



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Phoebe Putney Health System, Inc.
Albany, Georgia

We have audited the consolidated financial statements of Phoebe Putney Health System, Inc. as of and for the years ended July 31, 2019 and 2018 and our report thereon dated November 13, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information included in this report on pages 68 to 75, inclusive, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Draffin + Tucker, LLP
Albany, Georgia
November 13, 2019

Let's Think Together.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY

July 31, 2019

Phoebe Putney Health System, Inc. (Corporation) is a not-for-profit health care organization that was formed to serve as the parent organization of a group of affiliated entities and as such, its primary purpose is to plan, coordinate, and direct the group and to provide centralized administrative and management services to the exempt entities in the group. The Corporation is recognized as exempt under Section 501(c)(3) of the Code and is classified as a public charity under Section 509(a)(3) of the Code. Currently, the affiliated entities comprising the group include: Phoebe Putney Memorial Hospital, Inc. (PPMH), Phoebe Foundation, Inc. (Foundation), Phoebe Putney Health Ventures, Inc. (Health Ventures), Phoebe Physician Group, Inc. (PPG), Phoebe Putney Indemnity, LLC, Phoebe Putney Indemnity, Ltd., Phoebe Sumter Medical Center, Inc. (PSMC) and Phoebe Worth Medical Center, Inc. (PWMC).

As a tax exempt organization, the Corporation has no stockholders or owners. All revenue after expenses is reinvested in our mission to care for the citizens of the communities served by the Corporation and its affiliated entities and includes clinical care, health programs, state-of-the-art technology and facilities, research and teaching and training of medical professionals to meet current and future needs.

Phoebe Putney Health System, Inc. operates as a charitable organization consistent with the requirements of Internal Revenue Code Section 501(c)(3) and the “community benefit standard” of IRS Revenue Ruling 69-545. The Corporation takes seriously its responsibility as the community’s safety net hospital and has a strong record of meeting and exceeding the charitable care and the organizational and operational standards required for federal tax-exempt status. The Corporation demonstrates a continued and expanding commitment to meeting our mission by providing community benefits. A community benefit is a planned, managed, organized, and measured approach to meeting identified community health needs, requiring a partnership between the healthcare organization and the community to benefit residents through programs and services that improve health status and quality of life.

Through its affiliated group of hospitals, the Corporation improves the health and well-being of Southwest Georgia through clinical services, education, research and partnerships that build health capacity in the community. Each hospital provides community benefits for every citizen in its service area as well as for the medically underserved. The hospitals conduct community needs assessments and pay close attention to the needs of low income and other vulnerable persons and the community at large. The Corporation often works with community groups to identify needs, strengthen existing community programs and plan newly needed services. In addition to providing free and discounted services to people who are uninsured and underinsured, the Corporation provides a wide-ranging array of community benefit services designed to improve community and individual health and to increase access to health care. The Corporation’s excellence in community benefit programs was recognized by the prestigious Foster McGaw Prize awarded to the hospital in 2003 for its broad-based outreach in building collaboratives that make measurable improvements in health status, expand access to care and build community capacity, so that patients receive care closest to their own neighborhoods. Drawing on a dynamic and flexible structure, the community benefit programs are designed to respond to assessed needs and are focused on upstream prevention.

See independent auditor’s report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2019

As Southwest Georgia's leading provider of cost-effective, patient-centered health care, the Corporation's affiliated hospitals participate in the Medicare and Medicaid programs and are among the leading providers of Medicaid services in Georgia.

The following table summarizes the amounts of charges foregone (i.e., contractual adjustments) and estimates the losses (computed by applying a total cost factor to charges foregone) incurred by the organizations due to inadequate payments by these programs and for indigent/charity. This table does not include discounts offered by the organizations under managed care and other agreements:

	<u>Charges Foregone</u>	<u>Estimated Unreimbursed Cost</u>
Medicare	\$ 846,000,000	\$ 246,000,000
Medicaid	288,000,000	85,000,000
Indigent/charity	<u>96,000,000</u>	<u>28,000,000</u>
	<u>\$ 1,230,000,000</u>	<u>\$ 359,000,000</u>

The following is a summary of the community benefit activities and health improvement services offered by the hospitals and illustrates the activities and donations during fiscal year 2019.

