to their communities.

Nebraska's hospitals improve the health of individuals and the quality of life of entire communities and regions, making the state a better place to live, work, learn and grow 24 hours per day, 7 days per week.

Hospitals care for the sick and injured, regardless of their ability to pay or the net cost to the hospital. Beyond charity care, bad debt and unpaid costs of public programs (Medicare and Medicaid), Nebraska hospitals also support professional medical education, subsidized health services, medical research and more inside their walls. Beyond the brick and mortar, hospitals also provide community health improvement services, community building activities and cash and in-kind donations to local organizations.

These non-traditional community benefits — both on the hospital campus and beyond — improve individual and community health, increase access to care and enhance the quality of life in the community.

Nebraska hospitals also stimulate the state's economy by providing essential jobs throughout the state, contributing millions of dollars into the state's economy. They employ more than **44,200 Nebraskans**, resulting in more than **46,600 additional jobs** in the state created due to hospitals buying goods and services from other local businesses.

Nebraska's hospitals are available 24/7 to meet the needs of individuals in our communities whether it be illness, injury, treatment, rehabilitation, education, wellness care, prenatal care or palliative care. Hospitals contribute significantly to the goal of improving the overall health of Nebraskans while aiding the less fortunate. This is not done out of obligation but from a sense of mission and purpose.

The hospital and health care industry continues to face challenges and obstacles. Nebraska's hospitals and health systems have also faced challenges and disappointments, but they have also celebrated successes. Despite these adversities, Nebraska's hospitals consistently provide nationally recognized, award-winning excellence in quality, patient care, patient satisfaction and state-of-the-art technology.

Hospitals are well versed in adapting and doing more with less, all the while focusing on providing better quality and better patient outcomes and experiences in the pursuit of more efficient, cost-effective care — and doing it with kindness and compassion.

Nebraska's hospitals and health systems remain committed to providing access to high-quality, affordable health care while innovatively transforming Nebraska into a center of excellence. The NHA remains committed to empowering you and other health care leaders with the knowledge, information and support that enables you to act boldly and decisively to benefit your patients, employees, communities and future generations.

HOSPITALS ARE ECONOMIC ENGINES

Hospitals are economic engines, providing stability and growth in the state. In addition to their direct economic impact on our state's economy, the business and household needs of hospitals and their employees create a "multiplier" effect that supports thousands of additional jobs and billions in additional economic activity.

A strong health care sector improves quality of life and helps Nebraska attract and retain businesses and jobs. Major employers from other economic sectors will not locate nor stay in communities that lack strong health care.

Nebraska hospitals also inject billions into state and local economies. According to the 2016 AHA survey, Nebraska hospitals were directly responsible for nearly **\$5.9 billion** in hospital expenditures and nearly **\$2.9 billion** in salaries and wages.

In addition to providing competitive wages and salaries, hospitals contribute to the tax base of communities through payroll and other taxes. The direct impact of hospitals as employers and purchasers is only part of the story. A strong health care network, in which hospitals play a key role, adds to the attractiveness of a community as a place to locate a business, settle or retire. Hospitals are needed to expand and attract business, keep young people and families in Nebraska and to ensure the future economic vitality of our state's communities.

Nebraska's hospitals are diverse, ranging from small, rural hospitals to large, teaching hospitals in urban areas. Every hospital in Nebraska is important to the economic viability of the communities they serve.

Nearly all of Nebraska's hospitals are nonprofit. In exchange for the benefits of nonprofit status, hospitals are required to fulfill a unique role in their communities, which consists of three parts:

1. Reinvesting the assets of the organization in a way that expands and improves access to health care for the community.
2. Investing their resources to educate and train health care professionals.
3. Providing care to all regardless of their ability to pay.

