



METROPOLITAN CHICAGO  
HEALTHCARE COUNCIL

# CARING FOR THEIR COMMUNITIES

A Comprehensive Report on the Community Benefits Provided by Tax-Exempt Hospitals in the Metropolitan Chicago Region

August 2007



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The data contained in this report is derived from filings of 79 tax-exempt hospitals in the metropolitan Chicago region as required by the Illinois Community Benefits Act for the 2005 reporting cycle, the second cycle of reporting since the Act took effect.

# CARING FOR THEIR COMMUNITIES

## OVERVIEW

*Not-for-profit hospitals are mission-driven. They serve their communities by providing enormous benefits that help maintain and enhance the public's physical health as well as the fiscal health of the communities they serve. It is generally well understood and expected that hospitals provide access to high-touch, high-tech, state-of-the-art health care services, including emergency care 24 hours a day, 365 days a year, no matter what the cost. Less well known, however, is the critical role hospitals play each day in caring for the growing number of uninsured, bringing health care services into the community, researching diseases and educating tomorrow's nurses and doctors.*

*Hospitals in metropolitan Chicago region provided more than **\$3.2 billion** in charitable community benefits in 2005. It is vitally important for the public, policy makers, community stakeholders and the news media to have a comprehensive understanding of all the community benefits that hospitals provide.*

The purpose of this report is to present data collected through the Illinois Community Benefits Act for reporting cycle 2005 from 79 hospitals in the metropolitan Chicago region to outline the charitable benefits hospitals provide to their communities.

The benefits provided by hospitals vary from community to community. There is not, nor can there be, a standard or uniform community benefit requirement for all tax-exempt hospitals. A "one-size-fits-all" approach simply does not take into account the unique characteristics of many cities, villages and towns across the region. As such, the types and amount of benefits provided are based on a number of factors, including the community, urban or suburban, and the patient population served.

For example, some hospitals may serve communities with smaller populations of uninsured compared to those in other parts of the region. These facilities often provide benefits such as trauma, neonatal intensive care and burn units, as well as community wellness and education. Other hospitals serve a large number of uninsured patients resulting in the provision of large amounts of charity care.

## THE COMMUNITY BENEFITS ACT--AN INSTRUMENT OF MEASURE

In 2003, the Illinois General Assembly passed the Illinois Community Benefits Act (IL P.A. 93-0480). The Act applies to not-for-profit hospitals located in a metropolitan statistical area with 100 or more beds. The legislation has defined community benefits in the following ten categories.

Charity Care is care the hospital does not expect to receive payment from the patient or from a third party payer.

Bad Debt is free care. The Office of the Illinois Attorney General has defined “bad debt” as the provision of care for “doubtful accounts” resulting from the extension of credit by the hospital. Accounts or partial accounts that meet the hospital’s charity care policy are listed under the “charity” category defined above.

Government-sponsored indigent care includes the unreimbursed costs of Medicare, Medicaid and other federal, state and local indigent health care programs, eligibility for which is based on financial need.

Government-sponsored program services is defined as any other unreimbursed costs not included under government-sponsored indigent care, above.

Subsidized health services for which the hospital, in response to community need, must subsidize from other resources includes, but is not limited to: emergency and trauma care; neonatal intensive care; community health clinics; collaborative efforts with local government or private agencies to prevent illness and improve wellness (e.g. immunizations programs); rehabilitation care; burn care; substance abuse services; AIDS care; geriatric care; pediatric care; clinics; hospice; physician referral services and ambulance services; and, programs to prevent illness, injury and improve wellness (e.g. community health screenings, immunization programs, health education, counseling and support groups and poison control).

**\$219,553,854**

Charity Care

**\$889,581,034**

Bad Debt

**\$1,483,721,240**

Government-sponsored indigent care

**\$3,339,832**

Government-sponsored program services

**\$161,171,879**

Subsidized health services

**Note:**

There is another category that is not reflected in the compliance guidance issued by the Office of the Illinois Attorney General referred to in this report as “Additional community benefits” that includes: chaplaincy services; car seat checks; disease-related support groups; and patient transportation services.

**\$58,334,403**

Additional community benefits

**\$273,994,740**

Education

**Education** includes costs incurred for hospital-based educational programs, such as: residencies and internships and, nursing, radiology technician and physical therapy programs. These costs should be reduced by any direct medical education funding received from third party payer reimbursement, off-site rotation revenues and fees charged.

