

Hospital Accountability Project

Northeast Georgia Medical Center

A program of nonprofit consumer advocacy group Georgia Watch, the Hospital Accountability Project examines the financial practices of the state's not-for-profit and for-profit hospitals in regards to healthcare affordability and access.

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EXECUTIVE SUMMARY

Located in the northeastern section of the state in Hall County, Northeast Georgia Medical Center is a 557-bed not-for-profit regional referral facility that provides a comprehensive range of acute care and specialty services. Through its role as a regional safety net hospital, Northeast Georgia Medical Center serves the area's low-income, uninsured, underinsuredⁱ and other vulnerable populations,ⁱⁱ as well as patients who have private or government-sponsored insurance.

That said, Northeast Georgia Medical Center imposes high mark-ups of its services, and even with the sliding scale discount program offered by the hospital for self-pay patients, those mark-ups can pose barriers to affordable inpatient and outpatient care.

The hospital is, however, a key participant and fiscal sponsor in programs aimed at treating low-income and uninsured patients, including the Good News Clinics, the largest free health care clinic in Georgia, and Health Access Initiative (HAI), a local service that matches financially eligible patients to specialty physicians and provides access to care, among other services.

Additionally:

- In 2008, the hospital charged approximately \$1.00 for every \$0.30 a service or procedure actually cost – a mark-up of about 333 percent, an amount significantly higher than the state average of 247 percent,ⁱⁱⁱ but is comparable to peer hospitals that provide similar specialty services and serve a disproportionate share of indigent and Medicaid patients;
- Located in Georgia's fastest growing region^{iv}, the 59-year-old hospital has expanded considerably in recent years to meet demand and update its aging plant, investing a quarter of a billion dollars in its facilities;
- Northeast Georgia Medical Center's quality of care is often awarded, and the hospital ranks among the top in the state for cardiac services;
- The hospital's chief executive officer is among the highest paid not-for-profit hospital executives in Georgia,^v receiving a salary of \$821,619 in FY2008,^{vi} a figure about 35 times that of the average resident in Hall County in 2008, where the Medical Center is located and where, in 2008, 13 percent of individuals lived below the poverty level;^{vii}
- Since 2000, Northeast Georgia Medical Center has provided nearly three times the amount of indigent and charity care set forth in rigid requirements by the Department of Community Health for successful passage of a certificate of need for new services, and, unlike many Georgia not-for-profit hospitals held to the same requirements, Northeast Georgia Medical Center does not receive tax funding from its local county to help fund indigent care to area residents;
- The Medical Center's charity care policy provides financial assistance up to 400 percent of the poverty level – double the amount generally provided by other hospitals across the state;
- Northeast Georgia Medical Center is a state and national model in its community outreach efforts, exemplified in the formation and continued support of local programs that reduce barriers to healthcare; and,
- Northeast Georgia Medical Center renders considerable transparency to consumers through its detailed community benefits report, which provides itemized financial information on each of its expenditures aimed at serving its local community.

Situated in a region with an uninsured rate that is higher than the state average,^{viii} area health consumers can face significant barriers in affording care. With a 21 percent of its residents living below the poverty level, many

residents likely delay needed care because they feel they cannot afford it, often having no choice but to postpone both preventative and ongoing care in order to pay their rent or mortgage.

As studies have shown, this delay has a direct impact on an individual's health. Conditions or medical needs that could have been treated affordably and efficiently in a clinic or primary care setting can escalate to the point of needing emergency treatment, the most expensive type of care. This not only directly impacts the consumer both fiscally and physically, but also the community as a whole, including the hospital, which may be left with an unpaid bill.

Northeast Georgia Medical Center has significantly contributed to local programs that aim to address these issues, primarily through its support of the Good News Clinic and HAI. Even so, elected officials, hospital leadership, community leaders, employee representatives, patients and other stakeholders must continue working to identify and confront the barriers to affordable care, as well as identify proven solutions to issues in individual communities, duplicating these solutions throughout the state.

INTRODUCTION

Georgia has the sixth-highest number of residents without health insurance in the US and ranks 11th in its percentage of population lacking coverage, according to a 2008 report from the Georgia State University's Health Policy Center and the Center for Health Services Research.^{ix} According to the report, only one in five individuals living below poverty have private insurance and nearly 38 percent are uninsured. These numbers were calculated before the full effect of the recession was felt.

As recently as 1981, only 8 percent of families filing for bankruptcy did so in the aftermath of a serious medical problem. By contrast, currently, more than half of all bankruptcies are the result of medical debt.

According to a June 2009 study of foreclosures during the last 24 months, approximately half were due, in part, to high medical bills incurred from illness and injury, unmanageable medical bills, lost work due to a medical problem and caring for sick family members. Georgia currently ranks sixth in the nation for foreclosures and, as of October 2009, approximately 92,611 Georgia homeowners filed for foreclosure.

For an increasing number of Georgians, the threat of financial instability, foreclosure and bankruptcy is one that looms near due to medical debt that comes from unaffordable care.

High health care costs will cause about 248,000 Georgians to lose health care coverage between January 2008 and December 2010, according to a 2009 report issued by national not-for-profit advocacy group Families USA.^x The report cites the leading factor in coverage loss is the rising cost of health care premiums – up 119 percent from 1999 to 2008. By contrast, the Consumer Price Index only reported a 29.2 percent increase in inflation during the same time period.

According to the report, between 2008 and 2010:

- 1,590 Georgians will lose their health coverage, on average, every week;
- 6,890 Georgians will lose their health coverage, on average, every month; and,
- A total 82,720 Georgians will lose their health coverage each of those years.^{xi}

In addition, many consumers who do have health insurance lack adequate coverage and are considered underinsured. While no Georgia-specific figures on the number of underinsured consumers is available, national not-for-profit health policy organization Community Catalyst reported in April 2009 that, nationally, one-fifth of all insured adults— about 25 million citizens – were underinsured in 2007.^{xii} This vulnerable group of Americans has grown by 60 percent since 2003.^{xiii} As a result of limited coverage and high deductibles, the underinsured can still face the prospect of financial ruin due to high health care costs.