Nebraska's nonprofit hospitals shouldered **\$1.30 billion** in efforts to improve the health of all Nebraskans

Nebraska's hospitals serve as the safety net of the state's health care system, providing services regardless of an individual's ability or willingness to pay. In 2018, **Nebraska's hospital incurred more than \$749 million in uncompensated care through unpaid costs of charity care, Medicare and Medicaid and other public programs.**

Coupled with their contributions to educating Nebraska's future health care workforce, research and community building and health education activities, **Nebraska's hospitals shouldered more than \$1.3 billion of the state's efforts to improve the health of all Nebraskans.**

Government-sponsored health care

Hospitals receive reimbursement from the government that are less than the costs incurred by the hospital for providing medical care to Medicaid and Medicare patients. The shortfall is considered a community benefit because hospitals reduce the government's financial burden by covering the shortfall.

On average, Nebraska hospitals experience negative margins of 12.5% for Medicare and 17% for Medicaid with Disproportionate Share Hospital (DSH) payment, or 27% without DSH payment. DSH payment is an additional payment received by hospitals that have a disproportionately large number of low-income patients.

In many instances, Medicare and Medicaid payments are based on outdated information that does not accurately reflect the changing nature of health services, such as new equipment, new technologies and the rising cost of supplies. Despite the fact that Medicare and Medicaid do not pay hospitals enough to cover the cost incurred by the hospitals caring for patients, hospitals welcome Medicare and Medicaid patients and provide the same quality care for all patients.

In 2018, Nebraska hospitals lost more than \$613 million because of the shortfall in Medicare, Medicaid and other public programs payments.

ABOUT THIS REPORT

This report represents 66 voluntary responses from the Nebraska Hospital Association's 93 member hospitals, which represents 71 percent of the NHA's membership. The report represents only the results from participating Nebraska facilities — no extrapolation was made for hospitals that did not participate.

The information presented within this report provides just a sampling of the broad, substantial and enduring commitment hospitals make to their communities.

The NHA survey was designed to report community benefits in nine categories:

1. Benefits for low-income/public programs
2. Community benefits services
3. Health professions education
4. Subsidized health services
5. Research
6. Cash and in-kind donations
7. Community building activities
8. Community benefit operations
9. Other

To ensure report reliability and validity, standardized reporting guidelines were utilized by each member hospital. These guidelines were adapted, with permission, from the "Catholic Health Association's Community Benefit Reporting: Guidelines and Standard Definitions for the Community Benefit Inventory for Social Accountability," and included instructions aligning with IRS Form 990 and the accompanying Schedule H.

The data represents the aggregate results of the community benefits inventory for each reporting hospital's fiscal year 2018 activities. Nebraska's hospitals are committed to providing access and quality care to everyone. That is why nearly **\$1.1 billion** was invested in 2018 to provide services for public programs, including Medicare and Medicaid, charity care, subsidized health services, health professionals education and research.

Bad debt

Businesses generally consider bad debt as a cost of doing business. However, hospitals face a challenge at the time of admission to identify those who need care, but (for whatever reason) cannot or will not pay for it. In 2018, bad debt incurred by hospitals was nearly **\$193 million**. **Hospitals serve as the safety net of the health care system and must provide many services regardless of an individual's ability or willingness to pay. In contrast, other industries can refuse to provide a service or product.**

With rising numbers of uninsured, increases in health insurance premiums and greater use of plans with high deductibles and co-payments, **bad debt is the fastest-growing segment of uncompensated care for hospitals**. Due to the uncertainty of many variables associated with the implementation of the Patient Protection and Affordable Care Act, **the majority of Nebraska's hospitals have more than doubled their budgets for bad debt.**

Charity care

Charity care is free or discounted health and health-related services offered to individuals who cannot afford health care because they have inadequate resources and are either uninsured or under-insured. **Charity care is reported in terms of costs not charges.**

As the number of uninsured and under-insured grows, so does the need for charity care. Because of the high costs of health care and insurance, hospitals are bearing a significant portion of the financial burden imposed by this population — nearly **\$137 million** in 2018.

Recognizing this increasing need, Nebraska hospitals have established financial aid policies to assist patients who cannot afford hospital care.

Health professions education

Through medical instruction, internships, residencies, fellowships and allied health education programs, our state's hospitals are striving to ensure high-quality care is accessible throughout Nebraska. Nebraska hospitals invested nearly **\$84 million** to educate current and future health care providers and help close the provider gap in rural areas of the state.

