

# 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

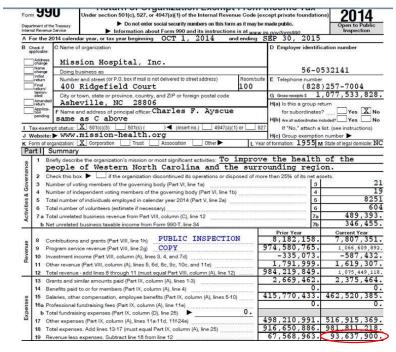
- Mission Health includes six general acute care hospitals, a rehabilitation hospital, more than 600
  employed providers, inpatient and home hospice programs, a PACE program and a clinically
  integrated network of more than 1,000 private-practice and employed physicians.
- For a remarkable six of seven 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

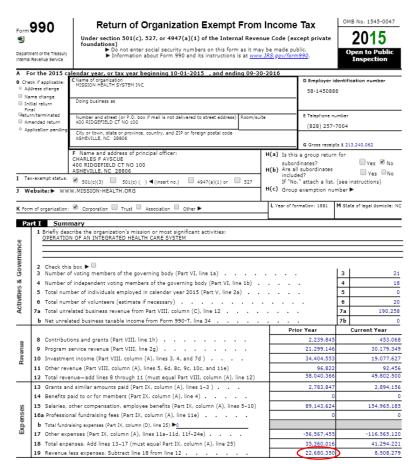
- Mission Health has an extraordinarily challenging population and payor mix.
- 77% of Mission Health's hospitalized patients are uninsured or covered by Medicare or Medicaid.
- This fact creates extreme financial challenges because both of these governmental payors reimburse less than the actual costs 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.



• 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):



- 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 Provision for bad debts	\$	1,682,256 (141,609)	1,526,342 (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 Employee benefits Supplies and other expenses Depreciation and amortization Interest		784,457 149,350 534,884 89,021 21,419	700,063 137,866 493,908 88,019 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: <a href="www.MissionHealthForward.org">www.MissionHealthForward.org</a>, 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.

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