

Dear Friend:

This year, more than 305,000 people from every part of our community will turn to Alegent Health for help, and we will be there for them — as Alegent Health and its legacy organizations have been for over 100 years.

At Alegent Health, it is our job and our Mission to be there for the people of this community when they need us — yesterday, today, tomorrow and for generations to come. We take seriously the issues that impact our ability to do our job for this community and that's why I am reaching out to community leaders like you.

There is a storm gathering on the healthcare horizon — a storm threatening the availability, quality and cost of future healthcare. I believe we can steer our community and healthcare systems through this storm, but it will require the sound judgment, strong leadership and support for legitimate solutions that leaders like you can help provide.

Alegent Health is committed to working with our community on the volatile issues at the heart of this storm. We want to do our part to address the increasing numbers of uninsured/underinsured patients and escalating healthcare costs. We want to talk with leaders like you about how we manage the costs associated with new regulations, rapidly diminishing government reimbursement and recently filed class action lawsuits against not-for-profit healthcare organizations. We want to help lead community efforts to ease the burden these and other challenges place on people, as we all work together to make quality healthcare more affordable and more accessible for everyone.

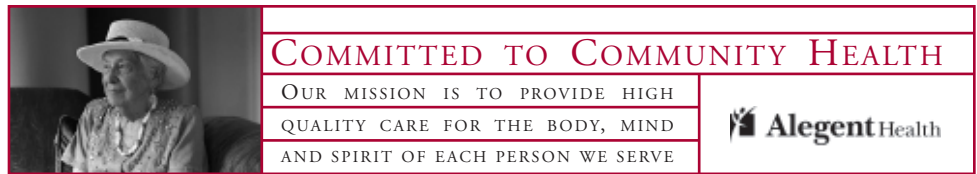
We have prepared this briefing in the interest of exchanging information and initiating a dialogue that will enable our organizations and our community to weather this storm together. We would like to share some new information about Alegent Health's leadership on this front.

I look forward to our discussion and hope our shared interest and involvement in the responsible stewardship of these issues will ensure high-quality healthcare for all people in our community regardless of their ability to pay.

Sincerely,

A handwritten signature in black ink that reads "Wayne A. Sensor".

Wayne A. Sensor
Chief Executive Officer
Alegent Health



Want to do something to improve the affordability and availability of our community's quality healthcare?

We have already started ... and we need your insights and input!

We are Alegent Health, Nebraska's largest not-for-profit provider of quality healthcare, where skilled, dedicated healthcare professionals deliver high-quality, convenient, affordable, compassionate healthcare to the people of Nebraska and Iowa.

Unfortunately, delivering that high-quality, affordable healthcare in this day and age takes a whole lot more than it used to.

The problem is not a shortage of skill and dedication, nor is it a lack of will or compassion.

The problem is that our healthcare system is grappling with internal and external challenges that are increasing costs and making it significantly harder to make sure everyone receives the quality healthcare they need, in a location they can get to, at a price they can afford.

Alegent Health believes that we can overcome these challenges.

Alegent Health recognizes and enthusiastically accepts our responsibility to lead and to work with the people, businesses, institutions and communities we serve in search of solutions.

To that end, Alegent Health is engaging in a dialogue with community, business and healthcare leaders

about the gathering storm in healthcare and solutions for our community. We hope this dialogue will produce a productive exchange of information, perspectives and ideas.

We also established a Community Benefit Trust to support innovative community-based programs and partnerships that help address healthcare issues.

Alegent Health is setting aside 1% of our annual net patient service revenue to fund the Trust and expects to provide approximately \$5 to \$7 million a year in support of innovative, community-based programs that improve community health and wellness. We launched the Community Benefit Trust in 2004 and have already provided more than \$5 million in grants to specialized programs helping the vulnerable in our community.

We invite your insights and welcome support for community dialogue on the healthcare issues of our day.



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COMMITTED TO COMMUNITY HEALTH

OUR MISSION IS TO PROVIDE HIGH
QUALITY CARE FOR THE BODY, MIND
AND SPIRIT OF EACH PERSON WE SERVE



Issues Overview: The Gathering Storm in Healthcare

As our community works to understand and navigate the gathering storm in healthcare, Alegent Health offers the following information and insights on the issues at the heart of the storm and how they affect Nebraska and Iowa.