COMMUNITY BENEFITS DEFINED

Subsidized health services

Subsidized health services are necessary health services provided for the community, despite a financial loss to the hospitals. **Many hospitals operate a 24-hour emergency room, 365 days per year**, which is open to all individuals regardless of ability to pay. Other examples of subsidized services that qualify as community benefits include burn units, specialty services for women and children, trauma care, behavioral health services, palliative care, community clinics and neonatal intensive care units.

In 2018, Nebraska hospitals experienced a financial loss exceeding **\$101 million** to provide necessary health services to their communities.

Research

Medical research is the cornerstone of advancements in the technology and practice of medicine. Nebraska hospitals are actively engaged in research studies and clinical trials in an effort to advance medical treatments and improve outcomes for patients locally and around the world. In 2018, Nebraska hospitals committed more than **\$11 million** to help contribute to research that will ultimately improve quality and care.

Nebraska hospitals also led efforts to promote healthy habits such as hand washing and safe teen driving and educated Nebraskans to prevent health hazards such as poisoning and drug and alcohol use. From health fairs, back to school programs, immunizations, cancer awareness, job shadowing opportunities for students, grief and abuse support, community education on a variety of health-related topics and more, Nebraska's hospitals are reaching out to all citizens of the community, actively engaging them to be cognizant of the health-related choices they make and how to prevent injury and illness in an effort to promote a happy, healthy, active lifestyle.

Nebraska's hospitals are a cornerstone of our state's economy and the communities they serve. **A large portion of Nebraska's economic activity would not exist without hospitals.** It is vitally important to have a financially sound health care system that efficiently provides accessible, comprehensive, high-quality health care services and promotes health and wellness for all Nebraskans.

The role Nebraska hospitals play in their communities and the state extend beyond the care provided inside the hospital. Communities also rely on hospitals to provide health and safety education, improve the health status of the communities they serve and make available free or low-cost services that will help residents address the root causes of health problems.

Hospitals also act as an economic engine in their communities by providing jobs for local residents, purchasing goods and services from area businesses and acting as a collaborative partner in economic development.

Community-building activities

Community benefit activities are designed to address the root causes of health problems such as social, economic and environmental problems that contribute to poor health. The types of programs included in this category support workforce development, training programs and occupational therapy services to provide employment and leadership skills training, job shadowing for students interested in health careers, and economic development support to help revitalize low-income areas and businesses.

Nearly **\$5.2 million** in community-building activities was provided by Nebraska's hospitals in 2018.

Community health improvement services

Hospitals provide services and activities designed to improve the community's health. These services and activities extend above and beyond routine patient care, including participating in health fairs, free and reduced-cost health screenings, support groups for patients and families and education on various health topics to the community at large. This category also includes outreach efforts to improve access to care for vulnerable populations.

Nebraska hospitals contributed nearly **\$21.7 million** toward community health improvement services in 2018.

