

Memorandum

Date August 18, 2023

To Corewell Health Foundation West Michigan Board of Trustees
Helen DeVos Children's Hospital Foundation Board of Trustees

From Celeste McIntyre, SVP, Corporate Controller – Corewell Health

Subject Consent Decree and Community Benefit

Consent Decree

In connection with the formation of Spectrum Health in 1997, Corewell Health (the System) agreed to be bound by the terms of a consent decree with a federal court. The consent decree contains a series of formal assurances to the west Michigan community with respect to the operation of the merged entity, Spectrum Health, now Corewell Health Blodgett and Corewell Health Butterworth (collectively, Corewell Health Grand Rapids). Although numerous requirements were imposed by the consent decree, the most restrictive terms expired in September 2004 (including the limitations on price increases). However, the following requirements will continue in perpetuity:

- Corewell Health Grand Rapids will target a five-year rolling average total margin that does not exceed the average of Moody's or Standard & Poor's upper quartile total margins for other health systems nationally.
 - Corewell Health Grand Rapids has committed to establishing a fund to provide health care programs for the underserved in the community, including services such as community-based clinics, immunization and preventive care, and health education programs. The Community Commitment fund will include a budgeted item in the amount of \$6 million per year.
 - The Community Commitment also opens the budget and pricing process of Corewell Health Grand Rapids to the public for both input in advance of the adoption of the budget and scrutiny of past performance. A permanent Finance Advisory Committee counsels the Finance and Audit Committee of the Corewell Health West Board of Directors during the budgeting process and prior to any budgetary recommendation to the Corewell Health Board of Directors.
 - The Board of Directors of Corewell Health West will be representative of the community it serves.
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Community Benefit

In support of its mission, Corewell Health (the System) provides various health-related services, at a loss, to the indigent and other residents in its service area. The following is a summary of the System's community benefit expense for the year ended December 31, 2022 (in thousands):

	<u>Corewell Health</u>	
Community partnership programs (Community Commitment fund)	\$	8,403
Health clinics		9,382
Health professions education		152,427
Community Benefit - Other		7,380
Research		7,677
Donations/contributions		4,093
Traditional charity care		35,274
Unpaid costs for government program patients		843,885
Total community benefit expense	<u>\$</u>	<u>1,068,521</u>

The following is a summary of Corewell Health West's community benefit expense (in thousands):

	<u>Year ended December 31</u>	
	2022	2021
Community partnership programs (Community Commitment fund)	\$ 8,403	\$ 7,996
Health clinics	3,740	3,774
Health professions education	34,273	31,043
Community Benefit - Other	3,959	3,785
Research	1,568	1,302
Donations/contributions	2,353	330
Traditional charity care	14,998	15,937
Unpaid costs for government program patients	372,280	341,888
Total community benefit expense	<u>\$ 441,574</u>	<u>\$ 406,055</u>

Community partnership programs (Community Commitment fund) – Includes health care programs for the underserved in the community, including services such as community-based clinics, immunizations and preventive care, and health education programs. Examples include programs related to the poor, elderly, substance abuse, child abuse, and others with specific health care needs. They also include broader populations who benefit from health community initiatives, such as health promotion, education, and health screening. The Community Commitment fund relates to Corewell Health's established \$6 million fund, as part of the Consent Decree, to provide quality health care programs for the underserved in the community. The remaining programs are funded through operations.

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Health clinics – Includes net costs incurred to operate community clinics that are offered at no cost or subsidized cost.

Health professions education – Represents the cost to provide a clinical setting for undergraduate training and internships to help prepare future health care professionals.

Research – Includes the unpaid cost of health care research and studies.

Donations/contributions – Includes cash and in-kind donations that are made on behalf of the poor and needy to community agencies and to special funds for charitable activities, as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and disadvantaged.

Traditional charity care – Covers services provided to people who cannot afford to pay. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received as direct assistance for the provision of charity care. Charity care is determined based on established policies, using patient income and assets to determine payment ability. It also includes the state of Michigan mandated discounts provided for the uninsured based on financial need. The organization must accept 115% Medicare rates as payments in full from an uninsured individual with an annual income level up to 250% of the federal poverty level.

Unpaid costs for government program patients – Represents the estimated shortfall created when a facility receives payments below the costs of treating Medicare and Medicaid beneficiaries.