1. Four critical issues are converging to produce a storm that threatens the stability of today's healthcare system.

- **Issue 1:**
Uninsured and underinsured populations are **increasing** — straining the resources of the community and healthcare organizations working to serve them.

- **Issue 2:**
Healthcare costs are **escalating** — compromising efforts to make healthcare affordable and accessible for everyone.

- **Issue 3:**
Government regulations are **expanding** and government reimbursement is **not keeping pace with the cost of care** — producing more “red tape” and providing less support.

- **Issue 4:**
Class action lawsuits threaten the **viability of not-for-profit health organizations** — distracting attention from uninsured issues and consuming resources needed to continue providing care for the uninsured.

Fifty class action lawsuits against not-for-profit healthcare organizations nationwide claim that because the named organizations charge uninsured patients full price for services, which can often be more than that paid by the insurance of other patients, and/or because they aggressively seek payment from low-income patients, they are in breach of an implied contract to provide charity care in exchange for tax-exempt status.

In Nebraska and at Alegent Health

- Today, more than 1 in 10 people in Nebraska is uninsured and many more are severely underinsured.
- Alegent Health turns no patient away and provided direct financial assistance to more than 15,000 uninsured patients in FY2005.
- Overall, healthcare spending rose 7.7% in 2003.
- An aging population means more demand for healthcare — almost 14% of Nebraska's and almost 15% of Iowa's population is over 65, based on the 2000 U.S. Census.
- The government now pays approximately 27 cents on the dollar to healthcare providers like Alegent Health for Medicaid and Medicare hospital services, contributing to the increase in healthcare costs.
- More than 50% of all hospital stays in Nebraska and in Iowa are paid for by Medicare and Medicaid, making our hospitals highly vulnerable to major changes in public policies.
- Alegent Health is not involved in these lawsuits.
- Alegent Health is fulfilling its commitment to care for this community's uninsured and underinsured — and in the last six years spent over \$39 million providing charity care and covered more than \$231 million in unreimbursed cost from Medicaid and Medicare.

2. The availability, affordability and quality of future healthcare depend on navigating this storm with sound judgment, strong leadership and support for legitimate short-term and long-term solutions.

3. In the face of this storm, Alegent Health remains steadfast in its responsible delivery of high-quality, compassionate care to every person and community it serves.

- Alegent Health's charity care and financial assistance programs provide compassionate, generous, appropriate service to our uninsured and underinsured patients.
- Alegent Health fulfills its commitment to care for this community's uninsured, underinsured and low-income.
- Alegent Health remains responsive to the community's growing and changing healthcare needs.

In 2005, Alegent Health's Community Benefit Trust provided more than \$5 million in grants to innovative, community based organizations addressing the health needs of our community's vulnerable populations.

Alegent Health

- A financial assistance counselor works in partnership with patients admitted without adequate insurance to identify appropriate assistance with bills, including Alegent Health's own financial assistance program.
- Alegent Health relies on HUD very low-income guidelines to offer assistance on a sliding scale for those without the ability to pay. Uninsured and underinsured patients at roughly 550% of the federal poverty level are eligible for significant assistance.
- Alegent Health limits catastrophic bills to 20% of a family's annual income to ease the burden of a catastrophic illness or injury regardless of family income.

- Alegent Health provided direct financial assistance to more than 15,000 uninsured people in FY2005 — more than twice that of the year before.
- Alegent Health devotes significant resources to charity care, community program support and underpaid Medicare and Medicaid costs. In fiscal year 2005 alone, Alegent Health spent more than \$22 million providing charity care for uninsured and underinsured patients and about \$11 million in support of community health and wellness programs.

- Alegent Health is the only remaining private inpatient mental health provider in Omaha and a vital safety net for this vulnerable population.
- Alegent Health has preserved hospitals that were at risk of closing (Nebraska: Blair and Schuyler; and Iowa: Missouri Valley).
- Alegent Health created the Ike Friedman Community Health Plaza to enable local health and community service agencies to focus resources on direct services through shared space, equipment and services in a cooperative-use building.
- Alegent Health has served western Douglas County and the surrounding communities since 1992, and recently opened in the new Lakeside Hospital to serve the area's changing needs.