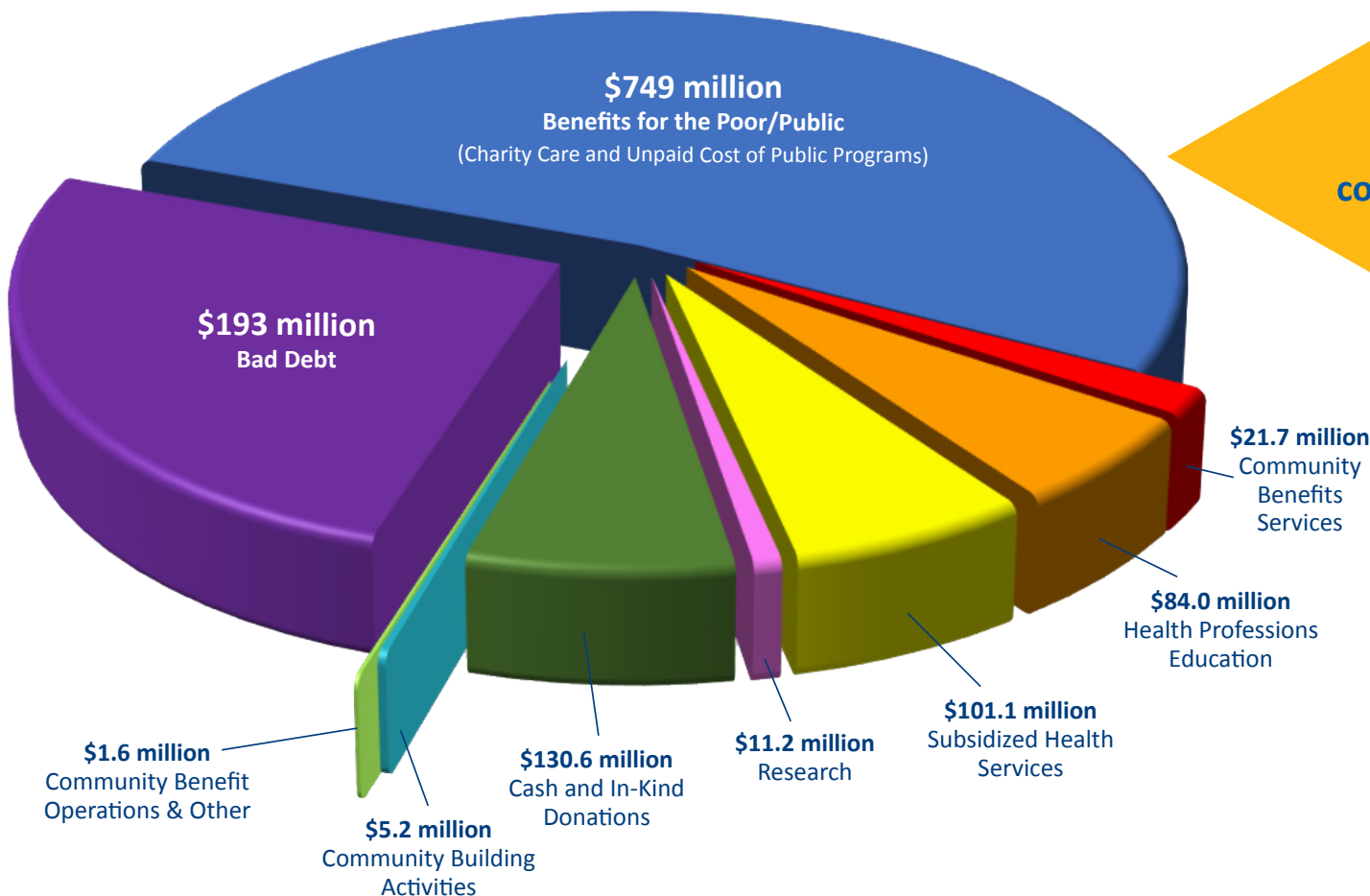
COMMUNITY BENEFITS PROVIDED BY NEBRASKA HOSPITALS IN 2018

Every year the Nebraska Hospital Association conducts a survey of its member hospitals to measure the amount of community benefits that have been provided statewide. However, what do the numbers really mean? The fact is that the impact of the community benefits that are provided by Nebraska's hospitals goes far beyond the numbers. The true impact of these programs is personal and positively impacts the lives of individuals across the state.

Nebraska's hospitals serve as the safety net in each of their communities and strive to improve the health and wellness of their patients.

In 2018, Nebraska hospitals contributed nearly \$1.30 billion (nearly \$193 million of that in bad debt) to support programs that benefited their communities.

These programs included providing free care to individuals that were unable to pay, absorbing the unpaid costs of public programs such as Medicare and Medicaid, offering community education and outreach, providing scholarships and residencies for health professionals, subsidizing health services that are reimbursed at amounts below the cost of providing the care, conducting research, and incurring bad debt from individuals that choose not to pay their bills.



\$1.30 billion
community benefits & bad debt

Hospitals are also economic engines in their communities and often serve as the largest employer. **Nebraska hospitals are substantial contributors to the state's economy by employing more than 44,200 Nebraskans and creating the demand for an additional 46,600 jobs** due to hospitals buying goods and services from other local businesses.

