

LETTER TO THE EDITOR – YANCEY COMMON TIMES JOURNAL
Wednesday, July 11, 2018

The (Real) Economics of Healthcare

As the proposed transaction with HCA Healthcare (HCA) progresses, it's understandable that the amount of information can feel overwhelming. For example, there are not only nuanced differences between IRS reporting requirements and audited financial statements, but there are also differences between an individual hospital's performance and overall health system performance. At times, it might even appear that some figures "don't match." That's simply not true. Because we understand the importance of this transaction, we want to ensure transparency throughout. To begin, we would like to share a few clarifying points about the *Mission Health System*.

Mission Health as an Integrated Health System

- Mission Health includes six general acute care hospitals, a rehabilitation hospital, more than 600 employed providers, inpatient and home hospice programs, a PACE program and a clinically integrated network of more than 1,000 private-practice and employed physicians.
- For a remarkable six of seven years (2012- 2018), Mission Health was named a Top 15 Health System by IBM Watson Health. No other health system has accomplished this, and no North Carolina health system has achieved this recognition even once. That's a great source of great pride for our communities.

The Economics of the Mission Health System

- Mission Health has an extraordinarily challenging population and payor mix.
- **77% of Mission Health's hospitalized patients are uninsured or covered by Medicare or Medicaid.**
- This fact creates extreme financial challenges because both of these governmental payors reimburse less than the actual costs of providing care.
- While Mission Health's input costs rise yearly – drugs, supplies, equipment, technology and more - the overwhelming majority of our revenue does not.
- Recently, the region's largest commercial insurer forced Mission Health to subsidize the inflation on its own beneficiaries, reducing any ability to offset the 77% of below-cost payments.
- As a result, Mission's leadership must cut tens of millions in costs every year; we've cut nearly \$70 million for 2018 and have begun implementing \$50 million more in preemptive 2019 reductions.
- **In 2017, charity care and bad debt (from ever-rising insurance deductibles) rose to an all-time high of \$192 million; Mission Hospital alone provided \$21 million *more* charity care than in 2016.**

Financial Reporting

- Each Mission Health entity with a separate tax ID must file yearly (including 990's, partnership returns, and/or corporate returns). As such, it is easy to draw inaccurate conclusions about Mission Health overall when looking at only one entity's 990.
- For instance, if you only reviewed *Mission Hospital's* 990 (as we now surmise Dr. Hunt must have - image below), you would incorrectly conclude that Mission Health had a profit of over \$93 million in 2014. However, that number ignores the impact of other system members.

Form **990** Return of Organization Exempt From Income Tax
 Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
 Department of the Treasury Internal Revenue Service
 Do not enter social security numbers on this form as it may be made public.
 Information about Form 990 and its instructions is at www.irs.gov/form990
 For the 2014 calendar year, or tax year beginning **OCT 1, 2014** and ending **SEP 30, 2015**

2014
Open to Public Inspection

A For the 2014 calendar year, or tax year beginning **OCT 1, 2014** and ending **SEP 30, 2015**

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return/terminated
 Amended return
 Application pending

C Name of organization: **Mission Hospital, Inc.**
 Doing business as:
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite: **400 Ridgefield Court 100**
 City or town, state or province, country, and ZIP or foreign postal code: **Asheville, NC 28806**

D Employer identification number: **56-0532141**

E Telephone number: **(828) 257-7004**

G Gross receipts: **1,077,533,828.**

F Name and address of principal officer: **Charles F. Ayscue same as C above**

H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No
 If "No," attach a list. (see instructions)

I Tax-exempt status: 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

J Website: **www.mission-health.org**

K Form of organization: Corporation Trust Association Other

L Year of formation: **1955** **M** State of legal domicile: **NC**

Part I Summary

1 Briefly describe the organization's mission or most significant activities: **To improve the health of the people of Western North Carolina and the surrounding region.**

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets.

3 Number of voting members of the governing body (Part VI, line 1a) **21**

4 Number of independent voting members of the governing body (Part VI, line 1b) **19**

5 Total number of individuals employed in calendar year 2014 (Part V, line 2a) **8,251**

6 Total number of volunteers (estimate if necessary) **604**

7a Total unrelated business revenue from Part VIII, column (C), line 12 **489,393.**

7b Net unrelated business taxable income from Form 990-T, line 34 **346,455.**

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	8,182,158.	7,807,351.
9 Program service revenue (Part VIII, line 2g)	974,580,765.	1,066,609,692.
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-335,073.	-587,432.
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,791,999.	1,619,307.
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	984,219,849.	1,075,449,118.
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	2,669,462.	2,375,464.
14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	415,770,433.	462,520,385.
16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
b Total fundraising expenses (Part IX, column (D), line 25)	0.	0.
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	498,210,991.	516,915,369.
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	916,650,886.	931,811,218.
19 Revenue less expenses. Subtract line 18 from line 12	67,568,963.	93,637,900.