COMMITTED TO COMMUNITY HEALTH

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Issue One Uninsured and underinsured populations are increasing

Straining the resources of community and healthcare organizations working to serve them.

The challenges of providing healthcare for the uninsured have increased dramatically.

Alegent Health is a leader in offering no-cost and subsidized healthcare services to poor, uninsured and underinsured families.

"After filing a claim ... I was informed that my insurance coverage would not be in effect to cover this claim. In October of last year, I submitted a request to Alegent Health for assistance with this bill ... After several weeks I called to follow up my request and learned that the entire bill ... would be absorbed by Alegent Health. I was speechless to say the least. Overjoyed beyond description!"

— an Alegent Health patient

Situation Summary

The challenges of providing healthcare for Nebraska's uninsured and underinsured population, always significant, have increased dramatically over the past two years.

The problems are complex:

- Healthcare and health insurance costs are rising;
- The numbers of uninsured and underinsured patients are increasing as more and more employers adjust health insurance benefits to respond to rising costs;
- Those lacking insurance delay their treatment and often require more extended, expensive care; and
- Some specialized healthcare providers offer less support for uninsured or underinsured patients, putting more pressure on those providers that offer more support.

As the cycle continues, it strains the limited resources of community and healthcare organizations working to serve the uninsured and find long-term solutions.

At Alegent Health

Alegent Health is a leader in offering no-cost and subsidized healthcare services to Nebraska's and Iowa's poor, uninsured and underinsured families. Central to our Mission is care for the poor and disadvantaged.

We are serving more and more uninsured/underinsured patients all the time. For example, Alegent Health's inpatient Medicaid discharges have increased from 8.4% of our total case load in fiscal year 2000 to 14.1% in fiscal year 2004.

Because we are a faith-based health system, Alegent Health provides the highest quality healthcare to all patients and treats everyone with dignity and respect, regardless of their ability to pay.

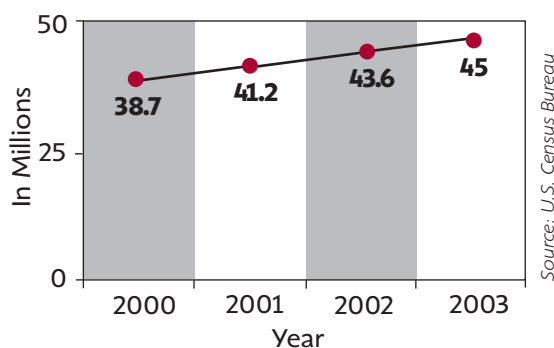
We are proud that we are able to do so while maintaining the financial strength and stability of our organization for the benefit of our community and of all our patients.

The Facts

The number of uninsured people is increasing.

- In Nebraska, 11% of the state's population — 156,000 people — is without health insurance coverage. *Source: Families USA: Who's Insured in Nebraska and Why? November 2003.*
- 40% of Nebraska businesses claim they cannot afford to provide healthcare coverage for their employees. *Source: Families USA: "Who's Insured in Nebraska and Why?" November 2003.*
- More than 400,000 (24%) individuals qualify for state and federally funded programs such as Medicare and Medicaid. However, these programs cover only part of the costs of the healthcare services provided, making charity care one of the most significant contributions by Nebraska hospitals. *Source: NHA 2004 Community Benefits Report.*
- In 2003, Nebraska hospitals provided about \$66 million in traditional charity care, over \$310 million in Medicare/Medicaid shortfalls and \$5 million in other public programs. *Source: NHA 2004 Community Benefits Report.*

Americans without Health Insurance



45 million Americans were without health insurance in 2003.

Alegent Health provides a safety net on which our community and uninsured patients depend.

- In fiscal year 2005, Alegent Health spent more than \$22 million providing charity care for uninsured and underinsured patients and about \$11 million in support of community health and wellness programs.
- Alegent Health provided direct financial assistance to more than 15,000 uninsured patients in fiscal year 2005 — approximately 9,500 more patients than in fiscal year 2004.
- In just two years, Alegent Health's direct financial assistance for uninsured and underinsured patients jumped by almost 300%.
- Under Alegent Health's direct financial assistance program, a family of four earning the median income of roughly \$46,000 would be eligible for a 70% discount for their medical care.
- In 2004, Alegent Health contributed more than \$1 million in free medical care to Hope Medical Outreach Coalition, which coordinates donated healthcare services for Omaha's uninsured and homeless.
- Alegent Health also supports the efforts of other community health agencies, such as One World Community Health Center, an organization helping to serve the uninsured and underinsured.