**\$59,567,215**

Research

**Research** is defined as the cost of research activities conducted primarily to advance medical or health care services, including: clinical drug trials; demonstration projects for alternative delivery system; disease-specific research, etc.

**\$8,821,248**

Language assistance services

**Language assistance services** includes the costs of translators, translation services provided by phone, and the cost of providing forms, notices and brochures in languages other than English.

**\$36,537,007**

Donations

**Donations** includes cash and in-kind donations, such as the value of meeting space, equipment and personnel to assist other community health care providers, social service agencies and organizations.

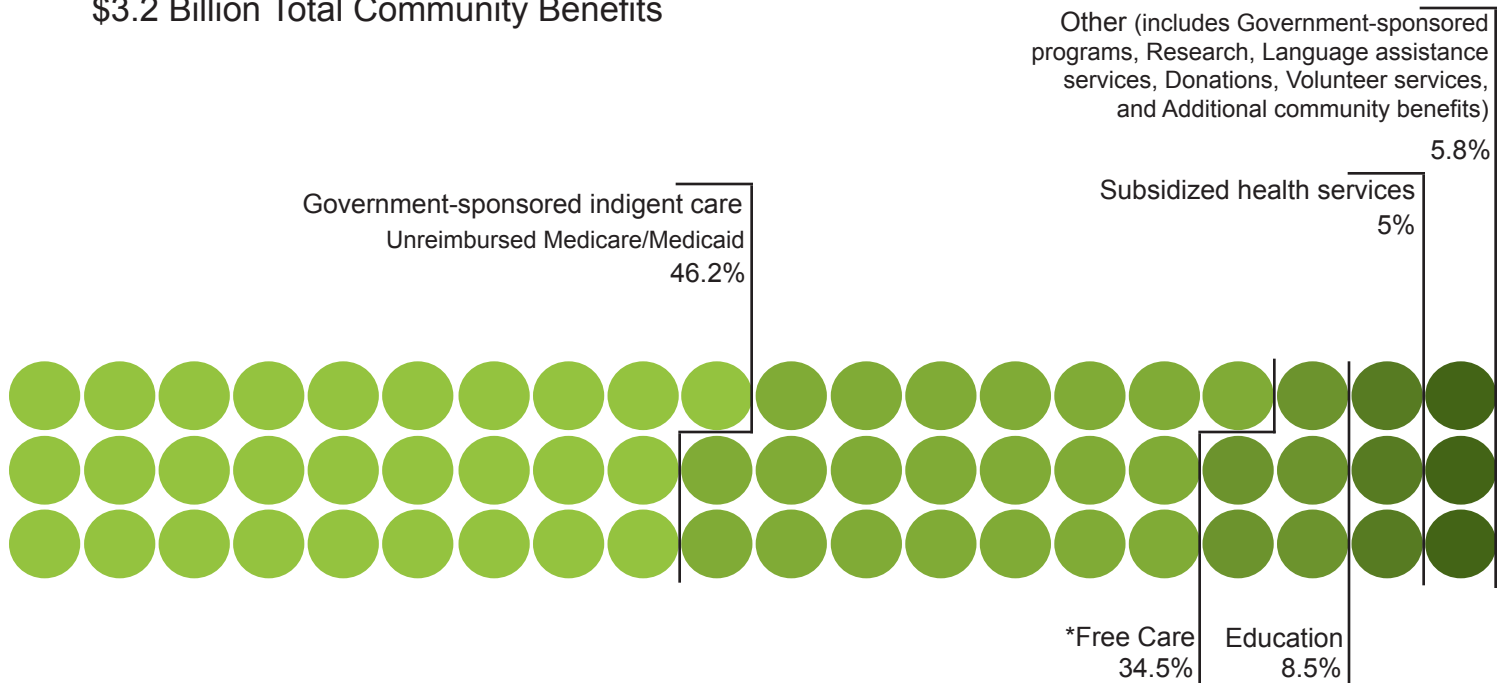
**\$18,587,441**

Volunteer services

**Volunteer services** includes the value of volunteer time provided by hospital employees and volunteers to various activities of the hospital community.

