



DUKE UNIVERSITY HEALTH SYSTEM
Corporate Finance

Robert N. Willis, Jr., CPA
Associate Vice President, Finance and Corporate Controller

December 30, 2008

Mr. Christopher B. Taylor, CPA
North Carolina Medical Care Commission
701 Barbour Drive
Raleigh, North Carolina 27603-2008

Dear Chris:

As requested by the Medical Care Commission beginning in November 2001 and modified in March 2007, I provide the attached EXHIBIT B for Duke University Health System, Inc. (DUHS) for the fiscal year ended June 30, 2008. The Health System's medical activities in Durham and surrounding communities have not changed substantially from the report I provided you in October 2007.

In 2008, DUHS adopted the NCHA Community Benefit Reporting format, which substantially follows the recently released IRS Form 990 format with the exception of Medicare Program losses. DUHS disclosed these amounts in its June 30, 2008 audited financial statements in note 5. Copies of the 2008 NCHA-ANDI community benefit report filing are attached.

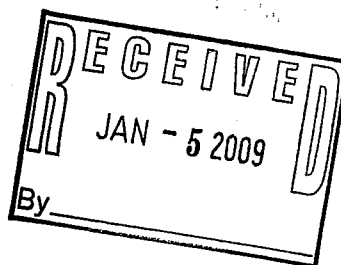
Please let me know if you have any additional questions with respect to the information provided by DUHS. My direct phone line is (919) 613-8999.

Sincerely,

A handwritten signature in black ink that reads "Robert N. Willis, Jr." in a cursive style.

Robert N. Willis, Jr.

Copy: Kenneth C. Morris



North Carolina Hospital Community Benefits Report

Hospital Name	Duke University Hospital
Time Period	FY 2008
Community Benefits	
A. Estimated Costs of Treating Charity Care Patients*	28554294
B. Estimated Unreimbursed Costs of Treating Medicare Patients*	35859435
C. This includes an adjustment in this period's Medicare revenues for extraordinary adjustments ² of:	0
D. Without this Medicare adjustment, Medicare Losses would have been (B + C):	35859435
E. Estimated Unreimbursed Costs of Treating Medicaid Patients*	42791813
F. This includes an adjustment in this period's Medicaid revenues for extraordinary adjustments ² of:	0
G. Without this Medicaid adjustment, Medicaid Losses would have been (E + F):	42791813
H. Estimated Unreimbursed Costs of Treating Patients from Other Non-Negotiated Government Programs*	0
I. This includes an adjustment in this period's Other Non-Negotiated Government Programs revenues for extraordinary adjustments ² of:	0
J. Without this adjustment, Other Non-Negotiated Government Programs Losses would have been (H + I):	0
K. Community Health Improvement Services & Community Benefit Operations	0
L. Health Professions Education	35181084
M. Subsidized Health Services ³	
N. Research Costs	
O. Cash and In-kind Contributions to Community Groups	521760
P. Community Building Activities ⁴	
Q. Total Community Benefits ¹ with Settlements and Extraordinary Adjustments (A + B + E + H + K + L + M + N + O + P)	142908386
R. Total Community Benefits ¹ without Settlements and Extraordinary Adjustments (A + D + G + J + K + L + M + N + O + P)	142908386
Bad Debt Costs	
S. Estimated Costs of Treating Bad Debt Patients*	19625316

Notes:

(1) Grant monies received to support any community benefit activities. These amounts have not been netted from Total Community Benefits.

(2) Notes about prior period adjustments

(3) Notes about Subsidized Health Services

Many subsidized health services are not currently captured as unique costs by the DUHS accounting system. As a result, DUHS will not report an amount for this fiscal period.

(4) Notes about Community Building Activities

Many community building activities are not currently captured as unique costs by the DUHS accounting system. As a result, DUHS will not report an amount for this fiscal period.

