The delivery of health care has changed dramatically in the 86 years since the Kentucky Hospital Association (KHA) organized in 1929. One year later, in 1930, Herman Fisher and Irving Price established Fisher-Price, an iconic American toy manufacturer, well known for its popular Little People play sets.

The images in this report may take you back to a time when you played with a Fisher-Price Little People play set such as the house, farm, or hospital. It is noteworthy that even Fisher-Price recognized the importance of the hospital when creating its Little People community. This is fitting, because in many ways the hospital is the cornerstone of the community.

Kentucky’s hospitals are recognized for providing outstanding health care services, but the extent of their community benefit role, and the costs associated with the community benefit services they provide, are often not understood. KHA’s Community Benefits Report provides a glimpse of how hospitals in the commonwealth positively benefited their local communities in 2013. This report includes stories about hospitals’ efforts to expand research, train tomorrow’s caregivers, cover the uninsured and provide compassionate care for all, regardless of one’s ability to pay. These programs are provided at no cost, or at a financial loss and would not be provided if the decision was based on monetary considerations.

In the fall of 2014, all 125 Kentucky hospitals received the KHA Community Benefits Reporting Survey. The survey was based on the IRS definition for community benefit. Participation in the survey was voluntary. Some hospitals, such as federally funded veterans’ hospitals, army community hospitals, state-funded psychiatric hospitals and Shriners’ Hospital for Children, all of which treat limited types of patients, do not have costs related to the IRS-defined community benefit categories.

The KHA 2013 Community Benefits Report is based on net costs (i.e., any revenue a hospital may receive for a service is taken into account), not charges, and programs that are part of marketing efforts are not counted as a community benefit.

Additional data sources were used to round out the report and included the annual survey by the American Hospital Association; Kentucky Hospital Statistics, 2015; and Kentucky Hospitals’ Economic Importance to Their Communities, 2014.
Message to Our Community

What a comfort and assurance to know that your community hospital is there when you need them — a promise you can count on 24 hours a day, seven days a week, 365 days a year. For 86 years, the Kentucky Hospital Association (KHA) has been entrusted with helping hospitals fulfill this promise.

Before Fisher-Price was founded in 1930 and later made its first wooden-peg style Little People play sets in the 1960s, KHA was advocating for Kentucky’s hospitals. By focusing our attention on health care legislation and regulations in Frankfort and Washington, hospitals have been better able to concentrate their efforts on the health needs of their patients.

Though it’s 2015, this report covers community benefit programs and expenditures made in 2013 — the most recent year for which statewide data is available. The stories in this publication are examples of how Kentucky hospitals go far beyond the delivery of traditional hospital care to bring health-related services to the people in their communities.

Just like Fisher-Price Little People have modernized from their once wooden peg style design, health care has evolved and medical technology has advanced. With so much changing, one thing has remained constant -- Kentucky hospitals caring for people and the hospital as the heart of the community and certainly the hub of the health continuum of care.

We thank Kentucky’s hospitals, their boards, employees, physicians and volunteers whose efforts made these community benefits possible. Their hard work emphasizes the need to support Kentucky hospitals so they can continue to foster the health of all Kentuckians.

Kevin Halter, FACHE
Chairman of the Board
Kentucky Hospital Association

Michael T. Rust, FACHE
President
Kentucky Hospital Association
By The Numbers

Kentucky hospitals are the heart and lifeblood of our communities. On an average day, Kentucky hospitals treat 6,750 patients in emergency rooms; help nearly 20,000 people with other outpatient services; discharge more than 1,600 patients after an inpatient stay; and deliver nearly 140 of the state’s newest citizens.

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Commitment to their Communities

*Hospitals play a vital role in the communities they serve.*

Kentucky’s 125 hospitals work tirelessly to provide patients with safe, compassionate, high-quality health care. But their work does not start at the boundary of their hospital campuses. Hospitals work in their communities to improve population health, decrease chronic illness and provide care on a communitywide level – regardless of a person’s ability to pay. All of this is possible because of the dedicated work of hospital boards, employees, physicians, volunteers and donors who support their communities and the patients they serve.

Kentucky hospitals demonstrate commitment by investing in the needs of their communities through the provision of charity care; bad debt forgiveness; by making up the difference from government shortfalls; and through their support of numerous community benefit services.

Hospitals provide charity care (free or discounted care) to patients who cannot pay, who are not eligible for public programs and who meet certain financial criteria. Financial assistance/charity care, like all community benefit programs, is reported at the cost of care to the hospital, not charges.

In addition to treating patients who do not have the means to pay, hospitals write-off the bad debt of health care services provided to those from whom they expected to receive payment but did not because of the patients’ unwillingness or inability to pay. Like charity care, bad debt is recorded at the cost of care to the hospital, not charges.

Moreover, Kentucky hospitals assist community health by making up the difference incurred from government shortfalls. Hospitals suffer a financial loss resulting from the difference between payments received from Medicaid and Medicare and the cost of care provided to the beneficiaries. In Kentucky, Medicaid only reimburses hospitals 82 percent of their actual costs and Medicare only 86 percent. The financial strength of hospitals is intimately tied to payments from Medicare and Medicaid because approximately 70 percent of patient days are covered by one of these programs.
In 2013, the value of the community benefit programs and services provided by Kentucky hospitals was nearly $2.73 billion. Kentucky hospitals are committed to meeting the health care needs of all residents, regardless of their ability to pay for services. Each facility strives to be highly efficient and good stewards of their resources while working to improve health and health care in the communities they serve.