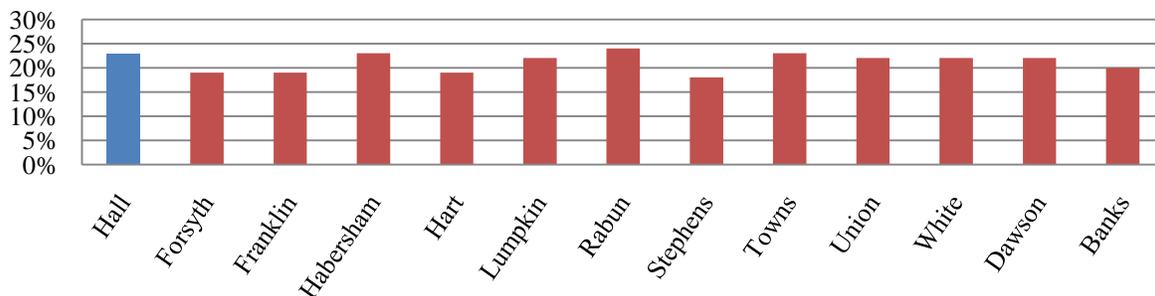
State Service Delivery Region Two

Northeast Georgia Medical Center is located in what the Department of Community Health (DCH) calls “State Service Delivery Region Two,” which consists of 13 counties – Forsyth, Dawson, Banks, Franklin, Hart, Lumpkin, White, Habersham, Stephens, Rabun, Towns, Union and Hall. Of those, only ten have an acute care hospital, and there are only nine free or reduced-cost clinics in the region.^{xiv}

One of these regional hospitals, Mountain Lakes Hospital in Rabun County, is a “critical access hospital,” and therefore can only treat patients with a length of stay of less than 96 hours. Northeast Georgia Medical Center serves as the primary receiving facility for these patients through a formal affiliation agreement. In addition, in White County, which does not have a local hospital, Northeast Georgia Medical Center manages White County’s emergency management service and operates a primary care clinic.

Region Two ranks above the state average for uninsured patients – 21 percent in the region as compared to 19 percent statewide.

Percentage of uninsured under 65, by county



According to Georgia State’s Health Policy Center, one in ten uninsured residents in Region Two reported fair or poor health between 2003 and 2004. About half of the uninsured population in Region Two had not had a routine check-up in the previous two years; 60 percent had not visited the doctor in the previous six months. The uninsured in Region Two were more likely to miss six or more days from school or work per year due to health-related issues, and were less likely than his or her insured counterparts to seek primary healthcare (63 percent of uninsured vs. 91 percent insured).^{xv} As stated above, this delay of care can easily lead a patient to the emergency room, a factor that increases as the number of uninsured continues to grow.

For example, between 2003 and 2009, Northeast Georgia Medical Center reported a significant increase -- about 41 percent – in self-pay patients entering the emergency room. During this same period, the percentage of privately insured patients seeking emergency room services decreased by 15.3 percent. In 2009, approximately 26 percent of all emergency room visits at the hospital were made by self-pay patients.^{xvi}

NORTHEAST GEORGIA MEDICAL CENTER

Northeast Georgia Health System and its subsidiaries collectively own and/or operate Northeast Georgia Medical Center, a mental health and substance abuse treatment center, two skilled nursing facilities, an operations and data center, 25 physician offices providing primary and specialty care, three urgent care facilities, a satellite cancer treatment clinic, seven rehabilitation centers and two diagnostic imaging centers. Northeast Georgia Medical Center is a subsidiary of Northeast Georgia Health System, Inc., which is also a not-for-profit entity. Northeast Georgia is the largest hospital in Region Two and serves as the referral center for the majority of its residents – approximately half of Northeast Georgia Medical Center’s patients come from outside Hall County.

Since the opening of the Hall County Hospital in 1951, the Hospital Authority of Hall County and the City of Gainesville have owned the land and building known as Northeast Georgia Medical Center. In 1986, the Hospital Authority leased the land and building to Northeast Georgia Medical Center, Inc. The lease between the Hospital Authority and Northeast Georgia Medical Center requires the Medical Center to maintain the facilities and provide charity care in accordance with the contract terms. Northeast Georgia Medical Center is governed by a 15-member operating board which consists of ten community members (two of whom also serve on the Hospital Authority), five active physicians (one of whom is an ex-officio member^{xvii}) and two non-voting, ex-officio hospital executives.

As a not-for-profit, Northeast Georgia Medical Center is exempt from paying most taxes, including sales, income and property taxes on charitable entities, though Northeast Georgia Health System is required to pay local sales and property taxes on non-exempt assets, such as its medical office buildings available for private practice. In FY2009, the health system paid \$558,442 in sales and property taxes.

The Congressional Budget Office (CBO) estimates that, nationally, not-for-profit hospitals annually receive \$12.6 billion in tax exemptions, a figure that does not include the \$32 billion in federal, state and local subsidies the hospital industry receives each year.

Local property tax exemptions account for the largest amount of savings for tax-exempt hospitals and medical facilities.^{xviii} Of the total value of those exemptions, local property tax comprises the largest percentage – about 25 percent.^{xix} State and local sales tax comprises the second largest percentage at 22 percent, federal and state income tax totals 24 percent and tax-exempt bond financing^{xx} comprises 14 percent.

Under IRS law, a tax-exempt organization, classified as a 501(c)(3) charity, is required to: have a mission that will benefit its community; reinvest all surplus funds in the organization in a way that benefits the community; compensate executives, contractors and other employees in accordance to fair market value; remain

accountable to the community; refrain from participating in political campaigns for or against candidates and/or lobby as a substantial part of its activities; and, remain financially accountable to the community by not allowing any portion of its net earnings to benefit any private shareholder or individual.

As a not-for-profit hospital, Northeast Georgia Medical Center carries additional responsibilities, as established by the IRS in 1965:

- Operate a full-time emergency room that is available to all people, regardless of their ability to pay;
- Provide non-emergency services to anyone able to pay;
- Participate in Medicaid and Medicare;
- Create a governing board that is representative of the community it serves;

- Allow medical staff privileges to any professional who is qualified and applies; and,
- Reinvest surplus funds in operations.

Not-for-profit hospitals have no obligation to provide free care outside of the emergency room. As established by IRS Revenue Ruling 65-545, not-for-profits can charge for non-emergent care and can refuse to provide non-emergent care based on one’s ability to pay.

That said, many Georgia hospitals, including Northeast Georgia Medical Center, participate in the Indigent Care Trust Fund (ICTF), a 20-year-old program that expands Medicaid eligibility and services, supports rural health care facilities that serve the medically indigent and funds primary health care programs for medically indigent Georgians. Georgia’s Disproportionate Share Hospital (DSH) program is funded through the ICTF, and assists hospitals and other health providers that care for high proportions of Medicaid, uninsured and/or low-income patients. These funds help offset financial losses incurred from treating these patients.

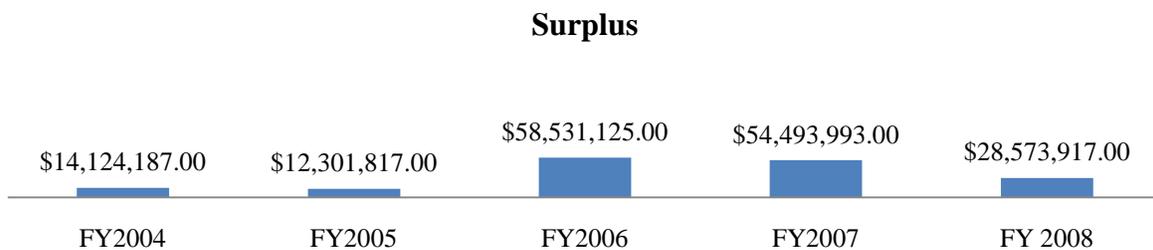
Through this program, hospitals receive funds to help offset the loss of caring for low-income and/or uninsured patients. In exchange for receiving that money, participating hospitals must:

- Maintain clear signage in English, Spanish and any other languages as appropriate in points of entry to the hospital that financial assistance is available for those who qualify, and provide written information explaining the terms of eligibility and the application process for those services;
- Keep a log of eligible patient accounts, with relevant patient financial information, including billing information; and,
- Ensure that preadmission deposits are not required on demand as a condition of treatment of Medicaid eligible persons or medically indigent persons.