I. Community Health Improvement Services

A. Community Health Education

The Corporation's affiliated hospitals provided health education services that reached 13,973 individuals in 2019 at a cost of \$332,405. These services included the following free classes and seminars:

- Teen Maze
- Health Teacher Training
- CPR Training
- Safe Sitter Classes
- Opioid Community Task Force Meetings and Campaign Launch
- School-based Opioid Prevention Program
- School Staff Education in Elementary Schools
- Diabetes Awareness Seminars
- Participated in Community Garden activities at all the public schools in Dougherty County

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2019

I. **Community Health Improvement Services, Continued**

A. Community Health Education, Continued

Men's and Women's Health Conferences

Men's Health Conferences

The PSMC Men's Health Conference was held on Saturday, September 15, 2018 and provided health screenings for PSA, cholesterol, blood pressure, hearing and vision, health information, speakers and fellowship to approximately 55 men who attended. The Corporation incurred expenses of \$7,849 for this event.

PPMH Men's Health Conference held in June 2019 ("Head to Toe") provided blood pressure, glucose, lipid and PSA screening to 300 men at a cost of \$7,426.

Women's Health Conferences

PSMC held a Women's Health Fair on May 18, 2019 that provided health screenings for weight, BMI, blood pressure and blood sugar, health information, speakers and fellowship to more than 400 attendees at the fair. Dominique Dawes, gold medal gymnast, was a guest celebrity speaker at the fair. The health conference programs provide outreach, health screenings and educational programs about nutrition and physical activity. The programs target uninsured or underinsured women without a primary care physician or knowledge of recommended preventive health care services. The Corporation incurred expenses of \$17,664 for this event.

PPMH Women's Conferences attracted approximately 400 participants and focused on breast health and a full range of health screenings. The theme centered on breast cancer with educational programs about physical activity and nutrition. In total, the Corporation incurred expenses of \$17,680 for this event.

Children's Health Conference

PSMC held a Children's Health Fair on July 27, 2019 that provided health screenings for weight, BMI, blood pressure and blood sugar, health information, speakers and fellowship to more than 150 attendees. Soil screenings for lead were also available from Rural Georgia Healthy Housing. The health conference programs provide outreach, health screenings and educational programs about nutrition and physical activity. These programs target children at risk of poor health status. The programs target uninsured or underinsured children without a primary care physician or knowledge of recommended preventive health care services. The Corporation incurred expenses of \$2,436 for this event.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2019

I. Community Health Improvement Services, Continued

A. Community Health Education, Continued

Community Health Symposium

PSMC held a Community Health Symposium in April 2019 that provided health information and speakers from various health providers in the area such as Middle Flint Behavioral, Innovative Senior Solutions and Perry Wellness Center. Ron Clark was the keynote speaker. The program was attended by approximately 200 guests. The Corporation incurred expenses of \$17,936 for this event.

Senior Clinic and Other

PWMC incurred expenses of approximately \$300 offering health screenings and education on health and wellness topics at various community events including church gatherings, health fairs for county employees, new school system employee orientations, etc. during 2019. Expenses for these services are nominal but serve an important role within the community of Worth County.

Network of Trust

This is a nationally recognized program aimed at teen mothers to provide parenting skills, attempt to reduce repeat pregnancies, and complete high school. This program also includes a teen father program along with other teenaged children programs. Internal evaluations show teens participating in the program are less likely to repeat a pregnancy prior to graduation. Network of Trust enrolled 78 teen parents during the 2018/2019 school year at a cost of \$260,658. Project results demonstrate teens that graduated from the two-semester program are less likely to have a second pregnancy prior to age 21. 22 of the 28 Network of Trust seniors graduated. In addition, Network of Trust and the school nurse program provided health fairs to children at various public schools with 586 students participating and an additional 7,734 students participating in the Opioid Prevention Program.

B. Community Based Clinical Services

Flu Shots

The Corporation provides free flu shots to volunteers and students. In 2019, the Corporation administered 509 flu shots at an unreimbursed cost of \$8,184.

Mammography

PPMH provided 244 mammograms to the uninsured in 2018/2019 at a cost of \$34,502. Of the 244 screenings, two women were diagnosed with breast cancer and referred for care.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2019

I. **Community Health Improvement Services, Continued**

B. Community Based Clinical Services, Continued

School Nurse Program

PPMH and PSMC provide nurses in 20 elementary schools, eight middle schools, and seven high schools in Dougherty and Sumter Counties with a goal of creating access to care for students, assessing the health care status of each population represented and effectively establishing referrals for all health care needs. Nurses also conducted the various school based health fairs throughout the school year. During the 2018/2019 school year, the school nurse program covered 18,600 covered lives. These programs operated at a loss of \$378,197 in 2019.

C. Health Care Support Services

Government Sponsored Eligibility Applications to the Poor and Needy

Phoebe contracts for eligibility on behalf of the poor and needy that may be eligible for Medicaid. In some cases, it can take up to two years to be deemed eligible. In 2019 the Corporation paid \$976,580 to process these applications.