Providing community benefit programs and services does not stop at the hospital boundaries; it extends to community residents, families, schools and neighborhoods through outreach programs and other coordinated care activities that make the community a healthy place to live.

<table>
<thead>
<tr>
<th>Total Community Benefit Reported by Kentucky Hospitals at Cost:</th>
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<tbody>
<tr>
<td>Financial Assistance/Charity Care ................................................ $507 million</td>
</tr>
<tr>
<td>Medicaid Losses ............................................................................. $300 million</td>
</tr>
<tr>
<td>Community Health Improvement Services* .................................... $57 million</td>
</tr>
<tr>
<td>Subsidized Health Services* .......................................................... $32 million</td>
</tr>
<tr>
<td>Health Professions Education* ....................................................... $148 million</td>
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<tr>
<td>Medicare Losses ............................................................................ $509 million</td>
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<td>Bad Debt* .................................................................................... $811 million</td>
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<tr>
<td>Community Building Activities* ...................................................... $7 million</td>
</tr>
<tr>
<td>Cash and In-Kind Contributions* .................................................... $13 million</td>
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<tr>
<td>Research* .................................................................................. $345 million</td>
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**Net Community Benefits** ......................... $2.73 billion

* Data was compiled in 2015 for community benefits that occurred in 2013, the year for which the most complete data is available. Some hospitals did not keep detailed records for some community benefit programs, such as community health improvement and other types of outreach services; therefore, amounts for these items are understated.
What is “Community Benefit”?

Community benefit categories include:

I. Financial Assistance/Charity Care
II. Bad Debt
III. Government Shortfalls
IV. Community Benefit Services

A. Community Health Improvement Services and Community Benefit Operations
   1. Community Health Education (support groups and self-help programs)
   2. Community-based Clinical Services (screenings, one-time or occasionally held clinics, clinics for underinsured and uninsured persons)
   3. Health Care Support Services
   4. Activities Associated with Community Health Needs Assessments; Community Planning and Administration; Fundraising and Grant Writing

B. Health Professions Education
   1. Medical and Other Students
   2. Interns, Residents and Fellows
   3. Nursing
   4. Other Allied Health Professions
   5. Continuing Medical Education
   6. Scholarships for Community Members

C. Subsidized Health Services
   1. Neonatal Intensive Care
   2. Addiction Recovery
   3. Inpatient Psychiatric Units
   4. Ambulatory Programs such as Emergency and Trauma Services
   5. Satellite Clinics for Low-income Communities
   6. Home Health Programs

D. Research
   1. Clinical Research
   2. Community Health Research

E. Cash and In-kind Contributions
   1. Cash Contributions
   2. Grants
   3. In-kind Contributions

F. Community Building Activities
   1. Physical Improvements and Housing
   2. Economic Development
   3. Community Support
   4. Environmental Improvements
   5. Leadership Development and Training for Community Members
   6. Coalition Building
   7. Community Health Improvement Advocacy
   8. Workforce Development
   9. Other Activities that Protect or Improve the Community’s Health or Safety

The majority of hospitals’ community benefits represent the cost of providing care to the uninsured, indigent and patients covered by Medicare or Medicaid, for which hospitals receive less than the cost of providing care. In addition to subsidizing for unreimbursed care, Kentucky hospitals provide community benefit services to promote health and healing.

Community benefit requires behaving in a manner that intentionally benefits the entire community. That behavior can be seen in a wide variety of actions and decisions. Community benefit services can be broken down into six categories: community health improvement services and community benefit operations, health professions education, subsidized health services, research, cash and in-kind contributions and community building activities.
Caring for the Sick and Injured — Regardless of their ability to pay - $507 Million

These are difficult times for families and communities financially, but concerns over money and lack of resources should never prevent a patient from seeking care and medical attention when their health and well-being are at risk. Improving the health status of the community always takes precedence over matters of finance.

Hospitals illustrate their respect and compassion by working closely with patients and their families to gather the information necessary to determine if they qualify for either government assistance or for the hospital’s discount or charity care program.

Financial assistance/charity care includes free or discounted health services, at cost, provided to persons who meet the organization’s financial assistance policy because they are deemed unable to pay for all or a portion of the services. It does not include bad debt or uncollectible charges that the hospital recorded as revenue, but wrote off due to a patient’s failure to pay, or the cost of providing care to such patients.

In 2013, Kentucky hospitals provided $507 million in financial assistance, at cost — not charges — to patients who could not afford to pay for their care because their income was below the federal poverty guidelines.

Both the Medicare and Medicaid programs provide special payments to hospitals to help offset the cost of treating patients who are uninsured or are covered by Medicaid (since Medicaid payments only cover 82 percent of a hospital’s cost). These payments, known as disproportionate share hospital (DSH) payments, reimburse for indigent care provided to persons who are uninsured and do not qualify for Medicaid with income below the federal poverty level. DSH payments will be significantly reduced under the Affordable Care Act (ACA), despite the fact that the payment shortfall from Medicaid will rise due to the Medicaid expansion, approximately 12 percent of Kentuckians remain uninsured, and hospitals will continue to incur costs for uncompensated care expenses.