In 2009, Northeast Georgia Medical Center received \$6,522,062 in net funds allocated through the ICTF and DSH program to partially offset a financial loss of \$39 million in cost the Medical Center incurred treating indigent and Medicaid patients the same year.

NORTHEAST GEORGIA MEDICAL CENTER BY THE NUMBERS

Historically, Northeast Georgia Medical Center has maintained a fiscal surplus each year.^{xxi}



The hospital operated at low profit margins during FY2004 and FY2005. For example, in FY2004, Northeast Georgia Medical Center’s operating margin was less than 2 percent. For a not-for-profit entity, the operating margin is a reflection of the operating efficiency of the company – how well the company can convert its earnings into reinvestments from its day-to-day activities by its core operations. The higher the operating profit margin, the more efficient the company's core business.

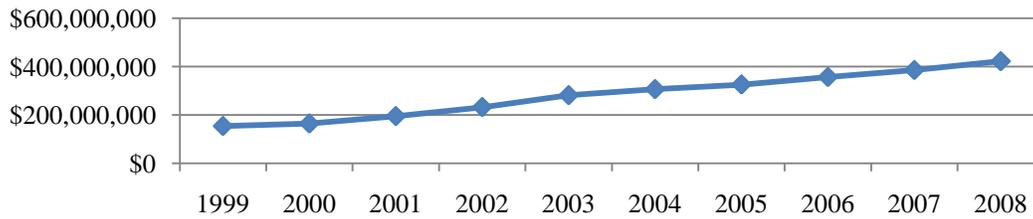
The operating margin at Northeast Georgia Medical Center significantly increased in FY2006, allowing the hospital to complete several projects, primarily those of construction and expansion. In 2007, Northeast Georgia Medical Center increased its debt from \$253 million to \$509 million to finance funding for construction, expansion and equipping of needed medical facilities including a 128-bed patient tower, a Women and Children’s Pavilion and a replacement imaging facility.

Expenses related to direct patient care, including staffing, supplies and medications, accounted for nearly three quarters (71 percent) of all of Northeast Georgia Medical Center’s total operating expenses in 2008. Of the other expenses: building and equipment depreciation comprised 7 percent, and interest on debt was 3 percent.^{xxii}

Admissions at Northeast Georgia Medical Center increased approximately 6.8 percent between 2006 and 2008, as compared to the state hospital average of 1.6 percent. During that same time period, Hall County’s population increased at a rate double that of Georgia as a whole, 7.8 percent and 3.9 percent respectively.^{xxiii} The average length of stay for acute care at the hospital remained fairly steady between 2004 and 2006 – about 4.5 days.^{xxiv} Northeast Georgia Medical Center cited an average 66.55 percent occupancy rate between 2004 and 2007. This rate falls in line with the national average hospital occupancy rate of about 67 percent.

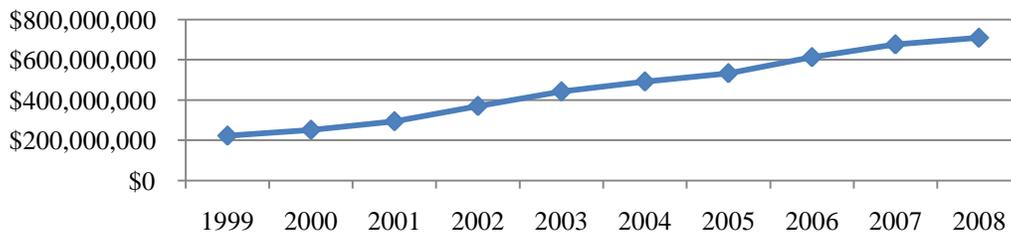
Since 1999, the hospital has increased its number of beds from 288 to 557, and with that growth came a boost in net patient revenue^{xxv} – from \$153 million in 1999 to \$421 million in 2007.^{xxvi} In FY2009, Northeast Georgia Medical Center’s payor mix was 55 percent Medicare/Medicaid, 36 percent commercial and 9 percent self-pay.

Net patient revenue



Predictably, as the hospital’s net patient revenue grew, so did its adjusted gross revenue.^{xxvii}

Adjusted gross revenue



Related entity surpluses and deficits

Northeast Georgia Medical Center, Northeast Georgia Health System and the Medical Center Foundation were profitable in FY2006 and FY2007, while Northeast Georgia Primary Care, an entity developed to increase the availability of primary care physicians in Region Two, operated with negative income each year – an average \$5.5

million each year, of which approximately \$1 million is attributable to annual funding of primary care physicians who serve low-income uninsured patients at the Hall County Health Department. According to the Georgia Board of Physician Workforce, Region Two lags behind Georgia in all 12 specialties it studied with regards to the number of physicians per 100,000 population.^{xxviii}

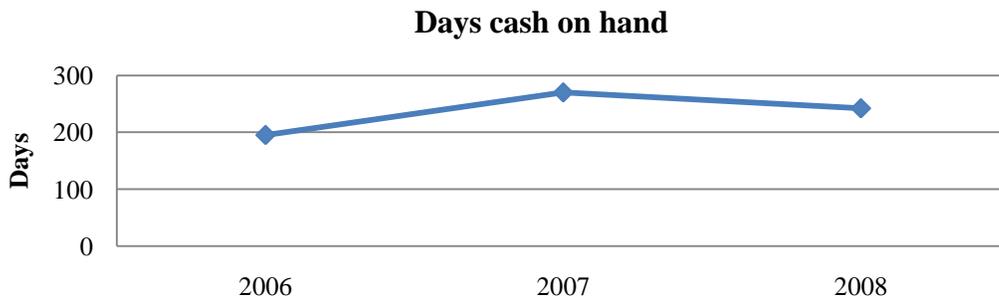
Days cash on hand

“Days cash on hand” measures how many days a hospital could operate if funded solely by working capital and investment assets. The amount of cash on hand also serves as one method of assessing the size of a hospital’s precautionary assets.

