

Community Benefits Provided by UC Medical Centers

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INTRODUCTION

This report summarizes information regarding community benefits provided by University of California Medical Centers (“UC Medical Centers”) in Fiscal Year 2019. Data are presented for:

- UC Davis Health,
- UCI Health,
- UCLA Health,
- UC San Diego Health, and
- UCSF Health.

Information presented applies to the UC Medical Centers only. The University of California also operates a number of schools of health, and these schools provide many substantive benefits to communities across the state and nation. However, the information in this report is for the activities and programs accounted for within the UC Medical Centers only. This report thus supplements materials published in the University of California Medical Centers 18/19 Annual Financial Report.¹ This report also includes information from all entities accounted for within that report, including Children’s Hospital & Research Center Oakland.

Project Objectives

The report was guided by several objectives:

- To develop Fiscal Year 2019 community benefit reports for each of the UC Medical Centers (and for the medical centers combined), following instructions and reporting guidelines for IRS Form 990, Schedule H.

As of 2009, Schedule H has been filed by all nonprofit hospital organizations that are described by section 501(c)(3) of the Internal Revenue Code. Certain governmental hospital organizations, like the UC Medical Centers, are exempt from IRS Form 990 and have not been required to prepare and submit Schedule H.²

The UC Medical Centers decided to prepare reports based on Schedule H instructions and guidelines to provide transparency into the significant community benefits they are providing and to facilitate benchmarking these investments with other tax-exempt, academic medical centers. The UC Medical Centers also recognize that Schedule H approaches reflect national

¹ <https://www.ucop.edu/financial-accounting/financial-reports/medical-center-financial-reports.html>

² <https://www.irs.gov/charities-non-profits/annual-filing-and-forms>

views regarding the types of activities and programs that should be reported as community benefit and how they should be measured.³

- To set the stage for preparing UC Health reports that include information for the UC Medical Centers and the Schools of Health.

UC Health intends to build on the information prepared for the UC Medical Centers and to document community benefits also provided by its Schools of Health.

- To identify opportunities to enhance community benefit reporting going forward.

In this report, the community benefits provided UC Medical Centers have been under-reported. Under-reporting is present because program information and expenses were pulled together retrospectively – many months after Fiscal Year 2019 concluded. Organizations that file Schedule H have more than ten years of experience with community benefit reporting, and most gather program information on a quarterly basis. Their reports thus can be viewed as more comprehensive.

In Fiscal Year 2019, the UC Medical Centers provided \$606 million in Health System Support to the University of California Schools of Medicine.⁴ In this report, only \$48 million of that amount was reported as community benefit. Future work will focus on identifying the extent to which additional amounts align with Schedule H definitions of *community benefit*.

Project Methodology

The information in this report was prepared through a series of steps, including:

- Reviewing Schedule H community benefit reporting instructions and guidelines with UC Medical Centers finance (and other) staff,
- Reviewing data published in Footnote 4 to the University of California Medical Centers 18/19 Annual Financial Report.
- Gathering and assessing relevant data published in Medicare Cost Reports and OSHPD filings.
- Organizing information into a consolidated Excel workbook, with calculations aligned with Schedule H worksheets and instructions.⁵
- Reviewing draft results with staff.

³ See Appendix 2 for background information on community benefit reporting including the origins of Schedule H.

⁴ University of California Medical Centers 18/19 Annual Financial Report, page 3.

⁵ <https://www.irs.gov/pub/irs-pdf/i990sh.pdf> and <https://www.irs.gov/pub/irs-pdf/i990sh.pdf>

Introduction to Community Benefits

Tax-exempt hospitals provide community benefits for many reasons. Providing community benefits:

- Manifests commitments by hospitals and health systems to their missions;
- Increasingly is recognized as vital to improving population health and achieving strategic objectives;
- Responds to federal expectations that tax-exempt hospitals focus on improving community health by providing access to care for low-income patients, enhancing public health, advancing knowledge through health professions education and research that benefits the public, and making contributions for community benefit;⁶ and
- Responds to requirements in many states that hospitals provide community benefits to qualify for sales, property, and/or corporate income tax exemptions or to satisfy conditions placed on mergers and acquisitions.

Hospitals and health systems also provide community benefits in recognition that tax-exemptions are valuable and provide the ability to receive charitable donations, issue tax-exempt debt, and remain exempt from paying federal, state, and local taxes.