In 2013, hospitals received $180.1 million in DSH funding, but this still resulted in Kentucky hospitals having to absorb $327.1 million in unreimbursed charity care and financial assistance costs.

I. Financial Assistance/Charity Care

Many hospitals in Kentucky, like Saint Joseph Hospital in Lexington and Jewish Hospital in Louisville, both part of KentuckyOne Health, provide free surgeries at events held periodically throughout the year through the Lexington-based Surgery on Sunday program which provides free outpatient surgeries to low-income, uninsured patients. Surgery on Sunday, Inc., is a non-profit, volunteer-driven organization that provides essential outpatient surgical services for free for those in need who cannot afford insurance and who are not eligible for federal or state programs. All of the professionals who assist at the hospital — surgeons, nursing staff and others — donate their time and expertise for the procedures.
II. Bad Debt

Bad debt represents uncollectible amounts that are the responsibility of, but not paid by patients - $811 Million

In practice, hospitals often have difficulty distinguishing bad debt from charity care. Bad debt is the cost hospitals incur as a result of services provided to patients from whom payment was expected but not received, even after making attempts to collect the amount due. This occurs for many reasons (e.g., when uninsured patients have incomes above the guidelines for financial assistance/charity care, but still cannot afford the cost of their care, or when insured patients cannot afford co-pays and deductibles).

KHA includes bad debt expense in this report because Kentucky hospitals absorb a large magnitude of losses due to patient non-payment of their medical care and this represents a significant benefit to the communities which hospitals serve.

Hospitals are committed to working with patients and their families through difficult financial circumstances. Hospitals assist patients by connecting them with the appropriate financial assistance or establishing payment plans, but in 2013 Kentucky hospitals still incurred $811 million in bad debt expenses, based on the actual cost of unpaid care, not charges. While not all bad debt is associated with low income patients, a large portion is attributable to low income persons and those who may qualify for financial assistance yet fail to apply. Making the distinction between charity care and bad debt can be arbitrary at best and therefore, it is reasonable to consider bad debt a component of the hospitals’ total cost of care to medically indigent and underinsured patients.

Linda Russell (pictured to the right) had suffered from Crohn’s Disease, a chronic inflammatory bowel disease, for years before undergoing emergency surgery at The Medical Center. Complications from the initial surgery led to two more procedures. Even with Medicare and a supplementary policy, the resulting medical bills became overwhelming.

“I didn’t know what to do. I was so distressed. I wanted to pay my bills, but I just couldn’t afford it,” said Linda. She called Commonwealth Financial Resources (CFR) for help. Linda spoke with Teresa Goodman, customer service collector for CFR who began the process of getting financial help for Linda.

CHC hospitals in south central Kentucky (The Medical Center in Bowling Green, Franklin and Scottsville) offer many options through CFR to help those in need cope with their financial issues. Linda filled out a short application, and sent in proof of income to show that she qualified for a charity program based on household income. The program is there to help individuals who may have insurance, but who can’t afford to pay balances after insurance.

“I just couldn’t believe what happened next,” said Linda. “I got a letter in the mail. It said my account balance had been set to zero. I sat down and cried. I thanked God, I thanked CFR, I thanked everyone. It was a miracle.”

Treating all patients, regardless of their ability to pay, puts hospitals at the foundation of the medical safety net. It is a point of pride, but also a costly commitment. By containing costs and ensuring that every appropriate effort is made to collect money owed, the hospitals can reinvest in their communities and ensure the highest level of health care is available in their region.
In addition to providing important community services and outreach, hospitals shoulder a large financial burden because of insufficient reimbursement from government programs. Unlike private insurance programs that negotiate payment rates with hospitals, government programs like Medicare and Medicaid unilaterally set the amounts they will pay for health care services. These payment rates are currently set below the costs of providing care and result in a government shortfall.

Medicare - $509 Million

Medicare provides health care coverage for those 65 years and older regardless of income, as well as for disabled individuals. On average, 55 percent of all patients treated in Kentucky hospitals are covered by Medicare; therefore, maintaining adequate Medicare reimbursement is essential to assure that beneficiaries are able to have continued access to quality health care services.

Medicare margins have been negative for nearly 15 years even though Kentucky hospitals operate very efficiently as demonstrated by having one of the lowest cost-per-stay ratios in the United States. Unfortunately, the government reimbursement that Kentucky hospitals receive for treating Medicare patients is less than the cost hospitals incur to treat them (Medicare pays 86 percent of the actual cost of treating patients). Medicare's annual rate updates had not kept up with inflation prior to the passage of the Affordable Care Act (ACA), and beginning in 2010, the ACA further reduced annual rate updates. Medicare payments to hospitals will be cut by $4.6 billion from 2010 to 2024 to help finance health reform. The Medicare shortfall is expected to exceed $852 million by 2019.

Hospitals’ continued participation in the Medicare and Medicaid programs and their treatment of these patients at below cost is a significant community benefit.
It was a warm day in August 2013 when Nancy Camenisch brought water to her siblings who were operating a combine on the family farm two miles outside of Sanford in Lincoln County. Her life turned tragic when she tripped into the combine. Attempting to break her fall, Camenisch put her hand in front of her and the skin on her forearm was chewed up by the combine, before it suddenly came to a stop. “A weed stopped up the combine and caused the chain to break,” Camenisch recalled. “If the chain had not broken before I fell, I would have been chopped up.”

