Harnett Health System Reports Over 24 Million Dollar Loss

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After many months of rumors flaring about the financial stability and lack of ability to pay outstanding debt, The Harnett Dispatch has uncovered tax form 990 filed by Harnett Health system for the fiscal year that ran from October of 2012 to September 2013, the report shows that Harnett Health had a $24,374,390 loss. Harnett Health owns and operates Betsy Johnson and Central Harnett Hospitals along with primary care physician practices in Angier, Coats, Dunn, and Lillington as well as OB/GYN and pediatric practices in Dunn. Their outpatient centers include Lillington Rehabilitation (Lillington, NC), Benson Rehab/Wellness Center (Benson, NC), Wound Care Center (Dunn, NC), Breast Cancer Center (Dunn, NC), Outpatient Cardiac Testing (Dunn, NC), and Cardiac Rehabilitation (Dunn, NC).

Is Harnett Health another Victim of the Failure to Expand Medicaid?

In recent months, we've seen news stories about rural hospitals being hit by the failure of taking the Medicaid expansion money. The governor and legislature have refused to expand

Medicaid eligibility. Last month, the Vidant Pungo Hospital shut down in Belhaven, a town of around 1,600 located in North Carolina's Inner Banks region. The closing was due at least in part to the state's rejection of Medicaid expansion. Six days after the hospital's closing, a 48-year-old woman died of a heart attack as she waited in a Belhaven school parking lot for a medevac helicopter to take her to the nearest hospital 84 miles away.

Medicaid has long been "the backbone of rural America's health delivery system," according to the Center for Budget and Policy Priorities. The consequences of rejecting Medicaid expansion can prove troubling—or worse—for small rural communities.

Expansion of Medicaid can hugely benefit rural areas by addressing insurance coverage gaps, especially given that rural residents tend to be less well covered than their urban counterparts with employer-provided health insurance. Medicaid expansion promises rural health providers much needed increased payment levels, which help struggling rural hospitals maintain operations against better-funded suburban and urban competitors.

How did our Legislative officials vote?

Harnett County is represented by two North Carolina house members and one Senator, out of the 3 legislators only one voted to take the Medicaid expansion money that would help with rural hospital and expand Medicaid. Rep. David Lewis of Dunn was the only Republican in the North Carolina house that voted in favor of taking the Medicaid expansion money. In a report by Wral "Lewis described his third reading against not taking the expansion money as "a plea for help for rural health care."

In a health committee hearing earlier this week, Lewis raised questions about the loss of "DISH" money, the bureaucratic slang for funding supplements that go to hospitals with a disproportionate share of patients who can't pay their bills and don't have insurance. The Affordable Care Act phases out DISH payments, but as part of a compromise on the federal level, proponents agreed to expand Medicaid so more patients would have health coverage. When the U.S. Supreme Court upheld the health care law last summer, however, it said states could not be forced to expand their Medicaid programs.

Without extra Medicaid payments to make up for the loss of DISH payments, Lewis said, rural hospitals like the one in his district will suffer. "I don't like the extortion that's being used to force states to take the Medicaid expansion," he said. "But I wanted to bring attention to the fact that, if that money goes away, many rural hospitals, including the one I represent, will go into the

red." Nobody, he said, has been able to explain how the DISH money will be replaced. "It is significant," Lewis said, adding that hospitals could either be forced to close or slash many of the services they offer to help keep people healthy as a result of the loss of DISH money.

Where did Senator Rabin & Rep. Mike Stone stand on the issue?

House Member Mike Stone that represents both Lee and parts of Harnett voted in favor of not taking the Medicaid expansion money.

Senator Ron Rabin who represents Harnett, Lee and a small portion of Johnston County not only voted in favor of not taking the Medicaid expansion money but is listed as one of the co-sponsors of the Senate bill that refuses to take the Expansion of Medicaid.

Why Medicaid Expansion?

North Carolina’s decision not to expand Medicaid coverage as part of Obamacare will cost the

state nearly $51 billion in federal funding and reimbursements by 2022, according to research funded by the Robert Wood Johnson Foundation.

The nonprofit foundation focuses on improving public health.

