



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, 2020 and 2019 and our report thereon dated November 18, 2020, 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 75 to 82, 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.

A handwritten signature in black ink that reads "Draffin & Tucker, LLP".

Albany, Georgia
November 18, 2020

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY

July 31, 2020

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, 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, 2020

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	\$ 827,000,000	\$ 253,000,000
Medicaid	310,000,000	95,000,000
Indigent/charity	<u>85,000,000</u>	<u>26,000,000</u>
	<u>\$ 1,222,000,000</u>	<u>\$ 374,000,000</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 2020.

I. Community Health Improvement Services

A. Community Health Education

The Corporation's affiliated hospitals provided health education services that reached 12,569 individuals in 2020 at a cost of \$330,177. These services included the following free classes and seminars:

- 8th Grade Wellness Events
- CPR Training
- Safe Sitter Classes
- School-based Opioid Prevention Program
- Asthma and Epi-Pen Education
- Safe Sleep Education
- COVID-19 Press Conferences and Updates to the Community

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2020

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

A. Community Health Education, Continued

COVID-19 Updates to the Media and Community

The Phoebe Command Center provided daily updates of confirmed COVID cases and hospitalizations through the media and on Phoebe's website. In addition, Phoebe physicians and administrative staff attended city and county press conferences to provide updates to the community at large. Physicians and executive staff provided numerous interviews to major news outlets such as ABC, NBC, CNN and others. The estimated cost to Phoebe was \$33,387.

Men's and Women's Health Conferences

PPMH hosted its annual Women's conference in October of 2019. There were 421 attendees at a cost of \$12,600. The Men's conference, due to COVID-19 restrictions, was held at an outside venue with approximately 370 in attendance at a cost of \$12,600.

Due to the COVID-19 pandemic, many of PSMC's annual community health education programs were cancelled. However, PSMC did host the following events:

<u>Event</u>	<u>Date</u>	<u>Number of Participants</u>
GSW Resource Fair for New Students	8/16/2019	150
Wellness Class at St Paul AME	8/21/2019	15
Men's Health Fair	9/14/2019	150
Prostate Cancer Awareness Walk	9/21/2019	25
Americus & Sumter County Fair	9/25/2019	150
Plains Community Fair	11/2/2019	200
Macon County Health Fair	11/9/2019	200
Sumter County Gov't Employee Health Fair	1/31/2020	100
Heart Walk/Run	2/8/2020	75
Sumter EMC Health Fair	3/12/2020	100
Total	<u>10</u>	<u>1,165</u>

PWMC incurred expenses of approximately \$2,800 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. in 2020. Expenses for these services are nominal but serve an important role within the community of Worth County.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2020

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

A. Community Health Education, Continued

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 50 teen parents during the 2019/2020 school year at a cost of \$268,790. Project results demonstrate teens that graduated from the two-semester program are less likely to have a second pregnancy prior to age 21. 24 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 504 students participating and an additional 5,711 students participating in the Opioid Prevention Project.

B. Community Based Clinical Services

Flu Shots

The Corporation provides free flu shots to volunteers and students. In 2020, the Corporation administered 414 flu shots at an unreimbursed cost of \$8,600.

Mammography

PPMH provided 100 mammograms to the uninsured in 2020 at a cost of \$14,000.

School Nurse Program

PPMH and PSMC provide nurses in elementary schools and middle schools, and seven high schools in Dougherty 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 2019/2020 school year, the school nurse program covered 13,000 lives. These programs operated at a loss of \$376,371 in 2020.

C. Health Care Support Services

COVID-19 Nurse Hotline

In response to an unprecedented early surge of COVID-19 cases in our community, PPMH added a Nurse Hotline. Summary documents show approximately 4,000 fielded calls covering 1,720 hours of nurse time during the surge. The cost to the organization was \$81,748.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2020

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

C. Health Care Support Services, Continued

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 2020 the Corporation paid \$781,419 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).