Issue Two Healthcare costs are escalating

Compromising efforts to make healthcare affordable and accessible for everyone.

As a result of new consumer demands, increased expenses and government-induced cost-shifting, our communities are experiencing rapidly rising healthcare costs.

Alegent Health is pursuing its own cost-saving measures and is committed to playing a leadership role in helping our community make healthcare more affordable for all.

Situation Summary

Major demographic changes, technological breakthroughs, reduced government reimbursement, dramatic scientific advances, shifts in consumer expectations, the rising cost of pharmaceuticals and significant economic dislocations have made the delivery of quality healthcare one of the most challenging professions in today's complex marketplace.

Healthcare providers find themselves treating millions of aging Americans who need and expect more care and administering a system being dramatically changed by the adoption of wonderful, but costly new drugs and technologies. Even as we struggle with these realities, we must simultaneously grapple with ever-expanding governmental regulations and lagging government reimbursement that does not keep pace with the cost of care.

As a result of new demands, expenses and government-induced cost-shifting, healthcare consumers are experiencing rapidly rising healthcare costs — higher costs that workers and employers alike must address in an economic environment driven by the realities of international competition and demands for increased productivity.

At Alegent Health

Neither the forces increasing costs, nor the economic pressures on employers and workers seem likely to change in the immediate future.

As the area's second largest employer, we too, face the same challenges and concerns of providing healthcare benefits to our workforce.

At Alegent Health, we are pursuing our own cost-saving measures and using technology — like patient bar coding, robotics in non-patient care areas and computer-aided physician order entry — to improve safety and care while helping keep costs down.

We are committed to playing a leadership role in the community as healthcare providers and consumers work together to seek answers and approaches that will make healthcare more affordable and accessible for everyone.

The Facts

More demand for healthcare and expensive new technologies are raising healthcare costs.

- Experts cite the following factors contributing to increased healthcare costs: increased use of healthcare, expensive new medical technologies, general price inflation and an aging population. *Source: Reinhardt UE, Hussey PS, Anderson GF. Cross-national comparisons of health systems using OECD data, 1999.*

- By 2030, there are expected to be about 71.5 million older Americans — that is 20 percent of the U.S. population and more than double the 1990 number. *Source: U.S. Administration on Aging based on U.S. Census Data.*

- Nebraska ranks 12th in the percentage of population age 65 and older, 6th for population in the 75+ group and 4th in the 85+ category.
- By 2020, the number of people with chronic conditions is projected to rise to 157 million — almost 50 percent of the population. Medical costs related to chronic conditions are expected to almost double. *Source: Rand Corp Partnership for Solutions.*
- About 24 percent of Nebraska and Iowa adults qualify as obese. *Source: AHA News Now, June 27, 2005.*
- One-third of Nebraska's medicaid spending in 2003 is attributable to obesity related illness. *Source: Trust for American's Health, Washington, D.C.*

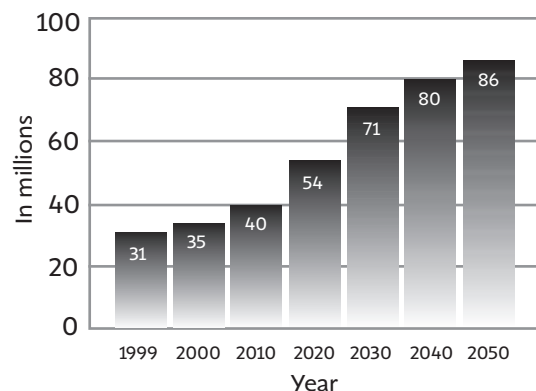
Costs are expected to continue to rise.

- Overall healthcare spending rose 7.7% in 2003. Spending on hospital care increased 6.5%.

Source: Modern Healthcare, 1/11/05.