Immediately, Camenisch’s sister drove her to the Emergency Department (ED) of Ephraim McDowell Fort Logan Hospital. Fortunately, that hospital ED is a Level IV Trauma Center, verified on adult and pediatric trauma care with protocols on immediate stabilization and trained when to transport patients to another facility for the most effective care.

In the case of Camenisch, the ED physician and nursing staff stabilized her and sent her by ambulance to another hospital for further treatment. All this happened under the time established by the Trauma Center protocols.

Nancy Camenisch’s story is one of thousands in which the community hospital provides healing and lifesaving care to Medicaid beneficiaries. The hospital is a steward of Medicaid resources and the Medicare program must remain healthy and solvent in order for hospitals to provide these health care services at a loss to Medicaid beneficiaries.

Medicaid - $300 Million

The creation of Kynect, the online marketplace where consumers can buy health insurance, and the expansion of Medicaid eligibility permitted by the ACA have resulted in 413,000 Kentuckians being enrolled in new health coverage. Because Kentucky is a low-income state, ranking 46th in per-capita income, the actual enrollment statistics reveal that 75 percent of the newly insured are covered by Medicaid, and only 25 percent have bought a private health plan. Almost 12 percent of Kentuckians remain uninsured.

This is important because private health insurance pays health providers at a much higher rate than the Kentucky Medicaid program, which pays hospitals 82 percent of what it actually costs to care for Medicaid patients. This leaves a substantial uncompensated cost of care. In SFY 2013, hospitals were paid approximately $1.4 billion for inpatient and outpatient services; however the services provided to Medicaid patients actually cost $1.7 billion to deliver. The difference between the Medicaid payments and the actual cost is known as the “Medicaid shortfall,” which was $300 million in 2013.

The state expansion of Medicaid has resulted in adding some 323,000 additional people to the Medicaid program, bringing the total to 1.2 million people (1 out of 4 Kentuckians) now covered under Medicaid. As a result, this shortfall is expected to grow by another $135 million per year.

Medicaid expansion in Kentucky has and will continue to significantly increase government shortfalls to hospitals.

Due to lack of access to primary care and in some case, patient convenience, many use the emergency room for non-emergency issues. Additionally, some patients use the emergency room as their primary care medical home. Hospitals continue to be the safety net for these low income patients, but face growing losses each year. Bridging the gaps created by government underpayments from Medicaid is only one of the many community benefits hospitals provide.
IV. Community Benefit Services

A. Community Health Improvement Services and Benefit Operations

Community health improvement services are activities or programs, subsidized by the health care organization, carried out or supported to improve community health, such as programs that focus on health education, treatment and/or prevention. They include traditional health fairs, screening programs and immunization clinics, along with new approaches and partnerships that target unique community health needs. These services do not generate inpatient or outpatient bills, although there may be a nominal patient fee or sliding scale fee for the services. The community benefit is counted by the financial loss attributed to the cost of providing the services that is not offset by any revenue or funding source.

Community benefit operations are activities associated with community health needs assessments; community planning and administration; and the hospital’s activities associated with fundraising or grant-writing for community benefit programs. Activities or programs cannot be reported if they are provided primarily for marketing purposes and the program is more beneficial to the organization than to the community; for instance, if the activity or program is designed primarily to increase referrals of patients with third-party coverage, required for licensure or accreditation or restricted to individuals affiliated with the organization (employees and physicians).

To be reported, community need for the activity or program must be established and may be demonstrated through a community health needs assessment developed or accessed by the organization; documentation that demonstrated community need; or a request from a public agency or community group.

Kentucky hospitals and health care systems reported spending $57 million on these programs in 2013, which were offered in a variety of settings including: inpatient, outpatient, in the home, in the workplace and in the community. They served all ages, from infants through senior citizens, and a number of special needs populations including persons with disabilities; racial and ethnic minorities; the uninsured; and the poor.

Project COPE (Cancer Outreach Prevention Education) Screening provides a comprehensive approach to breast cancer education, screenings, diagnoses and treatments to women in Appalachia Kentucky who struggle financially. Marcum & Wallace Memorial Hospital (MWMH) provides these underserved women mammography, breast ultrasounds, and assistance with surgical consultations and treatment for breast cancer. The program provides a referral system to assist patients with cancer treatment and the establishment of a medical home utilizing the Project HOME and “Kentucky Pink Connection” for assistance in breast care. MWMH collaborates with area health departments to promote awareness, education and mammography screenings to underserved women. The hospital’s service area has an estimated 2,000 uninsured women and by 2013, the program screened approximately 24 percent of the 2,000 uninsured women.

B. Health Professions Education

To ensure a competent supply of caregivers and to combat the state’s medical gap and health care workforce shortages, Kentucky hospitals train physicians, nurses, radiology technicians, physical therapists and a host of other health care professionals. Kentucky is home to teaching hospitals that provide graduate medical education to prepare the next generation of health care professionals. Hospitals across the state partner with colleges and universities to provide the education and hands-on experience needed. In 2013, Kentucky hospitals reported spending $148 million on health professions education.

The citizens of Kentucky are the benefactors of hospitals’ investment in the education of its health care professionals, who are desperately needed throughout the state. Of the 120 counties in Kentucky, 57 counties are designated as Health Professional Shortage Areas (HPSA) for primary medical care according to geographic region or defined populations.