(5) URL with additional information about this community benefits report

(6) Other Notes

*** Footnotes:**

The costing methodology or source used to determine payer costs is:

- The ANDI methodology, which uses a facility-wide ratio of cost to charges as described in NCHA Community Benefits Guidelines.
- An internal cost accounting system, adjusted for community benefit reporting.
- An internal cost accounting system, adjusted for community benefit reporting, for all items except bad debt and charity care, which use in internal cost-to-charge ratio approach that is based on the methodology specified in the NCHA Community Benefits Guidelines.
- An internal cost-to-charge ratio approach that is based on the methodology specified in the NCHA Community Benefits Guidelines.

All costing methodologies do not double-count expenses reported in other community benefit items. For example, amounts reported in Subsidized Health Services do not also appear in Medicaid losses.

Last modified on December 30, 2008 9:18 AM

Duke University Health System, Inc.
 Combining Community Benefit Report
 For Fiscal Year Ending June 30, 2008

Line items per the NCHA Community Benefit Report	Duke University Hospital (1)	Durham Regional Hospital (2)	Duke Raleigh Hospital	Duke University Health System
A Estimated Cost of treating Charity Care Patients	28,554,294	11,097,361	5,439,470	45,091,125
B Estimated Unreimbursed Cost of Treating Medicare Patients This includes an adjustment in the period's Medicare revenues for extraordinary adjustments of:	35,859,435	4,975,188	15,841,719	56,676,342
C Without this Medicare adjustment, Medicare losses would have been (B + C)	35,859,435	4,975,188	15,841,719	56,676,342
E Estimated Unreimbursed Costs of Treating Medicaid Patients This includes and adjustment in the period's Medicaid revenues for extraordinary adjustments of:	42,791,813	5,014,953	2,663,327	50,470,093
F Without this Medicaid adjustment, Medicaid losses would have been (E + F)	42,791,813	5,014,953	2,663,327	50,470,093
H Estimated Unreimbursed Costs of Treating Patients from other Non-Negotiated Government Programs This includes and adjustment in this period's Other Non-Negotiated Government Program revenues for extraordinary	-	-	-	-
I Without this adjustment, Other Non-negotiated Government Programs Losses would have been (H + I):	-	-	-	-
J Community Health Improvement Services & Community Benefit Operations	-	-	-	-
L Health Professions Education	35,181,084	2,740,662	-	37,921,746
M Subsidized Health Services	-	-	-	-
N Research Costs	-	-	-	-
O Cash and In-kind Contributions to community Groups	521,760	6,735,940	252,021	7,509,721
Q Total Community Benefits with Settlements and Adjustments	142,908,386	30,564,104	24,196,537	197,669,027
R Total Community Benefits without Settlements and Adjustments	142,908,386	30,564,104	24,196,537	197,669,027
S Estimated Costs of Treating Bad Debt Patients	19,625,316	5,293,676	6,085,487	31,004,479

Note 1: Duke University Affiliated Physicians and Duke HomeCare & Hospice data is included with Duke University Hospital.
 Note 2: Durham Ambulatory Services Center data is included with Durham Regional Hospital.

North Carolina Hospital Community Benefits Report

Hospital Name	Durham Regional Hospital
Time Period	FY 2008
Community Benefits	
A. Estimated Costs of Treating Charity Care Patients*	11097361
B. Estimated Unreimbursed Costs of Treating Medicare Patients*	4975188
C. This includes an adjustment in this period's Medicare revenues for extraordinary adjustments ² of:	0
D. Without this Medicare adjustment, Medicare Losses would have been (B + C):	4975188
E. Estimated Unreimbursed Costs of Treating Medicaid Patients*	5014953
F. This includes an adjustment in this period's Medicaid revenues for extraordinary adjustments ² of:	0
G. Without this Medicaid adjustment, Medicaid Losses would have been (E + F):	5014953
H. Estimated Unreimbursed Costs of Treating Patients from Other Non-Negotiated Government Programs*	0
I. This includes an adjustment in this period's Other Non-Negotiated Government Programs revenues for extraordinary adjustments ² of:	0
J. Without this adjustment, Other Non-Negotiated Government Programs Losses would have been (H + I):	0
K. Community Health Improvement Services & Community Benefit Operations	0
L. Health Professions Education	2740662
M. Subsidized Health Services ³	0
N. Research Costs	0
O. Cash and In-kind Contributions to Community Groups	6735940
P. Community Building Activities ⁴	0
Q. Total Community Benefits ¹ with Settlements and Extraordinary Adjustments (A + B + E + H + K + L + M + N + O + P)	30564104
R. Total Community Benefits ¹ without Settlements and Extraordinary Adjustments (A + D + G + J + K + L + M + N + O + P)	30564104
Bad Debt Costs	
S. Estimated Costs of Treating Bad Debt Patients*	5293676