- Experts predict national health expenditures will have an average annual growth rate of 7.3% from 2001 to 2011. *Source: Heffler S, Smith S, Won G, et al. Health spending projections for 2001-2011: The Latest Outlook.*
- National health spending as a share of gross domestic product is projected to rise to as much as 18.4 percent by 2013. *Source: Centers for Medicaid and Medicare Service, Office of the Actuary.*

Increasing U.S. Population (people over 65)



Source: U.S. Administration on Aging based on U.S. Census Data.

Issue Three Government regulations are expanding and government reimbursement is not keeping pace with the cost of care

Producing more “red tape,” providing less support.

The government is expecting more from the healthcare system in the way of reporting and charity care while providing less in government support.

These policies have real-life consequences for the cost, accessibility and even quality of healthcare in our communities — and Alegent Health is focused on helping our patients manage those consequences.

Situation Summary

Leadership changes as a part of America’s political and governmental landscape, but the need for accessible, affordable, quality healthcare for all Americans is on-going. Healthcare providers face incredible challenges in delivering care, while interacting effectively with the myriad of ever-increasing government programs and policies that regulate and impact the healthcare system.

As the storm of healthcare issues builds, the government expects more from the healthcare system in the way of reporting, accountability and charity care. At the same time, government reimbursement fails to keep pace with the cost of today’s healthcare. More “red tape” and less government funding for mandated programs means higher healthcare costs.

At Alegent Health

At Alegent Health, we welcome greater accountability in healthcare, and we certainly understand the interest in reducing government spending by cutting government reimbursement.

These policies, however, have real-life consequences for the people of Nebraska, Iowa and citizens nationwide — and it’s those consequences on which we are focused.

The Facts

As Nebraska and Iowa, like many states, reduce Medicaid payments to hospitals and freeze reimbursement rates for doctors, it takes a toll on the cost and stability of healthcare.

- More than 50% of all hospital stays in Nebraska and Iowa are paid for by Medicare and Medicaid, making hospitals highly vulnerable to major changes in public policies.
- Alegent Health hospitals are reimbursed approximately 28 cents on the dollar (charges) for Medicare. Medicaid reimbursement is 27 cents on the dollar.

Changes in Medicaid and Medicare eligibility and reimbursement rates threaten the availability of care for Nebraska's and Iowa's most vulnerable citizens: the young, the poor, the elderly, the disabled.

- About 16,000 children and 12,000 adults are being removed from Medicaid due to cutbacks.
- Nebraska has reduced Medicaid coverage for people who leave welfare and obtain jobs. Such coverage, previously available for two years, is now provided for just one year. *Source: "Most States Cutting Back on Medicaid, Survey Finds," New York Times, January 14, 2003.*
- Iowa has increased premiums for working disabled people's Medicaid coverage.

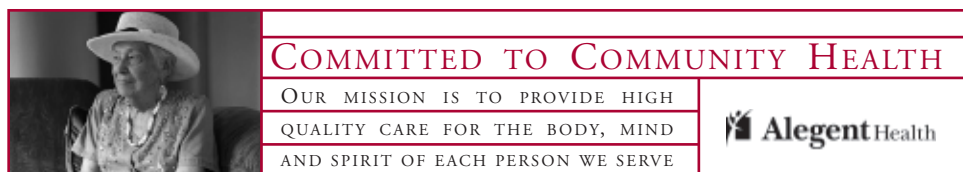
Source: Center on Budget and Policy Priorities, LOSING OUT: States Are Cutting 1.2 to 1.6 Million Low-Income People from Medicaid, SCHIP and Other State Health Insurance Programs by Leighton Ku and Sashi Nimalendran, December 22, 2003.

The Health Insurance Portability and Accountability Act of 1996, known as HIPAA, has a broad impact on all health providers, insurers and consumers.

- HIPAA established standards to protect the privacy of each person's individually identifiable health information. Hospitals must comply with these privacy standards — and the rules regarding the way hospitals may use or disclose "protected health information."
- Many healthcare providers have found that these regulations go beyond what is necessary to protect privacy, producing new layers of administrative "red tape" and enormous costs in the establishment of new departments, IT infrastructures and new administrative processes required for organizations to reach compliance.
- A study commissioned by the American Hospital Association (AHA) in 2000 estimated that the average cost of HIPAA compliance per hospital ranged from about \$670,000 to \$3.7 million — and that HIPAA training would cost about \$16 per employee.
- Alegent Health spent in excess of \$1.85 million to operationalize HIPAA regulations and, using the AHA estimate of \$16 per employee for training costs, invests more than \$120,000 in HIPAA training a year.