Source: Hospital Compliance Guidance, the Office of the Illinois Attorney General, 2004

### \$3.2 Billion Total Community Benefits



\*Free Care = Charity Care + Bad Debt

## The Challenges of Caring

Hospitals provide the backbone for the health care safety net, caring for the growing number of uninsured. According to the Gilead Outreach and Referral Center, nearly one million Illinois families now have at least one uninsured family member. Despite the attention given in recent years to this issue, the number of uninsured Illinoisans increased by 2 percent from 2004 to 2005 to a staggering 1.78 million, with 1.2 million located in the metropolitan Chicago region. When this vulnerable population does seek treatment, it is often through the hospital emergency department when illness has progressed to an advanced condition and costs of treatment are at their highest. In providing care to the uninsured population, hospitals are also relieving a significant burden on government. This is itself a charitable community benefit that must not be overlooked, especially in light of recent budget cuts to local public health programs and continued inadequate reimbursement from the state and federal government.

Hospitals face a host of environmental pressures challenging their ability to care. Topping the list for hospitals is the persistent shortage of nurses and other skilled professionals. Illinois has a projected shortage of 21,000 nurses by 2020, with the Chicago region expected to account for nearly two-thirds. Addressing this issue will call for a significant investment to successfully increase by 50 percent the number of graduate nurses and health professionals trained in the region by 2010.

Hospitals provided **\$1.1** billion in free care for the metropolitan Chicago region in 2005 to help meet the health care needs of the growing uninsured and underinsured.

Hospitals provided **\$274** million in education to train the next generation of nurses, doctors and allied health professionals in 2005.



**1** out of every **3**  
hospitals in the  
region report that  
they are losing  
money on overall  
hospital operations.



**2** out of every **3**  
hospitals report that  
they lose money on  
their core service,  
which is providing  
patient care.

Hospitals continue to respond to their communities' needs despite fragile finances. One out of every three hospitals in the region report that they are losing money on overall hospital operations. Moreover, two of every three hospitals report that they lose money on their core service, which is providing patient care. Over the past two decades, 13 hospitals in the region have closed their doors.

Hospitals provide needed services for their communities at a substantial financial loss, including subsidizing health services such as: trauma care, emergency care, burn care and neonatal intensive care units, substance abuse services, AIDS care, geriatric care and community health clinics.

Beyond the provision of crucial health care services provided by hospitals, they provide a vital economic link that communities also rely on. Health care is one of the fastest growing sectors in the regional economy. In fact, the hospitals in the Chicago metropolitan region generated \$25.9 billion in 2005 in personal income for area residents and directly or indirectly created over 423,000 jobs while contributing \$3.2 billion in capital expenditures.

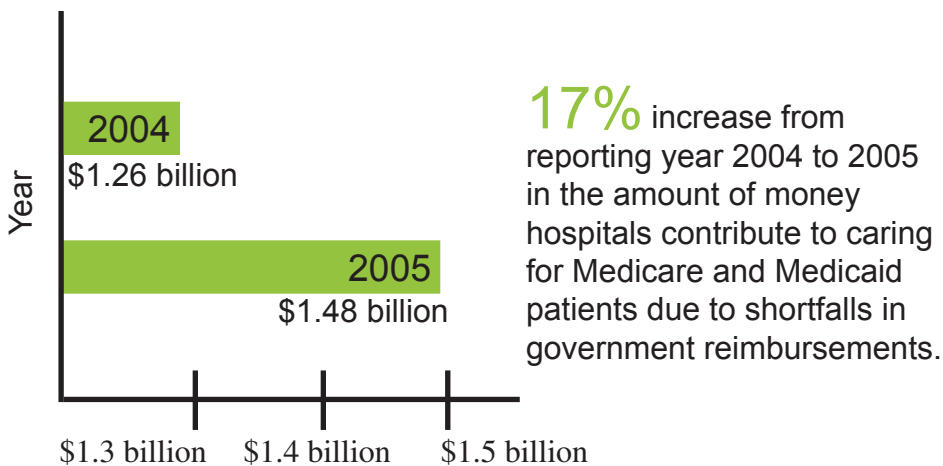
Source: Metropolitan Chicago Healthcare Council, *The Value of Caring: The Economic Impact of Chicago Area Hospitals on the Region's Economy*, 2006

## Relieving the Burden of Government

Driving hospitals' cloudy financial picture is the fact that for the average hospital, more than one half of its revenues come from the Medicare and Medicaid programs, both of which reimburse at rates substantially less than the cost of providing care to covered patients. Medicaid reimburses hospitals on average 82 cents for every dollar of cost; Medicare reimburses hospitals on average 90 cents for every dollar of cost.

Unlike typical businesses, non-profit, tax-exempt hospitals do not distribute profits to stockholders. Rather, they reinvest any excess revenues into facility improvements and state-of-the-art technology to better serve their patients and communities; education; recruitment and retention of nurses and other health care workers currently in demand.