Days cash on hand is generally defined as:

$$\frac{\text{CASH + UNRESTRICTED INVESTMENTS}}{(\text{EXPENSES – BAD DEBT})/365}$$

The Medical Center had, in days of cash on hand: 195 in 2006, 270 in 2007 and 242 in 2008.^{xxix}

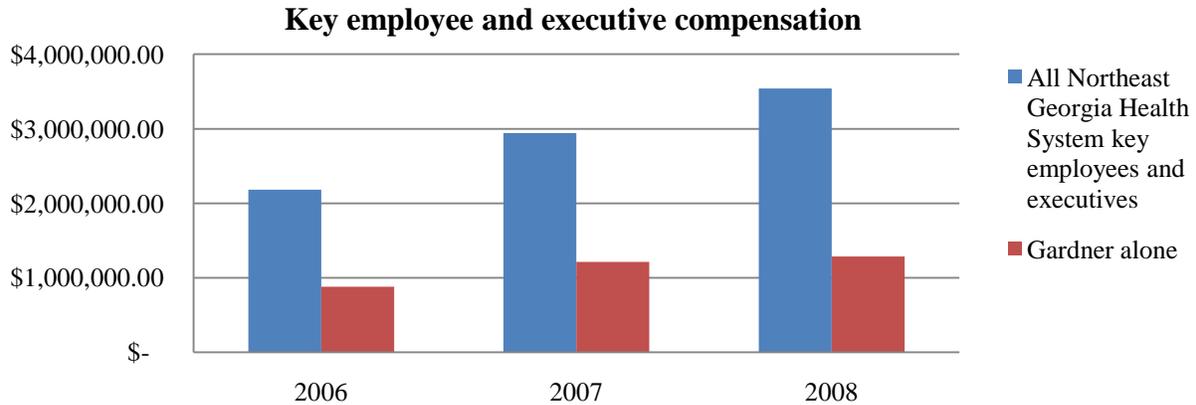


As a point of comparison, the 2007 national average of days cash on hand for non-profit hospitals was 170 days.^{xxx}

Executive salary

In a time of financial distress not only for consumers but also for the state of Georgia itself, the fiscal choices of not-for-profit hospitals are relevant as these facilities receive formidable financial relief from not having to pay those property and sales taxes that would otherwise have been collected to help sustain the local and state infrastructure. Responsible stewardship of the money made available through those tax exemptions is crucial, a philosophy reinforced by recent efforts by the Internal Revenue Service (IRS), the Senate Finance Committee and the CBO to evaluate certain financial practices of not-for-profit entities, including executive staff compensation, in regards to the obligation these entities have to their communities and their patients.^{xxxii}

In FY2008, the ten Northeast Georgia Health System key employees and executives’ compensation totaled approximately \$3.5 million, of which CEO and President James Gardner’s compensation of \$1.28 million comprised a little more than 36 percent.^{xxxiii}



Expansions

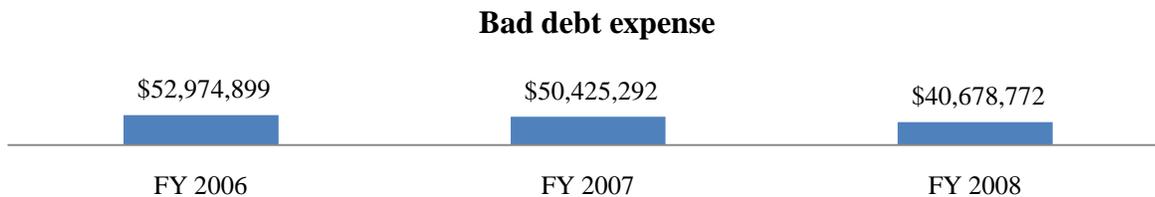
Within the last several years, Northeast Georgia has spent approximately \$252 million in expansions and renovations. Among the main expenditures and construction projects were:

- North Patient Tower – a seven-story building with 32 intensive care beds and 96 surgical beds that cost approximately \$168 million to construct;
- Women’s and Children’s Pavilion – with a 26-bed NICU, 18 labor rooms, four cesarean section rooms and 50 renovated post-partum rooms that cost approximately \$47 million to construct;
- Medical Park 1 – non-hospital medical office space that cost \$21 million to construct; and,
- Medical Plaza building - non-hospital medical office space that cost \$16 million to construct.

According to the hospital, all efforts were made to use local contractors when possible. Of the \$252 million in expenditures listed above, the hospital reports that \$242 million was awarded to Georgia companies, with \$40 million of that amount going to companies headquartered in Hall County and other Region Two counties.^{xxxiii}

Bad Debt

Bad debt is funds that the hospital expected to receive as payment for patient care but did not, for whatever reason. These are generally amounts due by a patient or by a third-party insurer.



Between FY2006 and FY2008, Northeast Georgia Medical Center reported an average bad debt amount of \$48,026,321.^{xxxiv} In 2008, self-pay patients comprised 10 percent or \$104 million of total charges. Only 1.7 percent of the total, or \$1.8 million, in payments were made by self-pay patients on these charges. More than 98 percent of these charges were discounted or written off as charity/indigent care or bad debt.^{xxxv}

Between FY2007 and FY 2008, the amount of bad debt reported by Northeast Georgia Medical Center dropped by about \$10 million. The hospital attributes this drop to additional self-pay patient discounts, and the enrollment of an increased number of eligible indigent and charity care patients in the hospital’s financial assistance program.

COMMUNITY BENEFITS

Community benefits are services a not-for-profit hospital offers to help better its community's health as an exchange for its tax-exempt status. As each individual community is different and has its own unique needs, the not-for-profit hospital is charged with addressing those particular needs. The provision of community benefits, as established by the IRS in 1969, is meant to spur the not-for-profit hospital to go above and beyond its for-profit counterpart in its offerings to the local community as a way to justify its tax-exempt status.

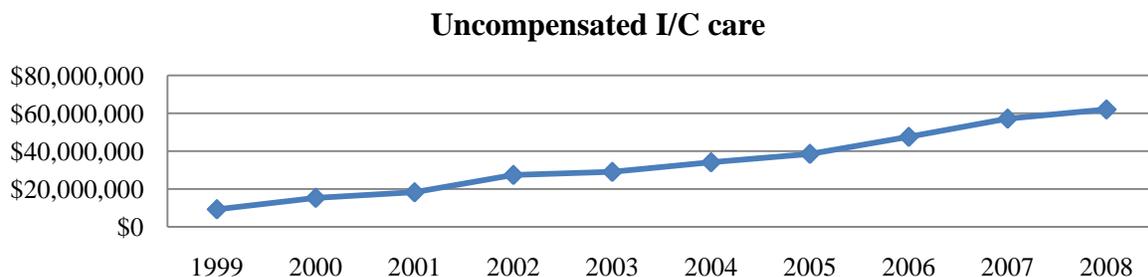
Since 1993, fifteen state legislatures have taken a more active role in examining not-for-profit hospitals, and have set forth their own requirements and penalties, such as in Texas and Indiana, who have several requirements in establishing community benefit standards at their not-for-profit hospitals.

Northeast Georgia Medical Center already provides to the community detailed information that falls in line with the spirit of newly-enacted IRS standards,^{xxxvi} which aims to quantify a hospital's community contribution by requesting that each benefit be listed by line item with a monetary amount for that particular benefit.