It notes that North Carolina stands to lose $39.6 billion in federal funding between 2013 and 2022.

The decision also will result in $11.3 billion in lost reimbursements to the state's hospitals by 2022, the foundation says. That includes a projected $1.1 billion in 2016.

By comparison, the 10-year total cost for North Carolina to expand coverage would be nearly $3.1 billion.

"States are literally leaving billions of dollars on the table that would support their hospitals and stimulate the rest of their economies," says Kathy Hempstead of the Robert Wood Johnson Foundation.

The report notes that for every $1 a state invests in Medicaid, it will receive $13.41 in federal funds.

Expanding Medicaid also stands to generate state savings and revenues that exceed the costs tied to expansion. In addition, it would support job growth in the health-care sector, while increasing the number of individuals with health insurance coverage.

In total, 24 states have chosen not to expand Medicaid and will miss out on $423.6 billion in federal funding between 2013 and 2022. Hospitals in those states also will lose out on $167.8 billion in Medicaid reimbursement payments over that time, the foundation says.

The decision not to expand Medicaid coverage will leave 6.7 million U.S. residents uninsured in 2016. That includes 414,000 people in North Carolina.

Future of Harnett Health

Sources say that the administration of Harnett Health have been in talks with other health systems and organizations trying to agree on a partnership that will help them recover from such a loss.

Please See Form Below

Public Disclosure Copy

Form **990** — Department of the Treasury, Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047 — **2012** — Open to Public Inspection

A For the 2012 calendar year, or tax year beginning OCT 1, 2012 and ending SEP 30, 2013

B Check if applicable: [ ] Address change [ ] Name change [ ] Initial return [ ] Terminated [ ] Amended return [ ] Application pending

C Name of organization: HARNETT HEALTH SYSTEM INC
Doing Business As BETSY JOHNSON REGIONAL HOSPITAL
Number and street (or P.O. box if mail is not delivered to street address): PO BOX 1707 — Room/suite
City, town, or post office, state, and ZIP code: DUNN, NC 28335

D Employer identification number: 56-0603898

E Telephone number: 910-892-7161

G Gross receipts $ 84,740,702.

F Name and address of principal officer: KENNETH BRYAN, SAME AS C ABOVE

H(a) Is this a group return for affiliates? [ ] Yes [X] No
H(b) Are all affiliates included? [ ] Yes [ ] No — If "No," attach a list. (see instructions)
H(c) Group exemption number ▶

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

J Website: ▶ WWW.BJRH.ORG

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation: 1937 — M State of legal domicile: NC

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: PROVIDING MEDICAL CARE FOR PATIENTS OF THE HOSPITAL

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	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	13
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	1097
6	Total number of volunteers (estimate if necessary)	6	71
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	175,608.	90,004.
	9	Program service revenue (Part VIII, line 2g)	103,096,912.	83,707,336.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	313,774.	-5,904.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	846,727.	949,266.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	104,433,021.	84,740,702.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	1,200.	0.
	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)	43,381,919.	57,999,564.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	62,671,954.	51,115,528.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	106,055,073.	109,115,092.
	19	Revenue less expenses. Subtract line 18 from line 12	-1,622,052.	-24,374,390.
			Beginning of Current Year	**End of Year**
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	117,102,861.	131,241,890.
	21	Total liabilities (Part X, line 26)	80,769,174.	119,262,535.
	22	Net assets or fund balances. Subtract line 21 from line 20	36,333,687.	11,979,355.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here ▶ Signature of officer — Date
▶ KENNETH BRYAN, PRESIDENT/CEO — Type or print name and title

Paid Preparer Use Only
Print/Type preparer's name: JOHN NORMAN — Preparer's signature — Date 8-1-14 — Check [ ] if self-employed — PTIN P01506766
Firm's name ▶ CLIFTONLARSONALLEN LLP — Firm's EIN ▶ 41-0746749
Firm's address ▶ 101 N. TRYON STREET, SUITE 1000, CHARLOTTE, NC 28246 — Phone no. 704-998-5200

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No

232001 12-10-12 LHA For Paperwork Reduction Act Notice, see the separate instructions. Form 990 (2012)