Owensboro Health and its grateful patients understand the need for health professions education and how that knowledge can save lives. As part of a long-term quality goal set by the Institute of Medicine, Owensboro Health looked for ways to increase the number of RNs with a bachelor’s degree in nurs-
ing, ultimately partnering with the University of Lou-

isville’s School of Nurs-
ing. The program has the capacity to graduate approximately 40 new nurses per year while they go through clinical rotations and education with Owensboro Health.

C. Subsidized Health Services

Subsidized Health Services refer to clinical services provided despite a financial loss to the hospital and include billed clinical services that are provided at a negative margin because they meet an identified community need. If the hospital no longer offered the service, it would be reasonable to conclude the service would be unavailable in the community, or the service would become the responsibility of government or another tax-exempt organization.

Subsidized health services generally include qualifying inpatient programs (neonatal intensive care, addiction recovery and inpatient psychiatric units) and ambulatory programs (emergency and trauma services, satellite clinics designed to serve low-income communities, home health programs or care provided by physician clinics and skilled nursing facilities that satisfy the general criteria).

In 2013, Kentucky hospitals subsidized these services by providing $32 million to support them. This amount is understated because many hospitals chose not to undertake the rigorous accounting required to remove all losses accounted elsewhere in the report. The financial loss for subsidized health services is measured after removing losses, measured by cost, associated with bad debt, financial assistance, Medicaid and other means-tested government programs.

Harlan ARH Hospital understands that when people don’t have insurance and are financially strapped, they do not seek the medical care they need. For that reason, in 2013 the hospital sponsored a two-day remote area clinic at Harlan County High School in which they offered free health care to those who needed medical care, but who could not afford it. In addition to providing medical treatment, the remote clinic provided eye glasses and dental care to nearly 1,000 low income people.

D. Research

Research refers to any study or investigation undertaken with a goal of producing knowledge that is made available to the public. It includes clinical and community health research, as well as studies on health care delivery. The financial loss of this community benefit can include the cost of research funded by a tax-exempt or government entity.

In 2013, Kentucky hospitals reported investing $345 million in research to support the development of better medical treatments. Examples include investigations into underlying biological mechanisms of health and disease, natural processes or principles affecting health or illness; epidemiology, health outcomes and effectiveness; behavioral or sociological studies related to health, delivery of care or prevention; studies related to changes in the health care delivery system; and communication of findings and observations, including publication in a medical journal.

In 2013, the National Institute of Health gave an $11.3 million grant to the University of Kentucky to support research focusing on two major issues in the Commonwealth — obesity and cardiovascular disease. Both diseases are the primary causes of death in Kentucky. Two-thirds of Americans are overweight or obese and the number is higher in Kentucky. The University’s Department of Molecular and Biomedical Pharmacology oversees the grant to study the connection between obesity and heart disease. The approximate 25 member research team consists of five junior faculty, 10 mentors, and several technical personnel.
IV. Community Benefit Services - continued

E. Cash and In-kind Contributions

Cash and in-kind contributions refer to contributions made by the organization to health care organizations and other community groups restricted to one or more of the community benefit activities.

Included are the cost of staff hours donated by the organization to the community while on the organization’s payroll, indirect cost of space donated to tax-exempt community groups (such as for meetings) and the financial value (generally measured at cost) of donated food, equipment and supplies.

Hospitals report cash contributions and grants made by the organization to entities and community groups that share the organization’s goals and mission.

Kentucky hospitals and health care systems reported contributions of $13 million to support community and social service organizations to promote health in 2013.

Since 1997, St. Elizabeth Healthcare, in northern Kentucky, has provided free clinical services to churches of all denominations throughout the Tri-State area. Health Ministries offers faith communities with a customizable nursing program to help congregations become “healthplaces.” Skilled health professionals and dedicated volunteers provide congregations with free services including blood pressure and health screenings, flu vaccinations, health counseling services, health fairs, advanced directives preparation, home/hospital/nursing home visits, etc.

Like all hospitals, St. Elizabeth Healthcare is deeply committed to its mission to help people live healthier lives while encouraging personal health and wellness in the community. Today, more than 60 congregations benefit from Health Ministries.

F. Community Building Activities

Community building activities represent an important part of hospitals’ contributions to their communities. They include, but are not limited to: support for physical improvements and housing, economic development activities, community support, environmental improvements, leadership development and training for community members, coalition building, community health improvement advocacy, workforce development and other activities that protect or improve community health and safety.

Although community building activities do not directly relate to health care, they do address some of the root causes of health problems such as poverty, crime and environmental issues. These activities support other community organizations by providing the expertise and resources of the health care facility and protecting or improving the health or safety of the community the hospital serves.

Examples of community building activities can be further broken down into several categories: physical improvements (e.g., neighborhood improvements or revitalization projects and the development or maintenance of parks and playgrounds to promote physical activity); economic development (e.g., assisting small business development in neighborhoods with vulnerable populations); community support (e.g., child care and mentoring programs for vulnerable populations, disaster readiness and public health emergency activities); environmental improvements (e.g., activities that address environmental hazards that affect community health); leadership development and training for community leaders (e.g., training on civic, cultural or language skills and medical interpreter skills); coalition building (e.g., participation in community coalitions to address health and safety issues); community health improvement advocacy (e.g., efforts to support policies and programs to safeguard or improve public health); and workforce development (e.g., recruitment of physicians and other health professionals to medical shortage areas, and collaboration with educational institutions to train and recruit health professionals needed in the community).
In 2013, Kentucky hospitals reported investing $7 million in community building activities that protect or improve the health or safety of their communities.