Direct benefits, indigent and charity care

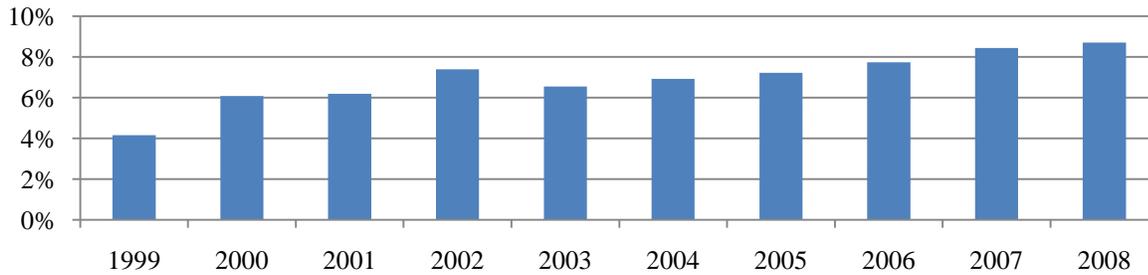
Generally, direct benefits are those initiatives of the hospital that directly advance the health of its community, called indigent/charity care, which is free and reduced-cost medical care and services to eligible patients.^{xxxvii} Regulations and requirements associated with the ICTF and the hospital's tax-exempt status – as well as its own founding mission – compel these hospitals to offer financial assistance.

Between 1999 and 2007, Northeast Georgia's charges for providing indigent and charity care steadily grew from \$9.2 million in 1999 to \$57 million in 2007.^{xxxviii}



In 2008, 8.7 percent of the Northeast Georgia's annual adjusted gross revenue was dedicated to uncompensated indigent/charity care, more than double its percentage in 1999.^{xxxix} It is important to note that the above chart references the marked-up price, or charges, not the actual amount the care cost the hospital, as required by the Georgia Department of Community Health's Annual Hospital Financial Survey guidelines.

Percentage of AGR as uncompensated I/C care



Between 2005 and 2007, some hospitals in Region Two provided high amounts of uncompensated care – including Northeast Georgia Medical Center and Stephens County Hospital – while others lagged behind, such as Union General Hospital and Chatuge Regional Hospital.

In 2009, Northeast Georgia Medical Center provided \$13,960,670 in uncompensated care (reported at cost) to residents of Hall County and \$7,640,949 to residents of other counties in the region.^{xi}

In 2008, Northeast Georgia Medical Center served as the main destination for low-income patients from several counties outside its home county of Hall, including Banks, Lumpkin and White, due in part to the fact that Northeast Georgia Medical Center provides certain specialty services not available at smaller community hospitals. For example, Northeast Georgia Medical treated approximately 63 percent of all Rabun County low-income, charity care-eligible patients admitted to a hospital in 2007, and in FY2008, the cost of caring for Rabun County’s indigent residents was \$539,931.^{xii} Northeast Georgia Medical Center’s cost of indigent care for residents in White County for FY2008 was more than \$1.4 million.^{xiii} In addition, Northeast Georgia Medical Center operates a primary care clinic in White County.

Northeast Georgia Medical Center provided the fourth highest dollar amount of indigent/charity care in the state in 2007 behind only Grady Memorial Hospital (Fulton County), Medical Center of Central Georgia (Bibb County), and Memorial Health University Medical Center (Chatham County). Of these safety net hospitals, Northeast Georgia Medical Center is the only hospital that does not receive tax funding from its local county.

Other direct benefits

Other direct benefits include services such as free or reduced-cost mammography, and funding for and/or equipment donations to health clinics that serve uninsured, underinsured and/or low-income populations.

As previously noted, within Hall County there are several low-cost alternatives to receiving primary care within the hospital’s emergency department. Serving as the largest free clinic in Georgia, the Good News Clinic offers primary medical and dental care, as well as medications to indigent, homeless and low-income individuals in Hall County who have no healthcare insurance and cannot afford his or her medical care. All services are provided free of charge, even though the clinic receives no federal, state or local government funding.

Since 1999, Northeast Georgia Medical Center has provided \$2,632,307 in support of Good News Clinic^{xliii} and an average annual support of \$293,583 from FY2007-2009. According to the hospital’s 2008 Community Benefit Report, Northeast Georgia Medical Center contributed \$234,261 in financial support, \$500 in equipment donations and \$2,200 through the sponsorship of a concert benefiting the clinic.^{xliv}

Hall County Health Access Initiative

Launched in 2003, Hall County’s Health Access Initiative (HAI) is a referral service founded by the Hall County Medical Society that matches financially eligible patients to physicians, provides help with obtaining medications and offers ancillary services such as x-rays and translation services. HAI also provides ancillary services and outreach education for its community, and collaborates with other medical centers, such as Northeast Georgia Medical Center.^{xlv} In 2008, approximately 1,492 people were treated through HAI. To qualify for its services, a patient’s income must be at or below 150 percent Federal Poverty Level and have no medical insurance. The patient must live in Hall County and must be referred by a physician that is in the HAI network.

First conceived in 1998, the need for the program was largely determined by a community needs assessment conducted by Healthy Hall, a coalition of community members. Through this assessment came more information than had previously existed regarding uninsured in the county.

Since its launch, the hospital has fiscally contributed to HAI. Specifically, in 2007, Northeast Medical contributed \$3.3 million in terms of the value of inpatient and outpatient services. In 2008, that contribution rose to more than \$4.7 million.^{xlvi} Northeast Georgia Medical Center has also integrated HAI into its information technology systems, which can assist in coordination of care. In addition, since 2005, HAI has received more than \$700,000 from the Medical Center Foundation.^{xlvii} Other HAI partners include the Hall County Health Department and MedLink of Gainesville, a federally qualified health center.^{xlviii}

In 2006, Healthcare Georgia Foundation named the HAI program “Community Service Collaborative of the Year.” In 2009, Northeast Georgia Medical Center was named “Large Hospital of the Year” by the Georgia Alliance for Community Hospitals for its role in these programs, and in 2010, the hospital was nationally noted for its participation in HAI by the American Hospital Association.

Indirect and non-benefits

Generally, indirect benefits are considered those initiatives, programs or donations that have the potential to advance health in the community but do not include direct patient/provider interaction. For example, in FY2008, the hospital made numerous donations and sponsorships to American Cancer Society, American Heart Association, American Red Cross, March of Dimes, Safe Kids of Gainesville and Healthy Hall.^{xlix}

Specifically, the hospital donated or sponsored:

- \$6,243 to The American Cancer Society’s Relay for Life;
- \$2,260 to The American Heart Association’s Heart Ball;
- \$2,555 to The American Heart Association’s Heart Walk;
- \$1,000 to American Red Cross Hero campaign;
- \$6,667 for sponsoring American Red Cross blood drives;
- \$2,227 to March of Dimes;
- \$139,934 to Safe Kids of Gainesville; and,
- \$21,467 to Healthy Hall.¹