Other unfunded mandates also strain resources of healthcare organizations.

- Alegent Health spends \$250,000 a year to provide required interpreters.



Issue Four Class action lawsuits threaten not-for-profit healthcare systems

Distracting attention from long-term solutions for the uninsured/underinsured issues and consuming enormous resources of healthcare organizations already providing charity care to those in need.

Situation Summary

Plaintiffs' lawyers representing groups of uninsured and low-income individuals filed more than 50 unprecedented civil class action lawsuits against not-for-profit healthcare systems nationwide. Among the lawyers leading the attack is Scruggs Law Firm, a group that helped wage litigation against tobacco companies in the 1990s.

The lawsuits claim that the healthcare systems violated their obligation as tax-exempt organizations to provide charity care. Plaintiffs contend defendants 1) do not provide ample charity care; 2) use aggressive bill collection tactics; and 3) charge uninsured patients full price, which can be more than insured patients actually pay.

Lawyers are seeking damages and the creation of a trust, financed by the health systems, which would fund healthcare for the uninsured.

Not-for-profit hospitals have only begun to respond to the accusations by helping the public better understand their charity care practices and the framework of policies and procedures in place to emphasize quality care, dignity and respect for uninsured and low-income patients.

Many have voiced alarm and concern that the lawsuits are diverting resources away from care for the uninsured populations they claim to be helping and away from long-term, sustainable solutions to the uninsured problem. Many of these suits have been dismissed by courts of law throughout the country. In a sharply worded opinion that dismissed a case in New York City, U.S. District Judge Loretta criticized the class action attorneys for launching "an orchestrated assault on scores of nonprofit hospitals," necessitating the use of "scarce resources to beat back meritless legal claims."

Others are dismayed that the not-for-profit healthcare systems, an industry providing more charity care than any other private industry in the country, are under attack for not providing enough care. Many hospitals sued have had to seek experienced class action defense law firms from out of state — law firms that can charge as much as \$450 an hour — which diverts limited resources away from healthcare and charity care. Typically, the lawyers profit more than the plaintiffs in class action lawsuits.

At Alegent Health

Alegent Health is not involved in any of the class action lawsuits against not-for-profit health systems. We are proud of our approach to charity care and confident that it more than fulfills our commitment to providing generous, compassionate, appropriate care for our uninsured, underinsured and low-income patients.

As we attempt to keep apprised of the lawsuits, however, we recognize the importance of helping our community understand the nature and extent of our charity care as well as our partnership in community-based initiatives to care for our communities' most vulnerable.

The Facts

The not-for-profit healthcare system is under attack.

- More than 50 cases have been filed nationwide — not in Nebraska or Iowa — and more are anticipated.

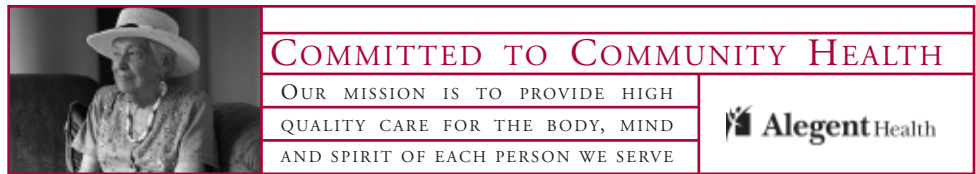
Not-for-profit healthcare systems provide significant charitable care to the uninsured and underinsured.

- Not-for-profit hospitals and healthcare organizations represent 85% of the hospital/healthcare industry.
- In 2003, U.S. hospitals provided \$22.3 billion worth of uncompensated care to patients.
- In 2003, Nebraska hospitals contributed more than \$382 million in benefits to low-income/public programs. This uncompensated care makes up 83% of all community benefits provided.

Source: NHA 2004 Community Benefits Report.

Not-for-profit healthcare systems are constantly improving charity care procedures in the interest of caring for and serving uninsured and underinsured patients.