There are 13 Healthcare Planning Coalitions in Kentucky responsible for enhancing health care preparedness. These coalitions are comprised of individuals from hospitals, health departments, emergency management, EMS, long term care, coroners, and other health care agencies.

Pikeville Medical Center is an active member of their Healthcare Planning Coalition and was an active participant in the April 2013 exercise that involved over a hundred personnel from 32 county and state organizations including emergency medical services, fire departments, health departments, emergency management, long term care centers, colleges, private businesses, and law enforcement. Pikeville Medical Center successfully evaluated their capability to manage a surge of casualties that would require medical diagnosis and appropriate level of care. This type of collaboration demonstrates the critical role of hospitals in building community resilience and emergency response capacity.
The importance of hospitals to Kentucky goes far beyond health care and community support. The unique role and rich histories hospitals have had in our rural state are deeply etched into the commonwealth and are carved into the foundation of the state and local economy. In today’s uncertain economic environment, hospitals are more important than ever to the overall economic health of Kentucky and its local communities.

- **Kentucky Hospitals are One of the Largest Employers**
  Ranked 8th highest among other private industries in Kentucky in terms of total employment, Kentucky hospitals employed over 73,000 full-time equivalent employees in 2013, but this was 3,000 fewer than in 2011 and 2,000 less jobs than in 2012. As approximately 60 percent of the costs of operating a hospital are comprised of employee salaries and benefits, hospitals have been forced to reduce their workforce in response to federal and state cuts in payment from Medicare and Medicaid program under the Affordable Care Act and Medicaid managed care organizations (MCOs). Despite these reductions, in many communities the local hospital is still the largest private employer.

- **Kentucky Hospital Payroll**
  Kentucky hospitals paid approximately $3.7 billion in employee wages and salaries in 2012. In addition, hospitals paid more than $1.1 billion in employee benefits in 2012. Hospital wage and benefit payments, totaling over $4.8 billion, have grown more than 18 percent over the last five years.

- **Hospitals Employ a Skilled Workforce with Higher Average Wages**
  Hospitals employ a wide variety of skilled workers. In addition to clinical staff like nurses, therapists, and pharmacists, hospitals need dietary and maintenance workers, coders and billing staff, and administrators to operate their facilities. Because hospital workers are highly trained, the average Kentucky hospital employee wage in 2013 was 24 percent higher than the average wage of all other private employees in the state. The average wage for a hospital employee in Kentucky in 2013 was $49,047, compared to $39,575 for other private employees.
Stimulating the Economy

Kentucky hospitals’ combined spending on staff salaries and purchases of supplies and services totaled nearly $8 billion in 2013. The majority of hospital spending covers the wages and benefits of employees, followed by money spent on products to provide quality care such as medical instruments, food for patients, professional fees and prescription drugs.

The money hospitals spend creates a “ripple effect” as it moves through the larger economy, supporting other businesses and jobs in the community as well as generating tax revenue used to fund state programs. Kentucky hospitals are responsible for generating approximately $4.8 billion in local economic activity from the purchases they make and those purchases made by their employees impacting many local businesses and industries.

Kentucky hospitals purchase many goods and services and generate nearly $3 billion annually in purchases from local companies. The employees of Kentucky hospitals spend an estimated $1.8 billion in local purchases.

The state expansion of Medicaid has resulted in adding some 323,000 additional people to the Medicaid program in Kentucky, bringing the total to 1.2 million people (1 out of 4 Kentuckians) now covered under Medicaid. As Medicaid is jointly financed by federal and state tax dollars, Kentucky will be required to begin paying for part of the additional Medicaid expenditures generated by the new enrollees in 2017. Unfortunately, Medicaid only reimburses hospitals 82 percent of their actual costs to care for Medicaid patients (both inpatient and outpatient) leaving a growing shortfall of uncompensated care costs by the Medicaid program.

Fifty percent of the cost of health care reform legislation will be financed through new taxes, and 50 percent through Medicare payment cuts of which one-third are reductions in payments to hospitals. From 2010 — when the cuts started — through 2024, Kentucky hospitals’ portion of these Medicare payment cuts is $4.6 billion. Because these cuts will outweigh the additional expected revenue from the newly insured, Kentucky hospitals will have an estimated net revenue reduction of nearly $1 billion in the next 10 years from health care reform.

Hospitals’ financial strength is ultimately tied to payments from Medicare and Medicaid because approximately 70 percent of the patients served by Kentucky hospitals are covered by one of these programs. Reductions in reimbursement from these government programs not only adversely impact hospitals and their ability to provide quality care, but it also affects their employees, state and local government and the broader community.

In 2013, Hardin Memorial Hospital was awarded an Excellence in Patient Care award given by outcomes firm, Studer Group ®. In the same year, the hospital cared for 12,321 people on an inpatient basis; welcomed 1,570 babies into the world; treated 57,077 people in the emergency department; and had more than 347,434 outpatient visits.
The contribution of Kentucky’s hospitals to their communities extends far beyond their role as the foundation for health care. Kentucky’s 125 hospitals contribute to the tax base of the state’s economy, providing stability and growth to the state – even when the economic downturn is affecting their own financial stability.