### Medicare and Medicaid Shortfall: A Worsening Situation



Source: The Metropolitan Chicago Healthcare Council, 2007

**82 cents**

the average amount Medicaid reimburses hospitals for every dollar of cost

**90 cents**

the average amount Medicare reimburses hospitals for every dollar of cost

# About the Metropolitan Chicago Healthcare Council

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## Our Mission

The Metropolitan Chicago Healthcare Council is a membership and service organization dedicated to helping members care for their communities through access to health care and improved delivery of services.

## Our Vision

High quality, accessible health care for all communities.

## Our Membership

The Council's institutional members consist of hospitals and their integrated delivery systems in the metropolitan Chicago area. Associate members include hospitals outside the eight-county metropolitan Chicago area, as well as physician groups, nursing homes, outpatient treatment centers, insurers, medical schools and other health care organizations.

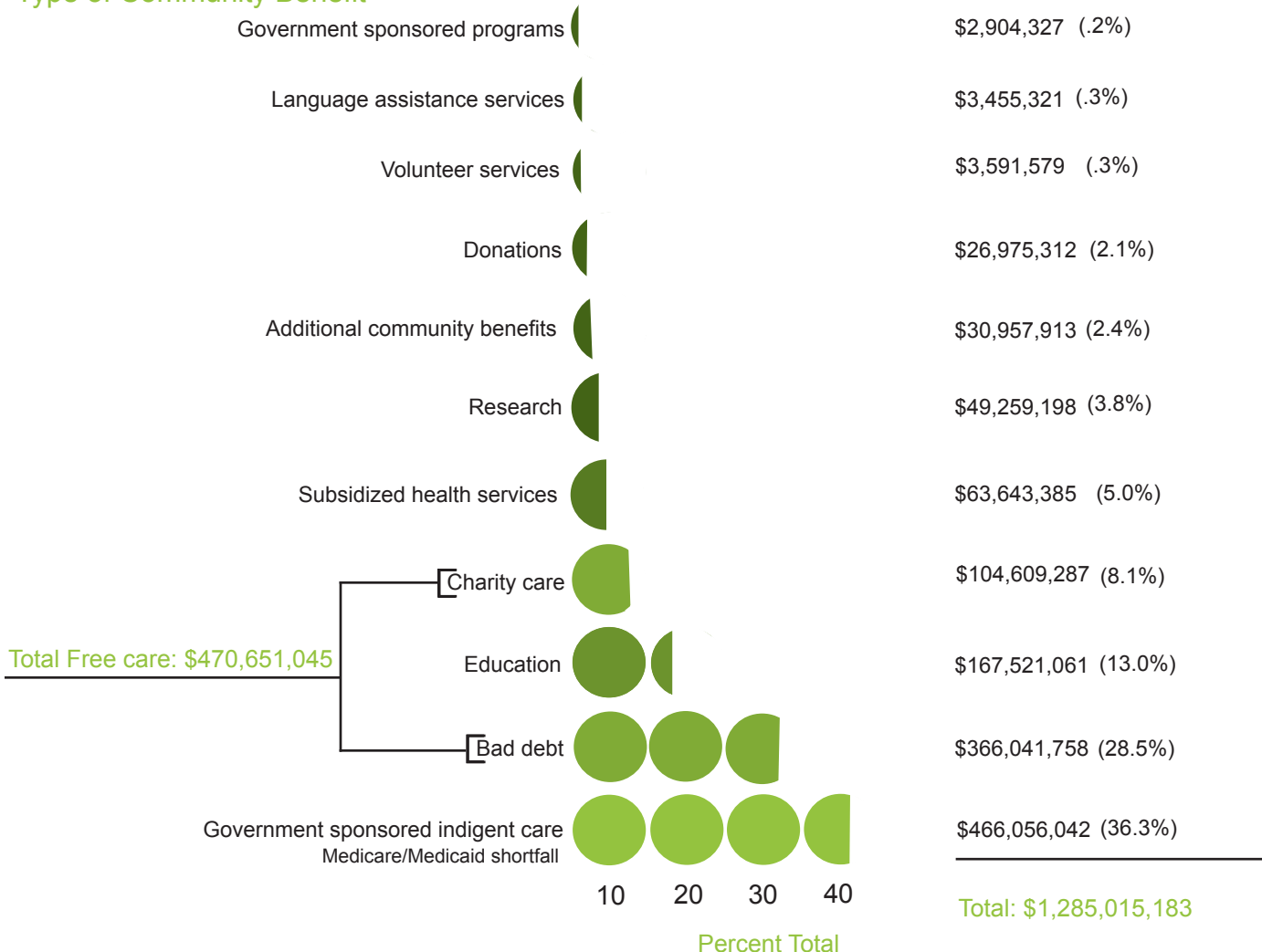
For more information, please visit us at [www.mchc.org](http://www.mchc.org).

