



DUKE UNIVERSITY HEALTH SYSTEM

Corporate Finance

Robert N. Willis, Jr., CPA

Associate Vice President, Corporate Controller and Chief Accounting Officer

November 2, 2010

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

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NC MEDICAL
CARE COMMISSION

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, 2010.

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, 2010 audited financial statements in note 5. Copies of the 2010 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.".

Robert N. Willis, Jr.

Copy: Kenneth C. Morris

(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, 2010

A	Estimated Cost of treating Charity Care Patients	\$ 64,132,337
B	Estimated Unreimbursed Cost of Treating Medicare Patients	61,967,140
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)	61,967,140
E	Estimated Unreimbursed Costs of Treating Medicaid Patients	68,672,434
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)	68,672,434
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	42,344,517
M	Subsidized Health Services	-
N	Research Costs	-
O	Cash and In-kind Contributions to community Groups	9,137,288
Q	Total Community Benefits with Settlements and Adjustments	\$ 246,253,716
R	Total Community Benefits without Settlements and Adjustments	\$ 246,253,716
S	Estimated Costs of Treating Bad Debt Patients	\$ 11,991,229

**Duke University Health System, Inc.
Combining Community Benefit Report
For Fiscal Year Ending June 30, 2010**

	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	37,124,435	17,822,703	9,185,199	64,132,337
B	Estimated Unreimbursed Cost of Treating Medicare Patients This includes an adjustment in the period's Medicare revenues for extraordinary adjustments of:	38,268,426	6,220,525	17,478,189	61,967,140
C	Without this Medicare adjustment, Medicare losses would have been (B + C)	-	-	-	-
D		38,268,426	6,220,525	17,478,189	61,967,140
E	Estimated Unreimbursed Costs of Treating Medicaid Patients This includes and adjustment in the period's Medicaid revenues for extraordinary adjustments of:	55,230,619	9,548,005	3,893,810	68,672,434
F	Without this Medicaid adjustment, Medicaid losses would have been (E + F)	-	-	-	-
G		55,230,619	9,548,005	3,893,810	68,672,434
H	Estimated Unreimbursed Costs of Treating Patients from other Non-Negotiated Government Programs	-	-	-	-
I	This includes and adjustment in this period's Other Non- Negotiated Government Program revenues for extraordinary Without this adjustment, Other Non-negotiated Government Programs Losses would have been (H + I):	-	-	-	-
J	Community Health Improvement Services & Community Benefit Operations	-	-	-	-
K		-	-	-	-
L	Health Professions Education	40,078,885	2,265,632	-	42,344,517
M	Subsidized Health Services	-	-	-	-
N	Research Costs	-	-	-	-
O	Cash and In-kind Contributions to community Groups	473,408	8,550,797	113,083	9,137,288
Q	Total Community Benefits with Settlements and Adjustments	171,175,773	44,407,662	30,670,281	246,253,716
R	Total Community Benefits without Settlements and Adjustments	171,175,773	44,407,662	30,670,281	246,253,716
S	Estimated Costs of Treating Bad Debt Patients	6,757,004	2,049,924	3,184,301	11,991,229

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	Duke University Hospital
Time Period	FY 2010
Community Benefits	
A. Estimated Costs of Treating Charity Care Patients*	37124435
B. Estimated Unreimbursed Costs of Treating Medicare Patients*	38268426
C. Includes an adjustment in this period's Medicare revenues for extraordinary adjustments ¹ of:	
D. Without this Medicare adjustment, Medicare Losses would have been (B + C):	38268426
E. Estimated Unreimbursed Costs of Treating Medicaid Patients*	55230619
F. Includes an adjustment in this period's Medicaid revenues for extraordinary adjustments ¹ of:	
G. Without this Medicaid adjustment, Medicaid Losses would have been (E + F):	
H. Estimated Unreimbursed Costs of Treating Patients from Other Means-Tested Government Programs*	
I. This includes an adjustment in this period's Other Means-Tested Government Programs revenues for extraordinary adjustments ¹ of:	
J. Without this adjustment, Other Means-Tested Gov. Programs Losses would have been (H + I):	
K. Community Health Improvement Services & Community Benefit Operations	
L. Health Professions Education	40078885
M. Subsidized Health Services ²	
N. Research Costs	
O. Cash and In-kind Contributions to Community Groups	473408
P. Community Building Activities ³	
Q. Total Community Benefits ¹ with Settlements and Extraordinary Adjustments (A + B + E + H + K + L + M + N + O + P)	171175773
R. Total Community Benefits ¹ without Settlements and Extraordinary Adjustments (A + D + G + J + K + L + M + N + O + P)	171175773
Bad Debt Costs	
S. Estimated Costs of Treating Bad Debt Patients*	67570074