Hospitals also support local markets by engaging in economic and workforce development.

PROGRAMS & SERVICES

FY 2018 net
community benefit

Benefits for the poor/public programs \$ 749,422,035
Traditional charity care..... 136,536,624

Unpaid cost of public programs:

Medicare 395,731,810
Medicaid 213,668,720
Other public programs 3,484,881

Community benefits services \$ 21,666,332

Community health education and outreach 12,571,859
Community-based clinical services 4,226,115
Health care support services 4,868,358

Health professions education \$ 83,991,742

Scholarships/funding for health professions 1,543,828
Residencies and internships 74,824,078
Other 7,623,836

Subsidized health services \$ 101,062,851

Emergency and trauma care..... 4,350,319
Neonatal intensive care..... 3,162,282
Community clinics 2,048,707
Hospital outpatient services..... 34,637,341
Women's and children's services..... 425,681
Subsidized continuing care 531,171
Behavioral health services 3,358,594
Other subsidized health services..... 52,548,756

Research \$ 11,177,064

Cash and in-kind donations 130,611,734

Community building activities 5,191,496

Physical improvements and housing 69,372
Economic development..... 256,951
Community support 2,540,374
Environmental improvements..... 32,934
Leadership development/training 199,982
Coalition building 75,035
Advocacy for community issues 272,056
Workforce development 1,744,792

Community benefit operations 780,223

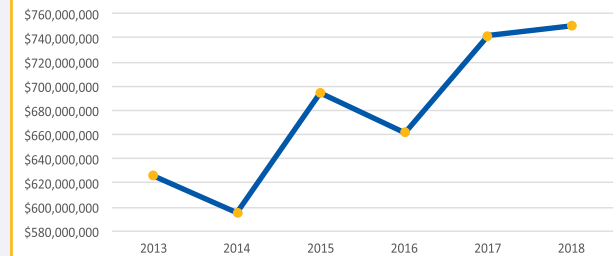
Other 853,235

TOTAL COMMUNITY BENEFITS \$ 1,104,756,713
BAD DEBT..... \$ 192,858,334
TOTAL CONTRIBUTIONS..... \$ 1,297,615,047

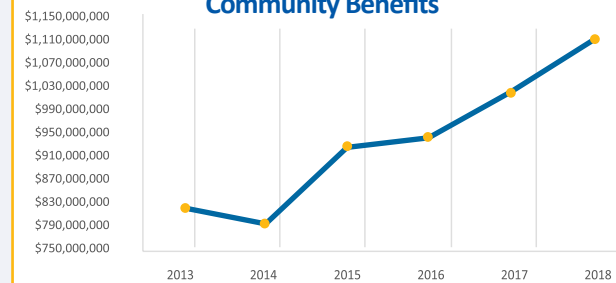
Charity Care & Unpaid Cost of Public Programs

Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet the organization's financial assistance policy criteria. Charity care is reported in terms of costs, not charges.

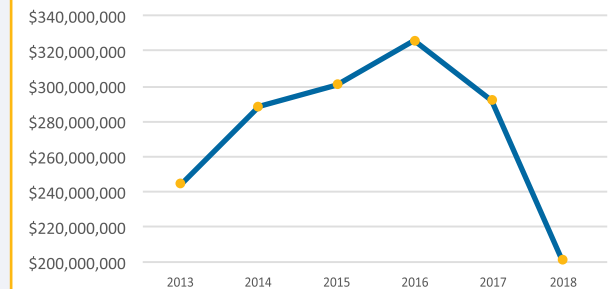
Charity & Unpaid Cost of Public Programs



