

November 13, 2006

Dear Colleague:

Attached is an advisory outlining AHA's policy and guidance to members on an issue of major importance to every hospital: community benefits reporting.

Elected officials, local governments, the media and the public are asking legitimate questions of the nation's hospitals about their value to the communities they serve. And hospitals have a strong and proud story to tell.

We've included a one-page form that will allow you to state the financial value of the full range of your community benefits. Although total dollar value is very important, particularly to elected officials and government agencies – and we urge every hospital to proactively report it – you know there is another number that's even more important. That's the number of people whose lives are made better and healthier because of the very special work you do as part of your historic mission.

This latest guidance encourages you to calculate and report both dimensions of your community benefit. It follows up on our September 7 advisory that clarified the AHA policy: that we embrace the reporting requirements contained in the *CHA/VHA Guide for Planning and Reporting Community Benefit* but with the additional reporting of bad debt and Medicare underpayment at cost. That policy is reflected in the new guidance.

Tell the full story, not only to elected officials and government agencies, but to your employees (they will be proud of their work), medical staff, your local media and everyone in the community you serve. They believe in your mission and count on you every day. They deserve to know how hard you work to meet their most important needs and their high expectations.

Thanks for your AHA membership and for all you do for your patients and communities.

Sincerely,

Richard J. Umbdenstock
Chief Operating Officer & President-elect





**American Hospital
Association**

AHA Guidance on Reporting of Community Benefit

The AHA believes it is essential that hospitals voluntarily, publicly and proactively report to their communities on the full value of benefits they provide. This guidance is intended to assist hospitals with reporting those benefits in a quantitative manner, as well in ways that will connect directly with those in the communities they serve.

Reporting Quantifiable Community Benefit

When quantifying the contributions of not-for-profit hospitals to their communities, several components must be considered. The AHA recognizes and builds on the community benefit categories consistent with the Catholic Health Association of the U.S. */VHA Guide for Planning and Reporting Community Benefit (Guide)*:

- For persons living in poverty (at cost), such as charity care and subsidized health services; and
- For the broader community (at cost), such as research, health professions education and community health improvement services. *See the Guide for further instructions, including worksheet 1 in Appendix D.*

Hospitals provide needed care for patients, regardless of their ability to pay, by means of charity care and other financial assistance for uninsured patients of limited financial means. As a condition of receiving federal tax exemption for providing health care to the community, hospitals are required to care for Medicare and Medicaid beneficiaries; they also participate in other indigent care programs — reimbursement for all those programs often falls short of the actual cost of care. In addition, hospitals shoulder the burden of bad debt when patients are unable to pay their bills and decline to apply for charity care or are unwilling to pay. Hospitals also provide other benefits to the broader community without payment, such as research and health professions education.

When taken together, these components present a comprehensive picture of the value of services provided to and for the community. To help hospitals report the cost of these components in a consistent fashion, the AHA recommends the framework shown on the next page.

Telling the Community Benefit Story

Dollars alone can never communicate the complete story of how communities benefit from programs and services that hospitals provide. Effectively communicating these efforts requires that hospitals clearly describe their mission, summarize and highlight activities that benefit community residents — with special emphasis on the number of lives that have been touched — and report human-interest stories illustrating how programs and services have aided individual patients. Providing this type of information, in addition to financial information, will ensure that everyone in the community, along with policymakers at all levels of government, will gain a better appreciation of the value that hospitals provide. *For more information on communicating with your community, consult Chapter 6 of the Guide or contact the AHA at (800) 424-4301. For additional resources on assessing and reporting community benefit, visit www.aha.org.*

Community Benefit Reporting Framework
Quantifiable Benefits

- | | |
|--|----------|
| 1. Charity care (at cost) | \$ _____ |
| 2. Bad debt (at cost) | \$ _____ |
| 3. Government-sponsored health care (net expense)
<i>Unpaid cost of Medicare, Medicaid, indigent care programs, SCHIP and other safety net programs</i> | \$ _____ |
| 4. Community Benefit Programs (net expense) | \$ _____ |
| <u>Research, e.g.,</u> | |
| - Clinical | |
| - Community health | |
| <u>Health Professions Education, e.g.,</u> | |
| - Physicians; medical students | |
| - Nurses; nursing students | |
| - Scholarships; funding for education | |
| <u>Community Health Services, e.g.,</u> | |
| - Health education | |
| - Clinical services | |
| <u>Subsidized Health Services, e.g.,</u> | |
| - Emergency and trauma services | |
| - Hospital outpatient services | |
| - Behavioral health services | |
| - Palliative care and hospice | |
| <u>Community Building, e.g.,</u> | |
| - Physical improvements and housing | |
| - Economic development | |
| - Environmental improvements | |
| - Coalition building | |
| <u>Financial and In-kind Contributions, e.g.,</u> | |
| - Cash donations | |
| - Grants | |
| - In-kind donations | |
| <u>Community Benefit Operations, e.g.,</u> | |
| - Dedicated staff | |
| - Community health needs and assessments | |

Total Value of Quantifiable Benefits Provided to the Community	\$ _____
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Call the AHA at (800) 424-4301 for additional resources on assessing and reporting community benefit.