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 following activities and programs:

Category	Definition and Description
Financial Assistance ⁷	<p>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.</p> <p>Financial assistance is reported based on cost – not the amount of gross patient charges forgiven.</p>
Medicaid	<p>The United States health program for individuals and families with low incomes and resources.</p> <p>Medicaid (Medi-Cal) community benefits are reported as the difference between the cost of care and reimbursement. Net community benefits</p>

⁶ See Rev. Rul. 69-545, commonly referred to as the “community benefit standard.”

⁷ Before the Affordable Care Act this generally was known as “charity care.”

Category	Definition and Description
	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 where eligibility for benefits or coverage is determined by income and/or assets (e.g., county indigent care programs).
Community Health Improvement Services	<p>Activities or programs carried out or supported for the express purpose of improving public health that are subsidized by the health care organization.</p> <p>Examples include:</p> <ul style="list-style-type: none"> • 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, services to help homeless persons upon discharge; and, • 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	<p>Educational programs that result in a degree, certificate, or training that is necessary to be licensed to practice as a health professional, as required by state law; or continuing education that is necessary to retain state license or certification by a board in the individual's health profession specialty.</p> <p>Expenses incurred by the UC Medical Centers in educating interns and residents, medical students, and allied health professionals are reported in this category.</p>
Subsidized Health Services	<p>Clinical services provided despite a financial loss to the organization because they are needed to assure access to care for members of the community.</p> <p>The financial loss is measured net of any financial assistance and Medicaid losses to avoid double counting.</p>
Research	<p>Any study or investigation that receives funding from a tax-exempt or governmental entity of which the goal is to generate generalizable knowledge that is made available to the public.</p> <p>Research (e.g., clinical trials) funded by for-profit entities is not reportable as community benefit on Schedule H.</p>
Cash and In-kind Contributions for Community Benefit	Contributions made by the organization to support community benefits provided by other organizations.

UC MEDICAL CENTERS COMMUNITY BENEFITS

This section provides information regarding community benefits provided by University of California Medical Centers (“UC Medical Centers”) in Fiscal Year 2019.

UC Medical Centers Net Community Benefits

Table 1 contains estimated net community benefits provided by the UC Medical Centers in Fiscal Year 2019.

Table 1
UC Medical Centers Net Community Benefits, Year Ended June 30, 2019
(in thousands of dollars)

Community Benefits (\$000s)	UC Davis	UC Irvine	UC San Diego	UCLA	UCSF	UC Medical Centers
Net community benefit expenses						
Financial Assistance (charity care)	\$ 3,988	\$ 9,590	\$ 23,127	\$ 5,830	\$ 17,033	\$ 59,568
Medicaid	40,808	109,145	139,873	185,653	444,774	920,254
Other means tested government programs	(181)	382	(14)	-	-	187
Community health improvement services	6,553	56	217	3,071	13,702	23,598
Health professions education	56,898	36,149	43,054	76,364	67,665	280,130
Subsidized health services	-	2,600	1,997	7,369	5,214	17,180
Research	28,622	-	-	8,000	47,875	84,496
Cash and in-kind contributions	6,269	-	178	2,649	-	9,097
Net community benefit expenses	142,957	157,922	208,432	288,936	596,264	1,394,511
Medicare	165,197	106,280	269,293	277,242	596,227	1,414,238
Community benefits with Medicare	308,154	264,202	477,725	566,177	1,192,491	2,808,749
Total operating expenses	\$ 2,411,433	\$ 1,339,874	\$ 2,332,809	\$ 2,942,691	\$ 5,059,118	\$ 14,085,925
Community benefits as % of expenses						
Net community benefit expenses	5.9%	11.8%	8.9%	9.8%	11.8%	9.9%
Medicare	6.9%	7.9%	11.5%	9.4%	11.8%	10.0%
Community benefits with Medicare	12.8%	19.7%	20.5%	19.2%	23.6%	19.9%
Note:						
Total Health System Support	\$ 29,033	\$ 85,051	\$ 218,228	\$ 127,684	\$ 146,232	\$ 606,228
Amounts Reported as Community Benefit	\$ 23,023	\$ 6,749	\$ 450	\$ 8,000	\$ 9,863	\$ 48,085

Sources: UC Medical Centers and Verité Healthcare Consulting analysis.

In total, the UC Medical Centers provided \$1.4 billion in net community benefits.

- Total (gross) community benefit expenses were \$4.2 billion.
- Direct offsetting revenue (e.g., Medi-Cal reimbursement and Medicare reimbursement for direct graduate medical education costs) totaled \$2.8 billion.