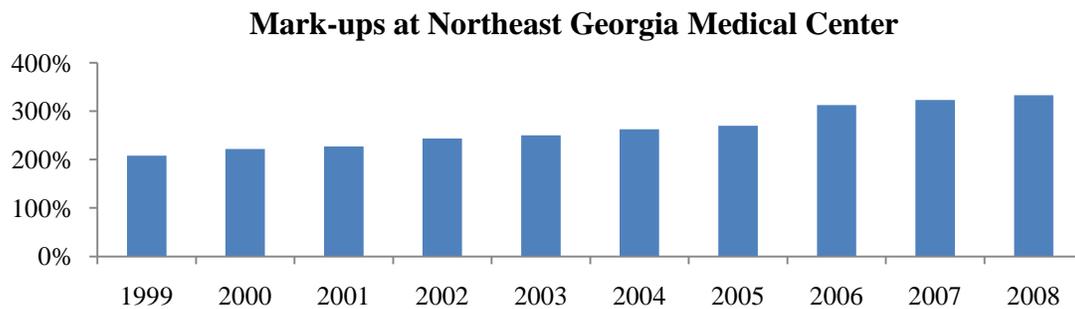
Some benefits listed by Northeast Georgia Medical Center are neither direct nor indirect benefits, but are instead marketing efforts by the hospital or an employee’s personal community contribution.^{li} For example, the hospital lists as a community benefit 50 percent of the cost of publishing *Communicare*, a newsletter promoting available hospital and physician services, such as the hospital’s new da Vinci Surgical System, the new endovascular suite, the expansion of the hospital’s surgical services and a new method for preserving fertility in the treatment of cervical cancer. Cost for the newsletter is \$33,752, and approximately 60,000 people received it in 2008. The

hospital itself notes the partial marketing value of this newsletter, and therefore only counts 50 percent of its cost as a community benefit.

Pricing and affordability

The cost of care is directly related to the patient’s ability to access health services, as many patients will delay or avoid doctor and hospital visits based on financial reasons. Georgia ranks 40th in the nation in percentage of adults who said they needed to see a doctor but could not because of cost.^{lii}

At Northeast Georgia Medical Center in 2008, for every \$1.00 the patient was charged, the hospital incurred a cost of only \$0.30.^{liii} By using the hospital’s cost-to-charge ratios as reported to DCH, the overall mark-up is easily calculated.



The mark-up of the amount a patient is charged versus what the service or product actually costs is often cited by hospitals as a means to offset the cost of unreimbursed care for patients qualifying for indigent or charity care, as well as the bad debt incurred by treating uninsured patients who do not qualify for financial assistance but are still unable to pay her or her bills. Northeast Georgia Medical Center’s mark-ups are higher than the state average, though are relatively comparable to its peer hospitals (those providing similar specialty services and serving a disproportionate share of indigent and Medicaid patients).^{liv}

Like many hospitals, Northeast Georgia Medical Center has a pre-determined financial assistance policy that is dependent on income, though support is also provided in ‘catastrophic’ situations, which are determined on a case- by-case basis. The Medical Center’s aid program goes far beyond many, with financial assistance available up to 400 percent of the poverty level, as opposed to many hospitals throughout the state, who only offer assistance at 200 percent of the poverty level or below.

Depending on a patient’s gross family income, a sliding scale can be applied. If the patient lives below 200 percent of the Federal Poverty Level and applies for charity care, his or her care will be free. If the patient’s income is between 201 and 300 percent of the poverty level, that patient would receive a discount of 75 percent on his or her bill, with similar percentages calculated up to 400 percent of the poverty level (i.e., a family of four with annual household income between \$74,300 and \$84,400 would receive a 25 percent discount on top of the 25 percent self-pay discount and be eligible for an interest-free payment plan, or have the option to receive an additional 15 percent discount by paying within 30 days).

For the average Hall County family, discounts can reach up to 84 percent, provided they pay the bill within 30 days, which qualifies the patient for a discount of 15 percent. Interest-free payment plans are available as well for those unable to pay within 30 days.

But even with the assistance, when hospital prices are initially set at high mark-ups, the “discounted” amount is still high. If a self-pay discount of 25 percent were applied to the 2008 average Northeast Georgia Medical Center mark-up of 333 percent, the final bill would still be marked-up 250 percent over cost – an amount still higher than the state average mark-up of 247.

For example, let’s say that a self-pay patient received a bill for \$6,000 for services that, following the overall cost-to-charge ratio, cost the hospital only \$1,857.59. But, through its financial policy as based on the patient’s income level, the hospital granted that patient a 25 percent self-pay discount – about \$1,500. The patient is now responsible to the hospital for nearly \$4,500, nearly two and a half times what it cost the hospital to provide the service. As noted before, additional discounts to a hospital bill may apply.

While it is crucial for hospitals to generate revenue in order to function, high mark-ups serve as a significant barrier to patient access and fiscal well-being.

If a bill is too excessively marked-up, and the patient is unable to pay, both the hospital and the patient are negatively affected (i.e., the hospital is much less likely to receive payment, and patient is likely to have his credit rating suffer as a result of the hospital’s referring the account to collections or face significant financial distress). These potential negative consequences felt by both the hospital and the patient show the system works best for all involved if pricing is set at reasonable rates.

Northeast Georgia Medical Center and System CEO and President James Gardner and CFO Anthony Herdener each own half of 1 percent (0.5 percent) of the Atlanta-based Medlytix,^{iv} a privately-owned company that develops patient classification software using credit information to identify patients who qualify for charity or free care, those eligible for discounts and those who should pay his or her hospital bill.^{vi} At Northeast Georgia Medical Center, this software is only used with self-pay patients who have not completed a charity care application.^{vii}

Critics of this approach to health care billing question the use of credit scoring to determine eligibility for discounted health care because a patient’s credit score could be high even if income is low. Another concern with hospital credit scoring is the slippery slope towards more aggressive bill collection practices for those who may appear, on paper, to be able to afford their hospital bill but, in reality, are not. Northeast Georgia Medical Center does not use credit scores to determine a patient’s ability to pay, but does use information contained within a patient’s credit file, in addition to other available public information, to determine a patient’s ability to pay.

QUALITY

Northeast Georgia Medical Center is ranked number one in Georgia for overall cardiac services, cardiac surgery and coronary interventional procedures according to HealthGrades, an independent healthcare ratings organization. This recognition is evidenced by numerous HealthGrades Excellence Awards:

- Cardiac Care Excellence Award, 2008, 2009, 2010
- Cardiac Surgery Excellence Award, 2008, 2009, 2010
- Coronary Intervention Excellence Award, 2009, 2010
- Critical Care Excellence Award in 2009, 2010
- Gastrointestinal Care Excellence Award, 2008, 2009, 2010
- Gastrointestinal Surgery Excellence Award, 2010

- Distinguished Hospital Award for Clinical Excellence, 2007, 2008, 2009, 2010
- Patient Safety Excellence Award, 2008, 2009
- Women’s Health Excellence Award, 2009, 2010
- Stroke Care Excellence Award, 2010

The hospital has also been recognized by HealthGrades with five-star ratings for its coronary bypass surgery, coronary interventional procedures and women’s health services. It has also been awarded the Bronze Performance Achievement Award by the American Stroke Association for success in implementing higher standards of stroke care.