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 2020, the Corporation provided \$841,758 in clinical supervision and training of 385 nursing students, and an additional \$668,439 in clinical supervision and training to pharmacy, pharmacy techs and other allied health professionals. In all, 617 students received clinical instruction from our facilities at a total cost of \$1,510,197.

III. **Subsidized Health Services**

A. Other Subsidized Services

Inmate Care

The Corporation provides care to persons in jail for Dougherty County. In 2020 the Corporation provided \$257,140 of unreimbursed medical and drug treatment to 211 inmates.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2020

III. Subsidized Health Services

A. Other Subsidized Services, Continued

Indigent Drug Pharmacy

Indigent Drug Pharmacy provides medication upon discharge to patients that are either indigent or uninsured. In 2020, the pharmacy filled 4,499 prescriptions at a cost of \$154,269.

IV. Clinical Research

PPMH participated with the Mayo Clinic in Rochester, MN and the American Red Cross to study whether the blood of recovered COVID-19 patients may help other patients survive the illness. The study was named Expanded Access Program (EAP) Convalescent Plasma for the Treatment of Patients with COVID-19. PPMH began this program on April 9, 2020. The American Red Cross provided the plasma of former COVID-19 patients at no charge. PPMH administered the plasma to 77 participants in the trial at no charge to the participant. The total estimated unreimbursed cost to participate in the study was \$129,312. Two research papers: COVID demographics in Rural SOWEGA and Journal of Hypertension ACE ARB in African Americans were published with estimated staff time cost at \$5,893.

V. Financial and In-Kind Support

In 2020, the Corporation provided \$445,566 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 \$96,165.
- Georgia Southwestern State University received \$50,000 to support the nursing program.
- Gave \$2,500 to The Boys and Girls Club.
- PWMC gave \$45,619 to the Worth County Health Department for chronic disease management.
- PPMH donated land, volunteer manpower, and infrastructure support to design and construct a community garden near the hospital on 5th avenue. The non-profit Flint River Fresh will operate the day to day activities. This was at a cost of \$15,326.

VI. 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.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2020

VII. **Community Benefit Operations**

The Corporation incurred \$192,221 to support staff and community health needs assessment costs that included the renewal of Healthy Communities Institute's dashboard feature on our website:

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

Summary

	<u>2020</u>
Community Health Improvement Services:	
Community Health Education	\$ 330,177
Community Based Clinical Services	398,971
Healthcare Support Services	<u>863,167</u>
Total community health improvement services	<u>1,592,315</u>
Health Professions Education:	
Nurses/nursing students	841,758
Other health professional education	<u>668,439</u>
Total health professional education	<u>1,510,197</u>
Subsidized Health Services:	
Other subsidized health services	<u>411,409</u>
Total subsidized health services	<u>411,409</u>
Clinical Research:	
Clinical research activities	<u>135,205</u>
Total clinical research	<u>135,205</u>
Financial and In-Kind Support:	
Cash donations	334,075
In-kind donations	<u>111,491</u>
Total financial and in-kind support	<u>445,566</u>

See independent auditor's report on supplemental information.

PHOEBE PUTNEY HEALTH SYSTEM, INC.

SERVICE TO THE COMMUNITY, Continued
July 31, 2020

Summary, Continued

	<u>2020</u>
Community Benefit Operations:	
Dedicated staff and other resources	\$ <u>192,221</u>
Total community benefit operations	<u>192,221</u>
Other:	
Traditional charity care – estimated unreimbursed cost of charity services	26,000,000
Unpaid cost of Medicare services – estimated unreimbursed cost of Medicare services	253,000,000
Unpaid cost of Medicaid services – estimated unreimbursed cost of Medicaid services	<u>95,000,000</u>
Total other	<u>374,000,000</u>
Total summary	\$ <u>378,286,913</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.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Phoebe Putney Health System, Inc. (Corporation), which comprise the consolidated balance sheets as of July 31, 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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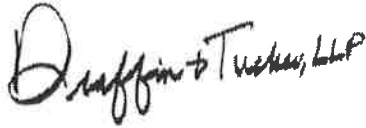
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with the certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Albany, Georgia
November 18, 2020