In 2013, Kentucky hospitals:

- Were responsible for approximately $591 million in state and local tax revenue through the taxes they pay directly and tax revenue generated from their 73,000 full-time equivalent employees.
- Paid more than $75 million in city and county occupational taxes and public school occupational taxes.

In Kentucky, 21 percent of the state’s hospitals are for-profit facilities and are not exempt from paying taxes. These 26 proprietary hospitals pay real estate and personal property taxes just like any other for-profit, privately owned entity.

Kentucky received nearly $333 million in income and sales taxes linked to the wages and salaries of Kentucky hospital employees. Additionally, since state fiscal year 1994, all Kentucky hospitals have paid a provider tax to the state for patient care services. The tax grew from $72.6 million at its inception, to $183 million in state fiscal year 2005-2006. At that time, the Kentucky General Assembly recognized that continued escalation was not sustainable for hospitals and the provider tax was frozen at that level for future years.

In 2013, Kentucky hospitals paid approximately $183 million in provider taxes to the state to help support the Kentucky Medicaid program. The hospital provider tax is a major stimulus to the state’s economy. When federally matched, Kentucky’s hospital provider tax generates approximately $610 million in state Medicaid spending each year.

Other Considerations

In Kentucky, there are 30 rural hospitals and another 28 critical access hospitals available 24/7 with emergency room services. These safety net hospitals provide care to the residents of the rural counties where they are located, and to the 41 Kentucky counties without a hospital.

Rockcastle Regional Hospital and Respiratory Care Center, located in Mt. Vernon, is a 26-bed hospital with a special respiratory care unit to care for long-term patients who are dependent on ventilators. They are an organization that responds to the needs of the community. In 2013, the hospital hired a licensed counselor to address a growing need for mental health services, and a nurse practitioner to make home visits. They are a center of community outreach as evident by their wellness programs that include monthly countywide run/walks.

The hospital’s responsibility goes beyond their mission as a health care provider. Their long history as a job creator and catalyst for the local economy is something they are proud of and intend to continue. In 2013, the hospital paid $28 million in salaries and benefits. That money circulates throughout the community many times over, indirectly creating new jobs and boosting the local economy. The hospital’s 600 employees contributed more than a half million dollars to help city and county governments operate. The hospital understands that in many ways their success depends on the success of their community.
**Glossary of Terms**

**Bad debt:** Health care services for which a hospital expected but did not receive payment due to a patient's unwillingness or inability to pay. Distinguishing bad debt from charity care is challenging and dependent upon the patient's disclosure of their financial situation, which may not occur until the billing and collection process has begun. Accounting rules require hospitals to classify non-payment as bad debt if it is unknown whether the patient qualifies for charity; however, a large portion of hospital bad debt is attributable to low income patients. This is recorded at the cost of care to the hospital, not charges. **$811 million in 2013, up from $659 million in 2012.**

**Cash and in-kind donations:** Supplies or services donated by the hospital to individuals, other nonprofits or the community at large. These include the value of meeting space, equipment, money, food and personnel to assist other community health care providers, social service agencies and organizations. **$13 million in 2013.**

**Charitable organizations:** Organizations that help the poor or underprivileged; advance education or science; lessen the burdens of government; decrease neighborhood tensions; or combat community deterioration.

**Community benefits:** Programs or activities that provide treatment and/or promote health and healing and tend to generate little profit or lose money; respond to needs of low income or underserved people; provide services that would not be provided or would need to be provided by the government or other nonprofits if the decision was based on financial terms; respond to public health needs; or involve education or research that furthers community health. **More than $2.73 billion in 2013.**

**Community benefit operations:** Administrative costs, including staff, for implementing, managing and documenting community benefit activities and programs.

**Community-building activities:** Costs the hospital incurs to support programs or activities intended to protect or improve the community's health or safety. Typical activities include physical improvements (e.g., development or maintenance of parks and playgrounds), the provision or rehabilitation of housing for vulnerable populations, supporting economic development or environmental protection efforts, and/or community support for vulnerable populations. **$7 million in 2013.**

**Community health improvement services:** Activities or programs carried out or supported for the express purpose of improving community health that are subsidized by the health care organization. Such services do not generate inpatient or outpatient bills and are offered for little or no fees. Examples include community health education, support groups, transportation or other programs provided by a hospital, for little or no fees, to improve community health. **$57 million in 2013.**

**Financial assistance/charity care:** Free or discounted care provided to patients who cannot pay, who are not eligible for public programs and who meet certain financial criteria in accordance with hospital policy (e.g., income below a certain threshold of the federal poverty level). Charity care includes services for which hospitals neither received nor expect to receive payment due to the patient's inability to pay. This number is reported at the cost of care to the hospital, not charges. **$507 million in 2013.**

**Health professions education:** Unpaid costs associated with providing educational programs that result in a degree, certificate or training necessary to be licensed to practice as a health professional or continuing education necessary to retain state license or certification. It does not include education or training programs available exclusively to the organization's employees and medical staff or scholarships provided to those individuals. However, it does include education programs if the main purpose is to educate health professionals in a broader community. Costs for medical residents and interns may be included, even if they are considered employees. **$148 million in 2013.**

**Kentucky provider tax:** A tax on all hospital net revenue paid to the State of Kentucky to help pay for all Medicaid program services delivered to low income persons covered by Medicaid. **$183 million in 2013.**