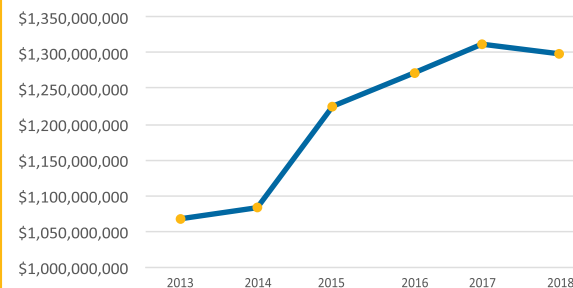
Community Benefits



Bad Debt



Community Benefits & Bad Debt



MEDICARE CUTS

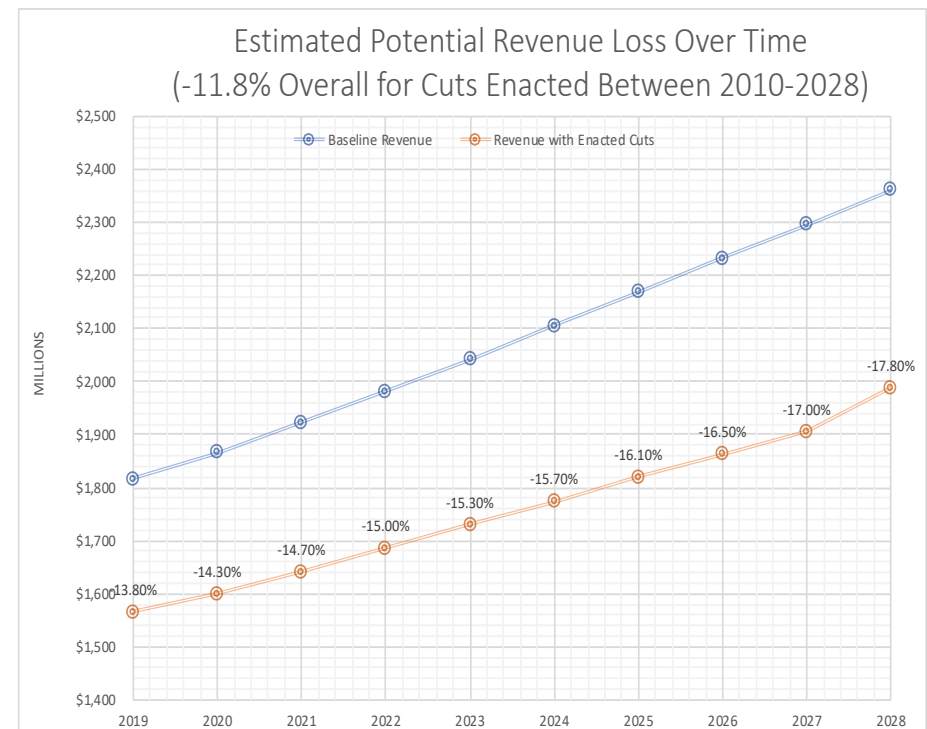
Cuts Enacted (2010-2028): Legislative	
ACA Marketbasket Cuts	(\$2,065,999,700)
Sequestration	(\$490,300,400)
Medicare DSH Cuts	(\$243,901,600)
ATRA Coding	(\$179,576,600)
OPPS SN (PN)	(\$135,480,000)
PAMA CLFS Adjustment	(\$40,623,500)
Hospice Transfer Adjustment	(\$15,385,000)
Bad Debt at 65%	(\$11,981,800)
Post Acute MB Caps	(\$5,762,600)
Total Legislative Cuts	(\$3,189,011,200)
Cuts Enacted (2010-2028): Regulatory	
Coding Cuts	(\$877,831,000)
LTCH SN Adjustment	(\$78,531,200)
OPPS Clinic SN (PO)	(\$17,721,200)
WAC Payments at 103%	(\$904,100)
340B Reduction	\$27,037,000
Total Regulatory Cuts	(\$947,950,500)

From 2019 to 2028, Nebraska hospitals could face the potential for nearly \$3.9 billion in additional cuts in Medicare reimbursement that are being considered by Congress and CMS.