In addition, Northeast Georgia Medical scores better than the national average on measures such as death rate and rate of readmission for heart failure patients. It scores the same as the national average on death and readmission rates for heart attack and pneumonia patients.^{lviii} Both HealthGrades and Georgia Hospital Price Check, a project of the Georgia Hospital Association, indicate that Northeast Georgia Medical has higher than average lengths of stay and cost for patients with chronic obstructive pulmonary disease (COPD) and pneumonia as compared with other Georgia hospitals. Georgia Hospital Price Check also reports slightly higher than average cost and stay for heart failure.^{lix}

Northeast Georgia Medical scores poorly, though, for its orthopedic spine-related services, as it has higher than average costs and lengths of stay, as well as high complication ratings.^{lx}

In a recent survey, 71 percent of Northeast Georgia Medical Center patients gave the hospital a rating of nine or ten, on a scale of one to ten, compared to an average of 64 percent for all Georgia hospitals. Seventy-nine percent said they would recommend the hospital to others, and 89 percent were given discharge instructions. Eighty-one percent said their doctor always communicated well.^{lxi}

NORTHEAST GEORGIA MEDICAL CENTER AT THE CAPITOL

Like most hospitals in the state, Northeast Georgia Medical Center is actively involved in state politics. The hospital employs a lobbyist that acts on its behalf, and Northeast Medical CEO and President James Gardner^{lxii} sits on the board of both the Georgia Alliance of Community Hospitals (GACH) and the Georgia Hospital Association (GHA), the two primary entities representing hospital interests at the state Capitol through lobbying efforts. For example, GHA had 14 registered lobbyists acting on its behalf in each year from 2006 through 2010. Similarly, GACH employed 15 lobbyists to act on its behalf each year from 2006 through 2010.

In addition, Gardner is on the board of the Georgia Chamber of Commerce, which also holds a presence at the state Capitol through its ten lobbyists. Among the Chamber’s 17 state policy agenda items for 2010 is the creation of sustainable funding for a statewide trauma network.

Stated key issues

According to Northeast Georgia Medical Center representatives, the hospital’s key legislative issues include healthcare reimbursement rates and levels, including the preservation of supplemental payments to facilities receiving Disproportionate Share Hospital (DSH) funding, and the creation of a statewide trauma network.

Northeast Georgia Health System spent \$638,339 between 2006 and 2008 on lobbying efforts – specifically \$210,677 in FY2006, \$182,527 in FY2007, and \$245,135 in FY2008. Of those amounts, about 73 percent was spent on direct contact with legislators, their staffs, government officials or a legislative body.

Although the hospital does not have a trauma designation, Georgia Discharge Data named the hospital as the seventh largest provider of trauma care in the state in 2007. The hospital also supports the continuation of the state's Certificate of Need (CON) program, a permit hospitals must receive from the state of Georgia before they are allowed to offer new services to patients, renovate existing facilities or buy new equipment.

The issue of CONs is the subject of much debate, and often one hospital will appeal an approval for new services, facilities or equipment for which another hospital may have been granted a CON. For instance, in 2006, Northeast Georgia Medical Center applied for and was granted a CON to build a new hospital facility; Barrow Regional Hospital then appealed that approval. According to a report issued by DCH for the week of February 10 through February 16, 2010, the appeals court decision is still pending. Incidentally, the successful passage of a CON application sets the only rigid requirement for a hospital to provide a certain percentage of indigent and charity care – between 3 and 3.25 percent of the approved hospital's annual adjusted gross revenue. In each year since 2000, Northeast Georgia Medical Center has provided almost three times its required 3.05 percent of adjusted gross revenue of indigent and charity care, making the hospital in full compliance with regulations attached to its active CONs.

CONCLUSION

Northeast Georgia Medical Center is a state leader in its transparency and community outreach efforts, including its role in the formation of HAI and the Good News Clinic. Northeast Georgia Medical Center also contributes to the care of low-income patients in its region, and has created a model for Georgia communities through those programs.

But the hospital also engages in objectionable practices, such as excessive executive compensation and high mark-ups, both of which can reflect upon the hospital's fiscal priorities. While the hospital's financial assistance policy goes above and beyond many other hospitals in the state, the cost of care often is high, even when discounted.

Through continued coordinated efforts of elected officials, hospital leadership, community leaders, employee representatives, patients and other stakeholders, barriers to affordable care can be identified, and, in turn, addressed head-on. Without affordable, quality and medically appropriate care, the hospital itself, its patients, and the entire community – and state – suffer, whether physically, fiscally, or both.

Public policy recommendations:

Affordability: Patient charges should be fair and clearly explained at the time of hospital admission. Cost should be based on a sliding scale fee system that takes into account patients' ability to pay. Tax-exempt hospitals should employ a uniform system of screening patients for eligibility in payment assistance programs.

Notice of financial assistance: Tax-exempt hospitals should have clear signage in all points of entry to the hospital that financial assistance is available for those who qualify. These signs should be in languages appropriate for their patient mix. Any member of the public should be able to access this information in a written manner that will explain the terms of eligibility and the application process for accessing these services. This sort of signage is already required when a hospital participates in the Indigent Care Trust Fund, and compliance must be ensured.

Compliance: All hospitals utilizing taxpayer funds for charity and indigent care should comply with related state regulations and requirements, and state agencies should establish and enforce penalties for noncompliance.

Oversight: The state Department of Revenue should conduct annual audits and certifications of tax-exempt nonprofit hospitals in Georgia.

Community benefits: Every nonprofit hospital should be required to publish policies for their community benefits offerings that focus on indigent and charity care, as well as other policies that directly affect the welfare of their community. There should be a statewide standard on what is to be considered a community benefit, as well as standardized reporting regulations and established penalties for non-compliance of regulations.

Assessments to evaluate real value of tax-exempt status: County taxing authorities should annually assess the property holdings of tax-exempt nonprofit health care facilities to ensure the community is receiving a comparable benefit for its loss of property tax revenue.

Statewide Trauma Network: Strengthen and expand infrastructure by regionalizing the statewide trauma network, bolstering existing trauma care offerings and linking all ambulance services to specialty services. Service areas should be standardized, tying into 911 practices. Incentives should be developed that will encourage a hospital's participation in the state's trauma care system.

ⁱ Those considered “underinsured” have health insurance that falls short of adequately covering health care needs, and often spend 10 percent or more of their annual income on health care costs. For example, a person who makes \$40,000 a year and spends \$4,000 or more on premiums, deductibles, co-pays for hospital visits and medication, or other health care-related costs, is considered underinsured.

ⁱⁱ Vulnerable populations are generally considered to be those who have little to no access to stable health care coverage, and are often uninsured, underinsured, Medicaid beneficiaries and patients with special health care needs.

ⁱⁱⁱ Georgia Department of Community Health Annual Hospital Financial Survey, 2007.

^{iv} Census.gov

^v According to hospital representatives, who cite national compensation advisors to the Medical Center, this position and its compensation are benchmarked nationally against like-sized organizations and closely linked to performance-based metrics.