- Financial Assistance Policy (FAP)

PPHS Hospital Facilities will extend free or discounted care to eligible individuals for all urgent, emergent, or otherwise medically necessary services. Patients whose household income is at or below 125% of the Federal Poverty Guidelines are eligible for free care. Patients whose household income is between 126% and 400% of the Federal Poverty Guidelines qualify for discounted charges based on a sliding fee schedule in the FAP. Phoebe will not charge eligible individuals more for emergency or other medically necessary care than the Amount Generally Billed (AGB) to individuals who have insurance coverage, and is compliant with the requirements for a not-for-profit charitable corporation in accordance with Internal Revenue Service Regulation §1.501(r).

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2019

II. Health Professions Education

The organization recognizes that to continuously improve the Corporation's long-term value to our community and our customers, to encourage life-long learning among employees and to achieve a world-class employer status, it is in the organization's best interest to provide opportunities that will assist eligible employees in pursuing formal, healthcare related educational opportunities. The organization also provides non-employees financial support in pursuing healthcare related degrees. In fiscal year 2019, the Corporation provided \$573,420 in clinical supervision and training of nursing students, and an additional \$475,353 in clinical supervision and training to pharmacy, pharmacy techs and other allied health professionals. In all, 595 students received clinical instruction from one of our facilities at a total cost of \$1,048,773.

III. Subsidized Health Services

A. Other Subsidized Services

Inmate Care

The Corporation provides care to persons in jail for Dougherty County. In 2019 the Corporation provided \$290,149 of unreimbursed medical and drug treatment to 195 inmates.

Indigent Drug Pharmacy

Indigent Drug Pharmacy provides medication upon discharge to patients that are either indigent or uninsured. In 2019, the pharmacy filled 4,214 prescriptions at a cost of \$141,454.

IV. Financial and In-Kind Support

In 2019, the Corporation provided \$369,045 in cash donations and in-kind support to non-profit organizations in Southwest Georgia. Listed are some highlights:

- The Horizons Community Health Solutions received \$151,252 for staff support and various projects centered on prevention, screening and early detection.
- In-kind support of Foregone Rent to non-profit organizations at an estimated cost of \$62,974.
- Georgia Southwestern State University received \$50,000 to support the nursing program.
- Provided \$50,000 to support Andrew College's Respiratory Program.
- Gave \$2,500 to The Boys and Girls Club.
- PWMC gave \$45,619 to the Worth County Health Department for chronic disease management.
- PSMC gave \$5,000 to OneSumter for the new Career Academy start-up.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2019

V. Community Building Activities

A. Economic Development

The Corporation supports the Economic Development Commission of Dougherty County with funding to support improved employment and health coverage as a way to improve the overall health of the residents of the region.

The Corporation hosted a SWGA workforce meeting December 15, 2018 with 25 attendees and provided refreshments at a cost of \$164.

VI. Community Benefit Obligations

The Corporation incurred \$135,242 to support staff and community health needs assessment costs that included \$47,910 renewal of Healthy Communities Institute's dashboard feature on our website:

<http://www.phoebehealth.com/health-matters/building-healthy-communities>

Summary

	<u>2018</u>
Community Health Improvement Services:	
Community Health Education	\$ 332,405
Community Based Clinical Services	420,883
Healthcare Support Services	<u>976,580</u>
Total community health improvement services	<u>1,729,868</u>
Health Professions Education:	
Nurses/nursing students	573,420
Other health professional education	<u>475,353</u>
Total health professional education	<u>1,048,773</u>
Subsidized Health Services:	
Other subsidized health services	<u>141,454</u>
Total subsidized health services	<u>141,454</u>
Financial and In-Kind Support:	
Cash donations	304,871
In-kind donations	<u>64,174</u>
Total financial and in-kind support	<u>369,045</u>

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2019

VI. Community Benefit Obligations, Continued

Summary, Continued

	<u>2019</u>
Community Building Activities:	
Economic development	\$ <u>164</u>
Total community building activities	<u>164</u>
Community Benefit Obligations:	
Dedicated staff and other resources	<u>183,152</u>
Total community benefit obligations	<u>183,152</u>
Other:	
Traditional charity care – estimated unreimbursed cost of charity services	28,000,000
Unpaid cost of Medicare services – estimated unreimbursed cost of Medicare services	246,000,000
Unpaid cost of Medicaid services – estimated unreimbursed cost of Medicaid services	<u>85,000,000</u>
Total other	<u>359,000,000</u>
Total summary	\$ <u>362,472,456</u>

This report has been prepared in accordance with the community benefit reporting guidelines established by Catholic Health Association (CHA) and VHA. The Internal Revenue Services' requirements for reporting community benefits are different than the guidelines under which this report has been prepared.

See independent auditor's report on supplemental information.