- On a directly comparable basis, the consolidated 2015 form 990 for the health system shows the excess of revenues less expenses for 2014 to be \$22,680,350 (not Dr. Hunt's \$93,637,900):

Form **990** Return of Organization Exempt From Income Tax
 Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
 Department of the Treasury Internal Revenue Service
 Do not enter social security numbers on this form as it may be made public.
 Information about Form 990 and its instructions is at www.irs.gov/form990
 For the 2015 calendar year, or tax year beginning **10-01-2015** and ending **09-30-2016**

2015
Open to Public Inspection

A For the 2015 calendar year, or tax year beginning **10-01-2015** and ending **09-30-2016**

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return/terminated
 Amended return
 Application pending

C Name of organization: **MISSION HEALTH SYSTEM INC**
 Doing business as:
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite: **400 RIDGEFIELD CT NO 100**
 City or town, state or province, country, and ZIP or foreign postal code: **ASHEVILLE, NC 28806**

D Employer identification number: **58-1450888**

E Telephone number: **(828) 257-7004**

G Gross receipts: **213,240,062**

F Name and address of principal officer: **CHARLES F. AYSUCUE 400 RIDGEFIELD CT NO 100 ASHEVILLE, NC 28806**

H(a) Is this a group return for subordinates? Yes No
H(b) Are all subordinates included? Yes No
 If "No," attach a list. (see instructions)

I Tax-exempt status: 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

J Website: **WWW.MISSION-HEALTH.ORG**

K Form of organization: Corporation Trust Association Other

L Year of formation: **1981** **M** State of legal domicile: **NC**

Part I Summary

1 Briefly describe the organization's mission or most significant activities: **OPERATION OF AN INTEGRATED HEALTH CARE SYSTEM**

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets.

3 Number of voting members of the governing body (Part VI, line 1a) **3** **21**

4 Number of independent voting members of the governing body (Part VI, line 1b) **4** **18**

5 Total number of individuals employed in calendar year 2015 (Part V, line 2a) **5** **0**

6 Total number of volunteers (estimate if necessary) **6** **20**

7a Total unrelated business revenue from Part VIII, column (C), line 12 **190,258**

7b Net unrelated business taxable income from Form 990-T, line 34 **0**

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	2,239,845	453,068
9 Program service revenue (Part VIII, line 2g)	21,299,146	30,179,349
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	34,404,553	19,077,627
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	96,822	92,456
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	58,040,366	49,802,500
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	2,783,847	2,894,156
14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	89,143,624	154,965,185
16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25)	0	0
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	-56,567,455	-116,565,120
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	35,360,016	41,294,221
19 Revenue less expenses. Subtract line 18 from line 12	22,680,350	8,508,279

- In general, Mission Health prepares financial statements by consolidating the operational results of each hospital and legal business entity.
- Below, are the comparable audited income statements for Mission Health for fiscal years 2016 and 2015 showing operating income of approximately \$54 million and \$45 million respectively.
- **The average operating income (profit) or loss for the entire Mission Health system from 2010-2017 was less than \$43 million.**

MISSION HEALTH SYSTEM, INC.
AND AFFILIATES
Consolidated Statements of Operations
Years ended September 30, 2016 and 2015
(In thousands)

	2016	2015
Unrestricted revenue, gains, and other support:		
Net patient service revenue	\$ 1,682,256	1,526,342
Provision for bad debts	(141,609)	(123,299)
Net patient service revenue less provision for bad debts	1,540,647	1,403,043
Other revenue	92,235	85,190
Total unrestricted revenue, gains, and other support	1,632,882	1,488,233
Expenses:		
Salaries and wages	784,457	700,063
Employee benefits	149,350	137,866
Supplies and other expenses	534,884	493,908
Depreciation and amortization	89,021	88,019
Interest	21,419	23,624
Total expenses	1,579,131	1,443,480
Operating income	53,751	44,753

Moving Mission Health Forward for Western North Carolina

Above all, the planned relationship with HCA Healthcare is about *preserving and expanding care and securing the future of our region's health system*. Mission Health's aim and each Member Hospital Board's goal is to do what is best for the health and well-being of its community. Every Board member is part of the local community volunteering time without pay because they care deeply about ensuring access to high quality care for everyone in western North Carolina for generations to come.

The transaction and the successor foundation are *great news for everyone in western North Carolina*. Not only will the health system continue as it is today, not only will an unprecedented foundation be created but **Mission Health will also forgive nearly \$79 million in debt owed by its member hospitals to Mission Health**. That's an extraordinary contribution to each local community.

As always, we continue to encourage everyone to visit our website: www.MissionHealthForward.org, to stay fully informed. We answer every question that is asked of us and post it so everyone benefits.

Rowena Buffett Timms
SVP, Government & Community Relations
Mission Health

ABOUT MISSION HEALTH

Mission Health, based in Asheville, North Carolina, is the state's sixth-largest health system. In 2018, for the sixth time in the past seven years, Mission Health has been named one of the nation's Top 15 Health Systems by Truven Health Analytics, an IBM Company and part of IBM Watson Health. We are the only

health system in North Carolina to achieve this recognition. Mission Health operates six hospitals, numerous outpatient and surgery centers, post-acute care provider CarePartners, long-term acute care provider Asheville Specialty Hospital and the region's only dedicated Level II trauma center. With approximately 12,000 team members and 2,000 volunteers, Mission Health is dedicated to improving the health and wellness of the people of western North Carolina. For more information, please visit mission-health.org or [@MissionHealthNC](https://twitter.com/MissionHealthNC).

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