

## Advocate's Illusion of Community Benefits

**Advocate recently submitted its report of community benefits to Illinois Attorney Lisa Madigan in accordance with the Community Benefits Reporting Act. Its report misleads Illinois taxpayers that it is living up to its charitable obligation by including figures that misrepresents the actual benefits patients and communities receive.**

### What is a community benefit?

Community benefit implies collaboration with a community to benefit its residents—particularly the poor, minorities, and other underserved groups—by improving health status and quality of life. One example of a community benefit is the provision of charity care.

### What is charity care?

Charity care is free or discounted health and health-related services provided to persons who cannot afford to pay.

It is not:

- care for which a hospital receives payment from the hospital;
- care for which a hospital receives payment from a third party;
- bad debt;
- unreimbursed costs of Medicare and Medicaid.

### Why have charity care?

- The IRS requires tax exempt organizations to be charitable.
- State law requires that tax-exempt property be used exclusively for charitable purposes.
- Providing health care for the needy is an essential part of Christian ministry.

### The Attorney General provides guidelines by which hospitals should report charity care.

#### 3. REPORT Charity Care:

Charity care is care for which the provider does not expect to receive payment from the patient or a third-party payer. Charity care does not include bad debt or the unreimbursed cost of Medicare, Medicaid, and other federal, State, or local indigent health care programs, eligibility for which is based on financial need. In reporting charity care, the reporting entity must report the actual cost of services provided, based on the total cost to charge ratio derived from the hospital's Medicare cost report (CMS 2552-96 Worksheet C, Part 1, PPS Inpatient Ratios), and not the actual charges for the services.

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Charity Care... (Note. 2)... (Also. See. Note. 12)..... \$20,267,000

#### ATTACH Charity Care Policy:

Reporting entity must attach a copy of its current charity care policy and specify the date it was adopted.

\$24,397,000 In its audited financial statement, Advocate lists charity care at cost, but includes payments received for care.

\$74,812,00 Also in its audited financial statement, Advocate also reports charity care at charge, not cost. *This figure exemplifies Advocate's practice of charging the uninsured over three times more than insured patients.*

***No matter which figure is uses, the cost of charity care is still less than 1% of patient revenue.***

**Advocate also misrepresents its report on community benefits, submitted under oath, by including misleading operating expenses incurred by most hospitals as a course of business.**

Under penalty of perjury, I the undersigned declare and certify that I have examined this Annual Non Profit Hospital Community Benefits Plan Report and the documents attached thereto. I further declare and certify that the Plan and the Annual Non Profit Hospital Community Benefits Plan Report and the documents attached thereto are true and complete.	
<u>Dominic J. Nakis, Vice President Finance</u> Controller	<u>630-990-5164</u> Phone: Area Code / Telephone No.
	<u>June 29, 2005</u> Date
<u>James W. Doheny, Director of Accounting</u> Name of Person Completing Form	<u>630-990-5188</u> Phone: Area Code / Telephone No.
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- **“Bad debt”** – incurred by every business whether in health care or not, regardless of being nonprofit or for-profit. Advocate’s bad debt is less than 1% compared to the hospital industry average of 5.5%.
- **“Government-sponsored indigent health care”** – incurred by all hospitals and not recognized as “charity” under Illinois law.
- **“Education”** – the cost of training resident physicians and the continuing education for nurses who are employed to provide care at the hospitals.
- **“Volunteer services”** – the value of volunteer services rendered to Advocate or by Advocate workers on their own time.