Notes:

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(5) URL with additional information about this community benefits report

(6) Other Notes

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Last modified on December 30, 2008 9:23 AM

North Carolina Hospital Community Benefits Report

Hospital Name	Duke Raleigh Hospital
Time Period	FY 2008
Community Benefits	
A. Estimated Costs of Treating Charity Care Patients*	5439470
B. Estimated Unreimbursed Costs of Treating Medicare Patients*	15841719
C. This includes an adjustment in this period's Medicare revenues for extraordinary adjustments ² of:	0
D. Without this Medicare adjustment, Medicare Losses would have been (B + C):	15841719
E. Estimated Unreimbursed Costs of Treating Medicaid Patients*	2663327
F. This includes an adjustment in this period's Medicaid revenues for extraordinary adjustments ² of:	0
G. Without this Medicaid adjustment, Medicaid Losses would have been (E + F):	2663327
H. Estimated Unreimbursed Costs of Treating Patients from Other Non-Negotiated Government Programs*	0
I. This includes an adjustment in this period's Other Non-Negotiated Government Programs revenues for extraordinary adjustments ² of:	0
J. Without this adjustment, Other Non-Negotiated Government Programs Losses would have been (H + I):	0
K. Community Health Improvement Services & Community Benefit Operations	0
L. Health Professions Education	0
M. Subsidized Health Services ³	0
N. Research Costs	0
O. Cash and In-kind Contributions to Community Groups	252021
P. Community Building Activities ⁴	0
Q. Total Community Benefits¹ with Settlements and Extraordinary Adjustments (A + B + E + H + K + L + M + N + O + P)	24196537
R. Total Community Benefits¹ without Settlements and Extraordinary Adjustments (A + D + G + J + K + L + M + N + O + P)	24196537
Bad Debt Costs	
S. Estimated Costs of Treating Bad Debt Patients*	6085487

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Last modified on December 30, 2008 10:40 AM

(EXHIBIT B)

**North Carolina Medical Care Commission
Community Benefits Report
(Hospitals)**

Organization: Duke University Health System, Inc.
Address: 615 Douglas Street, Suite 700
Durham, North Carolina 27705
Telephone: (919) 613-8999
Contact: Robert N. Willis, Jr. – Corporate Controller
For Fiscal Year Ending: June 30, 2008

A	Estimated Cost of treating Charity Care Patients	\$ 45,091,000
B	Estimated Unreimbursed Cost of Treating Medicare Patients	56,676,000
C	This includes an adjustment in the period's Medicare revenues for extraordinary adjustments of:	-
D	Without this Medicare adjustment, Medicare losses would have been (B + C)	<u>56,676,000</u>
E	Estimated Unreimbursed Costs of Treating Medicaid Patients	50,470,000
F	This includes an adjustment in the period's Medicaid revenues for extraordinary adjustments of:	-
G	Without this Medicaid adjustment, Medicaid losses would have been (E + F)	<u>50,470,000</u>
H	Estimated Unreimbursed Costs of Treating Patients from other Non-Negotiated Government Programs	-
I	This includes an adjustment in this period's Other Non-Negotiated Government Program revenues for extraordinary adjustments of:	-
J	Without this adjustment, Other Non-negotiated Government Programs Losses would have been (H + I):	-
K	Community Health Improvement Services & Community Benefit Operations	-
L	Health Professions Education	37,922,000
M	Subsidized Health Services	-
N	Research Costs	-
O	Cash and In-kind Contributions to community Groups	7,510,000
Q	Total Community Benefits with Settlements and Adjustments	\$ 197,669,000
R	Total Community Benefits without Settlements and Adjustments	\$ 197,669,000
S	Estimated Costs of Treating Bad Debt Patients	\$ 31,004,000