^{vi} Northeast Georgia Chief Executive Officer and President James (Jim) Gardner was compensated a total \$1.28 million in FY2008, as he received \$462,717 in contributions to his employee benefit plan and/or deferred compensation plans, as well as expenses and other allowances.

^{vii} Census.gov.

^{viii} Elderly adults are generally able to access government-sponsored insurance through the Medicare program.

^{ix} Ketsche, Patricia, PhD, MBA, MHA; et al. Georgia Health Policy Center. “The Uninsured in Georgia,” November 2008.

^x Families USA. “The Clock is Ticking,” July 2009.

^{xi} Ibid.

^{xii} Community Catalyst. “When Coverage Fails: Causes and Remedies for Inadequate Health Insurance,” April 2009.

^{xiii} Ibid.

^{xiv} Georgia Free Clinic Network, www.gfcn.org

^{xv} Information from Georgia Health Policy Center's Health Coverage Project, as it relates to Region Two.

^{xvi} Information from Medical Center staff through requested information.

^{xvii} Ex-officio members are those who serve on a board by virtue of an office or position held.

^{xviii} Congressional Budget Office (CBO), “Nonprofit Hospitals and the Provision of Community Benefits,” December 2006.

^{xix} Salinsky, Eileen. “What Have You Done For Me Lately? Assessing Hospital Community Benefit,” National Health Policy Forum, April 19, 2007.

^{xx} A bond, issued by a municipal, county or state government, whose interest payments are not subject to federal income tax, and sometimes also state or local income tax. Of the \$50 billion in tax-exempt private-activity bonds issued by state and local governments in 2002, about \$10 billion went to not-for-profit hospitals. Access to tax-exempt financing lowers the cost of capital for not-for-profit hospitals. The Congressional Budget Office (CBO) estimates that, in 2006, the cost of capital for not-for-profit hospitals was 10.8 cents per dollar of investment, compared with 12.9 cents per dollar for for-profit hospitals.

^{xxi} Information from IRS Form 990, FY2004-FY2008.

^{xxii} Northeast Georgia Medical Center direct patient care expenses, audited financial statements to IRS Form 990, FY2008.

^{xxiii} Census.gov

^{xxiv} Per IRS Form 990, FY2008, Northeast Georgia Medical Center.

^{xxv} Net patient revenue is the hospital's gross patient revenue less deductions for contractual adjustments and charity. Reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

^{xxvi} Georgia Department of Community Health Annual Hospital Financial Survey, 2007.

^{xxvii} Adjusted gross revenue is gross revenue minus adjustments to that revenue amount.

^{xxviii} <http://gbpw.georgia.gov/portal/site/GBPWF/>

^{xxix} Calculations from hospital representatives on their days cash on hand per financial statements.

^{xxx} American Hospital Directory, Sample Indicators: http://www.ahd.com/sample_indicators.htm

^{xxxi} The Compensation Committee of the NGHS Board has accountability for executive compensation and each committee member is an independent director with no affiliation to management, and the committee utilizes an outsourced consulting firm and market data to determine salary.

^{xxxii} Per IRS Form 990, FY2006-FY2008, Northeast Georgia Health System and Northeast Georgia Medical Center.

^{xxxiii} Information from Medical Center staff through requested information.

^{xxxiv} Per IRS Form 990, FY2006-FY2008, Northeast Georgia Health

^{xxxv} Information from Northeast Georgia Health System self pay charges, adjustments and payments and charity discount scale.

^{xxxvi} The IRS is attempting to quantify the amount of community benefits a hospital feels it offers through a newly-revamped IRS Form 990 Attachment to Part III, which aims to promote consistency in the reporting of community benefit information on this particular form and to increase transparency of the community benefit

contributions of tax-exempt hospitals with the IRS and the public in a more organized, comprehensive and consistent manner. The form is split into two sections: the required Qualitative Description of Community Benefit and the optional Quantifiable Community Benefit Information. In the former, hospitals will be asked to describe the hospital's community benefit mission, how the mission is translated into a proactive approach designed to meet community health needs, how the hospital meets tax-exemption requirements and a description of community benefit programs and services. In the latter, hospitals will be asked to describe their community benefit contribution in financial terms presenting the amount of charity care, the unpaid shortfall from government health care for the indigent, and the net expense of community benefit services. Again, this section is optional and hospitals will not be penalized if they are unable/do not provide this information.

^{xxxvii} Indigent care is generally considered care that is provided at no cost to the patient; charity care is that care provided at a discount to eligible patients.

^{xxxviii} Georgia Department of Community Health Annual Hospital Financial Survey, 2007.

^{xxxix} Ibid.

^{xl} Annual report to the Hospital Authority of Hall county and the City of Gainesville, December 31, 2009.

^{xli} Ibid.

^{xlii} Ibid.

^{xliii} Per IRS Form 990, FY1999 – FY2007, the Medical Center Foundation and Medical Center Foundation internal reports.

^{xliv} Per IRS Form 990, FY2008, Northeast Georgia Medical Center.

^{xlv} <http://www.healthaccessinitiative.com/whatisHAI.htm>

^{xlvi} These numbers do not include the value of office space provided that is independent of the value of office space provided for HAI, which totals \$25,632 for FY2007-FY2008.

^{xlvii} Per IRS Form 990, FY2005 – FY2007, the Medical Center Foundation and Medical Center Foundation internal reports.

^{xlviii} FQHCs are community-based organizations that provide comprehensive primary care and preventive care, including health, oral, and mental health/substance abuse services to persons of all ages, regardless of their ability to pay. These clinics are under the supervision of the Health Resources and Services Administration, which is part of the United States Department of Health and Human Services.

^{xlix} Per IRS Form 990, FY2008, Northeast Georgia Medical Center.

^l Ibid.

^{li} These expenditures are reported in accordance with guidelines set forth by the Catholic Health Association and Voluntary Hospitals of America to encourage hospitals to give an overall picture of their organization within the community benefit report.

^{lii} The Commonwealth Fund State Scorecard on Health System Performance, 2009.

^{liii} Georgia Department of Community Health Annual Hospital Financial Survey, 2007.

^{liiv} For example, in 2008, Grady Memorial imposed a 313 percent mark-up on its costs, as did Memorial University Medical Center. The Medical Center of Central Georgia was somewhat lower – the hospital only increased its prices by 285 percent. Floyd Medical Center, though, increased its prices by 345 percent.

^{liv} IRS Form 990, FY2007, Northeast Georgia Primary Care, Inc.

^{lvi} Miller, Andy. "Hospitals mine data to identify those likely to pay," Atlanta Journal-Constitution, April 19, 2009.

^{lvii} Information provided by Northeast Georgia Health System.

^{lviii} U.S. Department of Health and Human Services, Hospital Compare

^{lix} Gahospitalpricecheck.org

^{lx} HealthGrades

^{lxi} U.S. Department of Health and Human Services, Hospital Compare

^{lxii} Gardner also makes personal donations to each group's political action committee, or PAC.