Notes:

(1) Notes about prior period adjustments

(2) Notes about Subsidized Health Services

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

(3) Notes about Community Building Activities

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

Additional Information:

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

URL with additional information about this community benefits report
not available

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.

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North Carolina Hospital Community Benefits Report

Hospital Name	Durham Regional Hospital
Time Period	FY 2010
Community Benefits	
A. Estimated Costs of Treating Charity Care Patients*	17822703
B. Estimated Unreimbursed Costs of Treating Medicare Patients*	6220525
C. Includes an adjustment in this period's Medicare revenues for extraordinary adjustments ¹ of:	
D. Without this Medicare adjustment, Medicare Losses would have been (B + C):	6220525
E. Estimated Unreimbursed Costs of Treating Medicaid Patients*	9548005
F. Includes an adjustment in this period's Medicaid revenues for extraordinary adjustments ¹ of:	
G. Without this Medicaid adjustment, Medicaid Losses would have been (E + F):	9548005
H. Estimated Unreimbursed Costs of Treating Patients from Other Means-Tested Government Programs*	
I. This includes an adjustment in this period's Other Means-Tested Government Programs revenues for extraordinary adjustments ¹ of:	
J. Without this adjustment, Other Means-Tested Gov. Programs Losses would have been (H + I):	
K. Community Health Improvement Services & Community Benefit Operations	
L. Health Professions Education	2265632
M. Subsidized Health Services ²	
N. Research Costs	
O. Cash and In-kind Contributions to Community Groups	8550797
P. Community Building Activities ³	
Q. Total Community Benefits ¹ with Settlements and Extraordinary Adjustments (A + B + E + H + K + L + M + N + O + P)	44407662
R. Total Community Benefits ¹ without Settlements and Extraordinary Adjustments (A + D + G + J + K + L + M + N + O + P)	44407662
Bad Debt Costs	
S. Estimated Costs of Treating Bad Debt Patients*	2049924

Notes:

(1) Notes about prior period adjustments

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North Carolina Hospital Community Benefits Report

Hospital Name	Duke Raleigh Hospital
Time Period	FY 2010
Community Benefits	
A. Estimated Costs of Treating Charity Care Patients*	9185199
B. Estimated Unreimbursed Costs of Treating Medicare Patients*	17478189
C. Includes an adjustment in this period's Medicare revenues for extraordinary adjustments ¹ of:	
D. Without this Medicare adjustment, Medicare Losses would have been (B + C):	17478189
E. Estimated Unreimbursed Costs of Treating Medicaid Patients*	3893810
F. Includes an adjustment in this period's Medicaid revenues for extraordinary adjustments ¹ of:	
G. Without this Medicaid adjustment, Medicaid Losses would have been (E + F):	3893810
H. Estimated Unreimbursed Costs of Treating Patients from Other Means-Tested Government Programs*	
I. This includes an adjustment in this period's Other Means-Tested Government Programs revenues for extraordinary adjustments ¹ of:	
J. Without this adjustment, Other Means-Tested Gov. Programs Losses would have been (H + I):	
K. Community Health Improvement Services & Community Benefit Operations	
L. Health Professions Education	
M. Subsidized Health Services ²	
N. Research Costs	
O. Cash and In-kind Contributions to Community Groups	113083
P. Community Building Activities ³	
Q. Total Community Benefits ¹ with Settlements and Extraordinary Adjustments (A + B + E + H + K + L + M + N + O + P)	30670281
R. Total Community Benefits ¹ without Settlements and Extraordinary Adjustments (A + D + G + J + K + L + M + N + O + P)	30670281
Bad Debt Costs	
S. Estimated Costs of Treating Bad Debt Patients*	3184301

Notes:

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