**Medicaid/Medicare losses:** The financial loss suffered by hospitals resulting from the difference between payments received from Medicaid/Medicare and the cost of care provided to Medicaid/Medicare patients. **$807 million in 2013.**

**Subsidized health services:** Clinical services provided despite a financial loss to the organization, measured by cost associated with bad debt, financial assistance, Medicaid and other means-tested government programs. In order to qualify, the organization must provide the service because it meets an identified community need and it would be reasonable to conclude that if the organization no longer offered the service, the service would be unavailable in the community, would not effectively meet the community's need or the service would become the responsibility of government or another tax-exempt organization. **$32 million in 2013.**
Hospitals that Serve Kentucky’s Communities

- Baptist Health Corbin
- Baptist Health La Grange
- Baptist Health Lexington
- Baptist Health Louisville
- Baptist Health Madisonville
- Baptist Health Paducah
- Baptist Health Richmond
- Bluegrass Community Hospital
- Bourbon Community Hospital
- Breckinridge Memorial Hospital
- Caldwell Medical Center
- Carroll County Memorial Hospital
- Casey County Hospital
- Caverna Memorial Hospital
- Central State Hospital
- Clark Regional Medical Center
- Clinton County Hospital
- Commonwealth Region Specialty Hospital
- Continucare Hospital at Baptist Health Corbin
- Continuing Care Hospital Saint Joseph Hospital
- Crittenden Health Systems
- Cumberland Regional Hospital
- Cumberland Hall Behavioral Health
- Eastern State Hospital
- Ephraim McDowell Fort Logan Hospital
- Ephraim McDowell Regional Medical Center
- Flaget Memorial Hospital
- Fleming County Hospital
- Frankfort Regional Medical Center
- Frazier Rehabilitation Institute
- Gateway Rehabilitation Hospital
- Georgetown Community Hospital
- Hardin Memorial Health
- Harlan ARH Hospital
- Harrison Memorial Hospital
- Hazard ARH Regional Medical Center
- HealthSouth Cardinal Hill Rehabilitation Hospital
- HealthSouth Rehabilitation Lakeview
- HealthSouth Rehabilitation Northern Kentucky
- Highlands Regional Medical Center
- Ireland Army Community Hospital
- Jackson Purchase Medical Center
- James B. Haggin Memorial Hospital
- Jane Todd Crawford Hospital
- Jennie Stuart Medical Center
- Jewish Hospital
- Jewish Hospital Shelbyville
- Kentucky River Medical Center
- Kindred Hospital Louisville
- King’s Daughters Medical Center
- Knox County Hospital
- Kosair Children’s Hospital
- Lake Cumberland Regional Hospital
- Lincoln Trail Behavioral Health System
- Livingston Hospital & Healthcare Services
- Logan Memorial Hospital
- Lourdes Hospital
- Manchester Memorial Hospital
- Marcom & Wallace Memorial Hospital
- Marshall County Hospital
- Mary Breckinridge ARH Hospital
- McDowell ARH Hospital
- Meadowview Regional Medical Center
- Methodist Hospital
- Methodist Hospital - Union County
- Middleboro ARH Hospital
- Monroe County Medical Center
- Morgan County ARH Hospital
- Murray-Calloway County Hospital
- New Horizons Health Systems, Inc.
- Northkey Community Care
- Norton Audubon Hospital
- Norton Brownsboro Hospital
- Norton Hospital
- Norton Women’s and Kosair Children’s Hospital
- Ohio County Hospital
- Our Lady Of Bellefonte Hospital
- Our Lady Of Peace
- Owensboro Health Muhlenberg Community Hospital
- Owensboro Health Regional Hospital
- Paul B. Hall Regional Medical Center
- Pikeville Medical Center
- Pineville Community Hospital
- Ridge Behavioral Health System
- Rivendell Behavioral Health Services
- River Valley Behavioral Health Hospital
- Robley Rex VA Medical Center
- Rockcastle Regional Hospital & Respiratory Care Center
- Russell County Hospital
- Saint Joseph Berea
- Saint Joseph East
- Saint Joseph Hospital
- Saint Joseph London
- Saint Joseph Martin
- Saint Joseph Mount Sterling
- Saints Mary & Elizabeth Hospital
- Select Specialty Hospital - Lexington
- Shriners Hospital For Children - Lexington
- Southern Kentucky Rehabilitation Hospital
- Spring View Hospital
- St. Claire Regional Medical Center
- St. Elizabeth Edgewood
- St. Elizabeth Florence
- St. Elizabeth Ft. Thomas
- St. Elizabeth Grant
- T. J. Samson Community Hospital
- Taylor Regional Hospital
- The Brook Hospital - DuPont
- The Brook Hospital - KMI
- The Medical Center Bowling Green
- The Medical Center Franklin
- The Medical Center Scottsville
- Three Rivers Medical Center
- Trigg County Hospital
- Tristar Greenview Regional Medical Center
- Tug Valley ARH Regional Medical Center
- Twin Lakes Regional Medical Center
- UK Albert B. Chandler Hospital
- UK Good Samaritan Hospital
- University of Louisville Hospital
- VA Medical Center - Lexington
- Wayne County Hospital
- Western State Hospital
- Westlake Regional Hospital
- Whitesburg ARH Hospital
- Whitesburg Community Hospital
- Wickliffe Community Hospital

Multiple Hospitals

Hospital