# CARING FOR THEIR COMMUNITIES

## Chicago

In 2003, the Illinois General Assembly passed the Illinois Community Benefits Act (IL P.A. 93-0480). The Act applies to not-for-profit hospitals located in a metropolitan statistical area with 100 or more beds. The 51 tax-exempt hospitals in Cook County provided almost \$2.3 billion in community benefits in 2005\*. The Community Benefits Act uses ten categories of community benefits: charity care, bad debt, government sponsored indigent care, government sponsored program services, subsidized health services, education, research, language assistance services, donations and volunteer services. The additional community benefits category includes benefits not specifically defined in the Act such as chaplaincy services; car seat checks; disease-related support groups; and patient transportation service.\*\*

### Type of Community Benefit



\*The data contained in this report is derived from filings of 27 tax-exempt hospitals in Chicago as required by the Illinois Community Benefits Act for the 2005 reporting cycle, the second cycle of reporting since the Act took effect.

\*\*Some services transcend boundaries.

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## Participating Hospitals

Advocate Bethany Hospital  
Advocate Illinois Masonic Medical Center  
Advocate Trinity Hospital  
Children's Memorial Hospital  
Holy Cross Hospital  
Jackson Park Hospital and Medical Center  
Loretto Hospital  
Mercy Hospital and Medical Center  
Methodist Hospital of Chicago-Division of Bethany  
Mt. Sinai Hospital  
Northwestern Memorial Hospital  
Norwegian-American Hospital  
Our Lady of the Resurrection Medical Center  
Rehabilitation Institute of Chicago  
Resurrection Health Care/Resurrection Medical  
Center  
Roseland Community Hospital  
Rush University Medical Center  
Saint Anthony Hospital (Chicago)  
Saint Bernard Hospital and Health Care Center  
Saints Mary and Elizabeth Medical Center  
Schwab Rehabilitation Hospital  
Sinai Children's Hospital  
South Shore Hospital  
St. Joseph Hospital (Chicago)  
Swedish Covenant Hospital  
Thorek Memorial Hospital and Medical Center  
University of Chicago Hospitals and Health System