Cuts Under Consideration (2019-2028)	
Rural Cuts (CAH & SCH)	(\$3,525,311,000)
Outpatient Department Payment Cuts	(\$62,297,600)
IME/DGME based on National Pool	(\$249,573,702)
Post Acute Cuts	(\$34,712,300)
Bad Debt at 25%	(\$20,787,400)
Extension of 2% Sequestration (2028)	(\$39,708,200)
Total Cuts Under Consideration	(\$3,932,390,202)
Repeal of National Rural Floor BN	\$41,440,100
Total	(\$3,890,950,102)

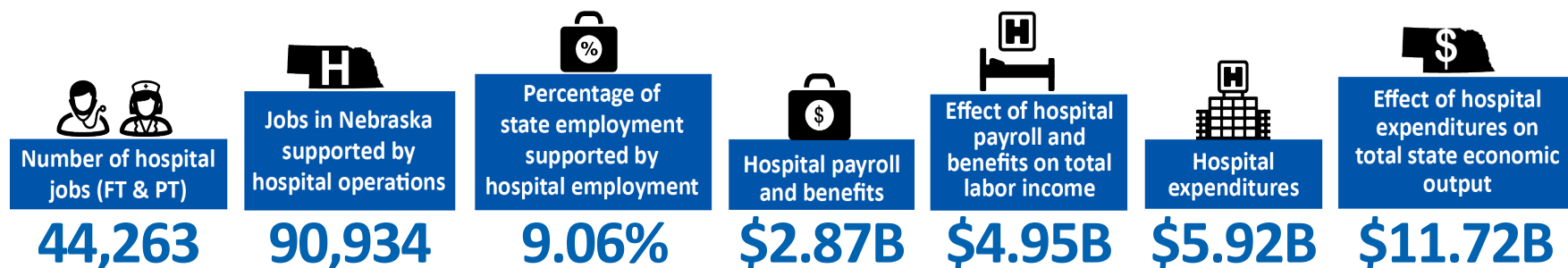
While hospitals provided nearly \$1.30 billion in community benefits including bad debt during 2018, it wasn't easy. Since the inception of the Affordable Care Act (ACA) in 2010, Nebraska hospitals have experienced significant reimbursement reductions at the Federal level.

From 2010 through 2028, Nebraska hospitals will incur over \$4.2 billion in cuts to Medicare payments.

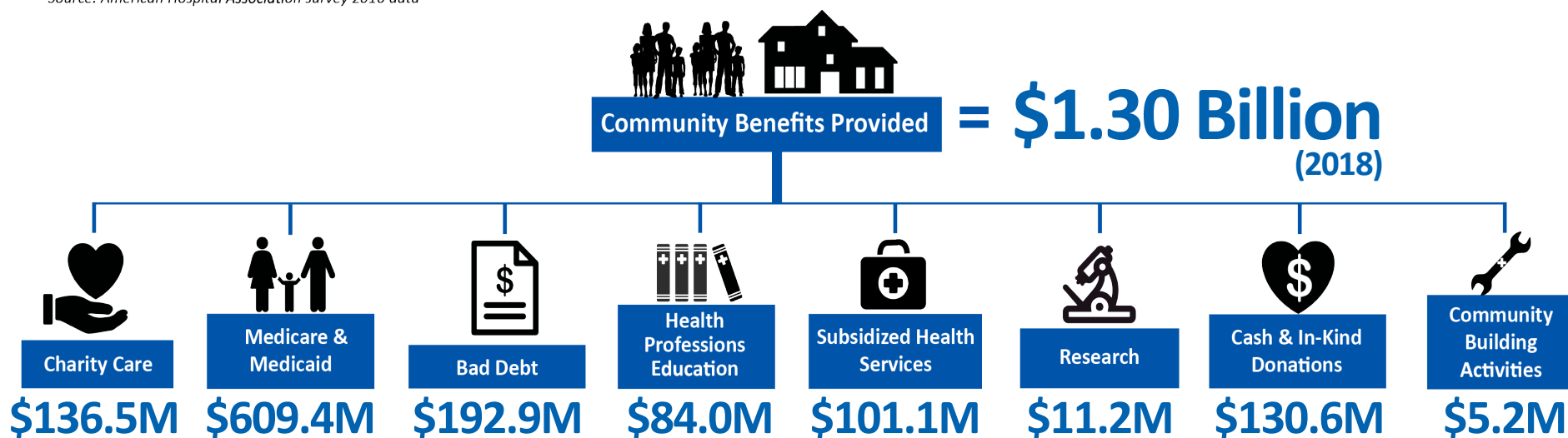


STIMULATING THE ECONOMY

The contribution of Nebraska hospitals to their communities extends far beyond their role as cornerstones of health care. They are economic engines, providing stability and growth in the state—even when the economic recession is affecting their own financial stability.