- The statistic “net community benefit expenses as a percent of total expense” describes the proportion of total operating expenses that have been devoted to community benefits on a net basis. Policy makers and others focus on that statistic when assessing hospital community benefit spending. In Fiscal Year 2019, this statistic was 9.9 percent for the UC Medical Centers on a consolidated basis and ranged from 5.9 percent to 11.8 percent.

Benchmark Data

The 9.9 percent average “net community benefit expenses as a percent of total expense” is in alignment with benchmark data for academic medical centers that file Schedule H on a single-facility basis (rather than within a group return). The straight average for 32 benchmark organizations (tax years 2016 or 2017) was 10.8 percent; the range was from 4.5 percent to 21.2 percent.

APPENDIX 1: TOTAL AND NET COMMUNITY BENEFITS

The following tables provide estimated total (gross) community benefit expenses, direct offsetting revenues, and net community benefit expenses for the medical centers.

Table A-1
UC Medical Centers Total Community Benefits Expenses, Year Ended June 30, 2019
(in thousands of dollars)

Community Benefits (\$000s)	UC Davis	UC Irvine	UC San Diego	UCLA	UCSF	UC Medical Centers
Total (gross) community benefit expenses						
Financial Assistance (charity care)	\$ 3,988	\$ 9,590	\$ 23,127	\$ 5,830	\$ 17,033	\$ 59,568
Medicaid	559,716	398,754	639,587	497,175	1,495,651	3,590,883
Other means tested government programs	691	2,165	146	-	-	3,002
Community health improvement services	6,553	56	217	3,676	27,019	37,521
Health professions education	69,869	42,846	52,996	100,335	85,551	351,598
Subsidized health services	-	12,803	1,997	24,005	11,094	49,898
Research	28,622	-	-	8,000	68,079	104,700
Cash and in-kind contributions	6,269	-	178	2,649	-	9,097
Total community benefit expenses	675,708	466,213	718,249	641,671	1,704,427	4,206,268
Medicare	711,615	429,407	778,863	855,823	1,395,969	4,171,676
Community benefits with Medicare	1,387,323	895,620	1,497,112	1,497,493	3,100,396	8,377,944

Sources: UC Medical Centers and Verité Healthcare Consulting analysis.

Table A-2
UC Medical Centers Direct Offsetting Revenue, Year Ended June 30, 2019
(in thousands of dollars)

Community Benefits (\$000s)	UC Davis	UC Irvine	UC San Diego	UCLA	UCSF	UC Medical Centers
Direct offsetting revenue						
Financial Assistance (charity care)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Medicaid	518,908	289,609	499,714	311,522	1,050,876	2,670,630
Other means tested government programs	872	1,783	160	-	-	2,815
Community health improvement services	-	-	-	606	13,317	13,922
Health professions education	12,971	6,696	9,942	23,971	17,887	71,468
Subsidized health services	-	10,203	-	16,636	5,880	32,718
Research	-	-	-	-	20,204	20,204
Cash and in-kind contributions	-	-	-	-	-	-
Total offsetting revenue	532,751	308,291	509,817	352,735	1,108,163	2,811,757
Medicare	546,418	323,127	509,570	578,581	799,742	2,757,438
Community benefits with Medicare	1,079,169	631,418	1,019,387	931,316	1,907,905	5,569,195

Sources: UC Medical Centers and Verité Healthcare Consulting analysis.

Table A-3
UC Medical Centers Net Community Benefits, Year Ended June 30, 2019
(in thousands of dollars)

Community Benefits (\$000s)	UC Davis	UC Irvine	UC San Diego	UCLA	UCSF	UC Medical Centers
Net community benefit expenses						
Financial Assistance (charity care)	\$ 3,988	\$ 9,590	\$ 23,127	\$ 5,830	\$ 17,033	\$ 59,568
Medicaid	40,808	109,145	139,873	185,653	444,774	920,254
Other means tested government programs	(181)	382	(14)	-	-	187
Community health improvement services	6,553	56	217	3,071	13,702	23,598
Health professions education	56,898	36,149	43,054	76,364	67,665	280,130
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Total operating expenses	\$ 2,411,433	\$ 1,339,874	\$ 2,332,809	\$ 2,942,691	\$ 5,059,118	\$ 14,085,925
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Net community benefit expenses	5.9%	11.8%	8.9%	9.8%	11.8%	9.9%
Medicare	6.9%	7.9%	11.5%	9.4%	11.8%	10.0%
Community benefits with Medicare	12.8%	19.7%	20.5%	19.2%	23.6%	19.9%
Note:						
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Sources: UC Medical Centers and Verité Healthcare Consulting analysis.