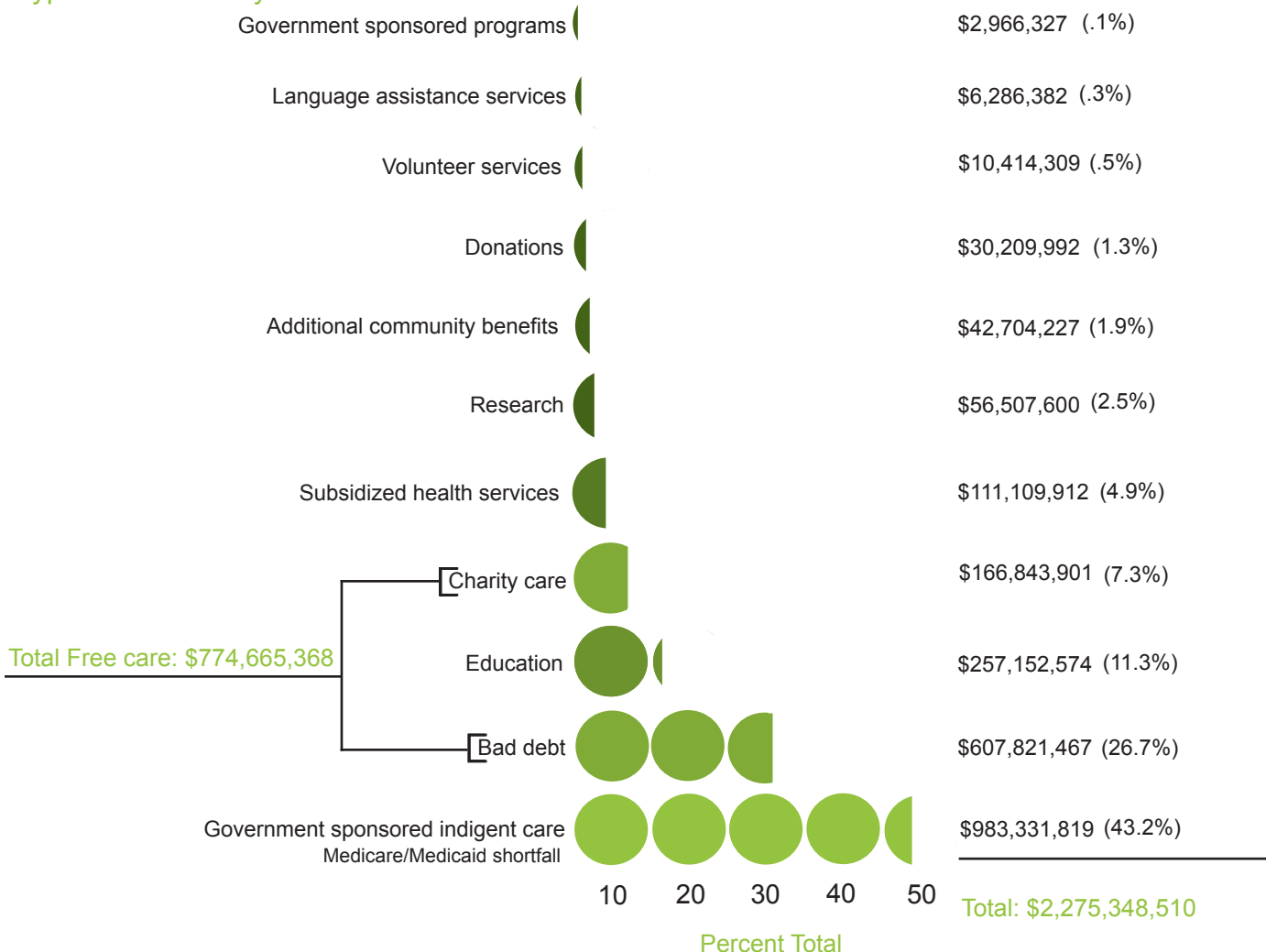
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# CARING FOR THEIR COMMUNITIES

## Cook County

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### Type of Community Benefit



\*The data contained in this report is derived from filings of 51 tax-exempt hospitals in the metropolitan Chicago region as required by the Illinois Community Benefits Act for the 2005 reporting cycle, the second cycle of reporting since the Act took effect.

## Participating Hospitals

Adventist LaGrange Memorial Hospital  
Advocate Bethany Hospital  
Advocate Christ Medical Center/Advocate Hope  
Children's Hospital  
Advocate Illinois Masonic Medical Center  
Advocate Lutheran General Hospital/Advocate  
Lutheran General Children's Hospital  
Advocate South Suburban Hospital  
Advocate Trinity Hospital  
Alexian Brothers Behavioral Health Hospital  
Alexian Brothers Medical Center  
Children's Memorial Hospital  
Evanston Hospital  
Glenbrook Hospital  
Gottlieb Memorial Hospital  
Holy Cross Hospital  
Holy Family Medical Center  
Ingalls Memorial Hospital  
Jackson Park Hospital and Medical Center  
Little Company of Mary Hospital and Health  
Care Centers  
Loretto Hospital  
Loyola University Health System  
Mercy Hospital and Medical Center  
Methodist Hospital of Chicago  
Mount Sinai Hospital  
Northwest Community Healthcare  
Northwestern Memorial Hospital and Subsidiaries  
Norwegian-American Hospital  
Our Lady of the Resurrection Medical Center  
Palos Community Hospital  
Rehabilitation Institute of Chicago  
Resurrection Medical Center  
RML Specialty Hospital  
Roseland Community Hospital  
Rush North Shore Medical Center  
Rush Oak Park Hospital  
Rush University Medical Center  
Saint Anthony Hospital  
Saint Bernard Hospital and Health Care Center  
Saint Francis Hospital (Evanston)  
Saint Francis Hospital & Health Center (Blue Island)  
Saint Joseph Hospital  
Saints Mary and Elizabeth Medical Center  
Schwab Rehabilitation Hospital  
South Shore Hospital  
St. Alexius Medical Center  
St. James Hospital and Health Centers-Chicago  
Heights  
St. James Hospital and Health Centers-Olympia  
Fields  
Swedish Covenant Hospital  
Thorek Memorial Hospital  
University of Chicago Medical Center  
Westlake Hospital  
West Suburban Medical Center

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