Source: American Hospital Association survey 2016 data



Source: 2019 NHA Community Benefit Survey

Source: AHA analysis using BEA RIMS-II (2007/2015) multipliers for hospital NAICS Code 622000, released Dec. 2016, applied to American Hospital Association Annual Survey data for 2015. Hospital jobs are total part-time and full-time jobs. Hospital labor income is defined as payroll plus benefits. The percent of total employment supported by direct and indirect hospital employment is based on 2016 BLS data. Employees on non-farm payrolls by state and selected industry sector, not seasonally adjusted.

*Multipliers released in 2010 and subsequent years no longer include the national level multipliers needed for the U.S. summary row. BEA RIMS-II (1997/2006) multipliers released in 2008 and applied to 2015 AHA annual survey data were used instead.

PARTICIPATING MEMBER HOSPITALS

Antelope Memorial Hospital, Neligh
Beatrice Community Hospital & Health Center, Beatrice
Boone County Health Center, Albion
Box Butte General Hospital, Alliance
Boys Town National Research Hospital, Omaha
Brodstone Memorial Hospital, Superior
Bryan Health, Lincoln
Chadron Community Hospital & Health Services, Chadron
CHI Health Creighton University Medical Center - Bergan Mercy, Omaha
CHI Health Good Samaritan, Kearney
CHI Health Immanuel, Omaha
CHI Health Lakeside, Omaha
CHI Health Midlands, Papillion
CHI Health Nebraska Heart, Lincoln
CHI Health Plainview, Plainview
CHI Health Schuyler, Schuyler
CHI Health St. Elizabeth, Lincoln
CHI Health St. Francis, Grand Island
CHI Health St. Mary's, Nebraska City
Children's Hospital & Medical Center, Omaha
Columbus Community Hospital, Columbus
Community Hospital, McCook
Community Medical Center Inc., Falls City
Cozad Community Hospital System, Cozad
Crete Area Medical Center, Crete
Dundy County Hospital, Benkelman
Faith Regional Health Services, Norfolk
Fillmore County Hospital, Geneva
Friend Community Healthcare System, Friend
Gothenburg Health, Gothenburg
Great Plains Health, North Platte
Henderson Health Care, Henderson
Howard County Medical Center, St. Paul

Jefferson Community Health & Life, Fairbury
Jennie M. Melham Memorial Medical Center, Broken Bow
Johnson County Hospital, Tecumseh
Kearney County Health Services, Minden
Lexington Regional Health Center, Lexington
Madonna Rehabilitation Hospital, Lincoln
Madonna Rehabilitation Hospital, Omaha
Mary Lanning Healthcare, Hastings
Memorial Community Health, Aurora
Memorial Community Hospital, Blair
Memorial Health Care Systems, Seward
Methodist Fremont Health, Fremont
Morrill County Community Hospital, Bridgeport
Nebraska Medicine - Bellevue Medical Center, Bellevue
Nebraska Medicine - Nebraska Medical Center, Omaha
Nebraska Methodist Hospital, Omaha
Nebraska Methodist Women's Hospital, Omaha
Nemaha County Hospital, Auburn
Ogallala Community Hospital, Ogallala
Osmond General Hospital, Osmond
Pawnee County Memorial Hospital, Pawnee City
Phelps Memorial Health Center, Holdrege
Providence Medical Center, Wayne
Regional West Health Services, Scottsbluff
Rock County Hospital, Bassett
Sidney Regional Medical Center, Sidney
Syracuse Area Health, Syracuse
Thayer County Health Services, Hebron
Tri Valley Health System, Cambridge
Valley County Health System, Ord
Webster County Community Hospital, Red Cloud
West Holt Medical Services, Atkinson
York General, York



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