

Peace Health Sacred Heart Hospitals Providing a Community Benefit

For this project, I looked at the relationship between Peace Health and the community. In particular, I considered what Sacred Heart Hospitals provide as a community benefit through the fundraising efforts of the Sacred Heart Foundation. Sacred Heart Hospitals, made up of Sacred Heart River Bend and Sacred Heart University District, are two of nine hospitals under the umbrella of Peace Health, which have 501(c)(3) tax-exempt status. According to Peace Health's Form 990, its tax-exempt status was granted based on the provision of a community benefit by the nine hospitals. Further, with the exempt status, Sacred Heart Hospitals, like other non-profit hospitals, are able to fundraise, receive grants, and provide donors with tax deductions.

The mission of Peace Health is to: “carr[y] on the healing mission of Jesus Christ by promoting the personal and community health, relieving pain and suffering, and treating each person in a loving and caring way.”

Sacred Heart Hospitals have been instrumental in implementing Peace Health's mission in many ways. Sacred Heart River Bend, alone, is the largest revenue generating hospital under Peace Health. Peace Health in 2010 grossed revenues of nearly \$1.7 billion dollars from about one million patient encounters. (The majority, \$1.4 billion from program services and \$4.7 million from grants and contributions.) In that same year, Peace Health spent \$810 million on salaries and gave \$1.3 million in grants, and \$102 million in charity care. Roughly 6% of Peace Health's total revenue was given as charity care to patients that needed relief from pain and suffering, but did not have the ability to pay for their services.

Providing charity care to patients without the ability to pay is one of several ways Peace Health, through hospitals such as Sacred Heart Hospitals, is deemed to provide a community benefit. IRS Revenue Ruling 69-545 explained that a hospital could meet a “community benefit” standard in two ways for tax-exempt purposes. First, the hospital can serve patients with government benefits such as Medicare. Second, the hospital provides charity care to those patients who are unable pay for medically necessary or preventive services. Peace Health, in an effort to make clear their effort to comply with the ruling has stated a Charity Care Policy. The policy states “[t]he Corporation provides care[,] to patients who meet certain criteria [] without charge or at amounts less than its established rates.” By providing these community benefits, Peace Health relieves other “segments of society” from “bear[ing] the burden of providing these services.”

In order to qualify under the Charity Care Program a patient must show he is not able to pay for services. This is done in a couple of ways. First, a patient who initially comes to the hospital can identify himself as lacking insurance or a means to pay for services. This patient is then given the option for financial counseling. Second, a patient after having received services and then receiving her bill, can call and identify herself as not being able to pay. Similarly, the patient is then given the option of financial counseling. Once the patient enters the hospital’s financial counseling, the hospital works with the patient to identify a means to pay. These means to pay include insurance, government assistance, outside agencies, third party liability, or self pay. Once these options are explored and confirmed as not available, the option of Bridge Assistance is explored with the patient.

Bridge Assistance is a hospital program that qualifies patients to receive care at a reduced cost or without charge. The qualified patient receives a card that the patient can use for future visits with Peace Health. However, if a patient has not accepted financial counseling or been identified as eligible for the Bridge Assistance program, the unpaid balance can go to collections. It is important to note, a patient can still identify himself as charity care eligible at any point in the collections process. While in the collection process, a patient would need to supply an application with proof of income to receive a reduction or waiver in the specific balance owed.

Charity care and many of the other hospital programs are financially supported through fundraising efforts coordinated through the Sacred Heart Foundation. The Sacred Heart Foundation is charged with coordinating the fundraising efforts for four of the Peace Health hospitals: Sacred Heart River Bend, Sacred Heart University District, Peace Harbor Hospital, and Cottage Grove Hospital. Fundraising is done through efforts such as Annual Appeals, Events, Endowment Gifts, and Planned Giving, which provide further financial resources for Sacred Heart Hospitals.

Beyond Charity Care, and more importantly for Peace Health, these gifts and fundraisers are used for hospital capital projects, endowed chairs, specialized equipment, and setting up specific interest programs. Sharon Thorton, Chief Development Officer (CDO), for Sacred Heart Foundation, notes that as healthcare reform happens across the country, hospital foundations will become even more important.

The growing importance of hospital foundations can be seen at Peace Health with the development of the Network Committee. The Network Committee is a committee made up of all the Peace Health CEOs. Recently included in this committee is the CDO.

Strategically, having the CDO at the table streamlines the process of each of hospital CEO working with the CDO to ensure that collaborated fundraising efforts are being done with each hospital's budget in mind.

In the future, Ms. Thorton sees the Foundation as being able to help the hospital with taking on more capital intensive projects and programs. For now, she is concentrating her efforts on raising the endowment base to give Sacred Heart Hospitals a steady income to rely on, which will allow the hospital to purchase capital intensive equipment to provide the best and technology advanced care possible to patients. Charity care is still a fundraising factor, as Peace Health 501(c)(3) tax-exempt implies, but so much more goes into running a community benefit hospital.

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