- Not-for-profit hospital systems have undertaken the following:
 - 1) work with and seek guidance from the Department of Health and Human Services on appropriate billing, collection and discounting practices;
 - 2) train collection agencies to treat all patients with dignity and respect;
 - 3) offer discounts on charges and write-offs to uninsured and underinsured patients whenever possible; and
 - 4) provide patients with all available information and assistance to help them pay their bills.



Alegent Health Facts We remain steadfast in our responsible delivery of quality care to every community and person we serve

Fulfilling its mission, Alegent Health is healing the body, mind and spirit of the people of this community through high-quality healthcare, compassionate charity care, generous community support and leadership on healthcare issues.

"... if you had to write a book about how you would want to be treated and cared for in a hospital, I truly believe the book would mirror my experience [at Lakeside Hospital]."

*Bruce W. Stacy
Lakeside Hospital Patient*

We are the area's largest not-for-profit provider of quality healthcare, where skilled, dedicated professionals heal the body, mind and spirit of each person we serve.

Alegent Health is the area's largest not-for-profit, faith-based healthcare organization, with nine acute care hospitals, more than 100 medical service sites across Nebraska and southwest Iowa, a 1,200 physician medical staff and approximately 8,400 employees.

Sponsored by Catholic Health Initiatives and Immanuel Health Systems, Alegent Health shares its sponsors' compassion, mercy and respect for the dignity of all people and brings these values to its Mission: to provide high-quality healthcare for the body, mind and spirit of each person we serve.

High-Quality Healthcare

- Alegent Health operates some of the most patient-friendly, technically-advanced and quality-driven health facilities in Nebraska and Iowa.
- Alegent Health is the only private inpatient mental health provider remaining in the Omaha market, a vital safety net for a vulnerable population.
- The strength and stability of Alegent Health has preserved hospitals at risk of closing in the communities of Schuyler and Blair, Nebraska, and Missouri Valley, Iowa.
- Alegent Health has established clinics in underserved rural communities.
- Patient satisfaction at Alegent Health is among the highest in the nation. In 2005, Alegent Health received 153 Patient Perception Awards.
- Through a strategic alliance with Siemens Corporation, Alegent Health has committed \$150 million over the next 10 years to technology investments that will improve health outcomes and safety for patients.

Compassionate Charity Care

- Alegent Health provides generous, compassionate, appropriate care for our uninsured, underinsured and low-income patients — treating every person with the dignity and respect we would want our families and ourselves to receive.

We provide generous, compassionate and responsible care for all of our patients regardless of their ability to pay.

In the last five years, Alegent Health spent nearly \$39 million providing charity care.

Alegent Health is committed to working with its communities to address and solve healthcare issues through strong leadership and support for legitimate solutions.

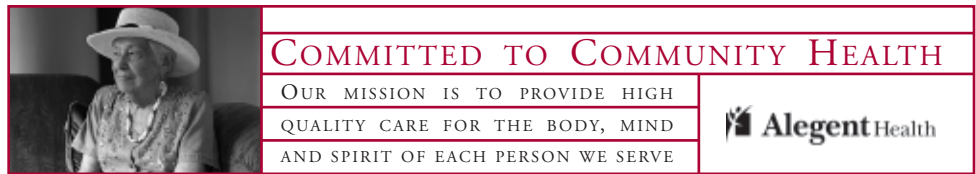
- A financial assistance counselor works in partnership with patients without insurance or those who are underinsured to identify appropriate assistance with bills, including Alegent Health's own direct financial assistance program.
- Alegent Health offers a direct financial assistance program for the uninsured and the underinsured, which can substantially reduce patient costs.
- In fiscal year 2005 alone, Alegent Health spent over \$22 million providing charity care for uninsured and underinsured patients and about \$11 million in support of community health and wellness programs.
- Alegent Health is fulfilling its commitment to care for this community's uninsured and underinsured — and in the last six years spent nearly \$39 million providing charity care.

Generous Community Support

- Committed to community health and wellness, Alegent Health contributes to community organizations, initiatives and programs that address issues central to advancing community health and wellness.
- Alegent Health has established a Community Benefit Trust Fund that sets aside an additional 1% of its annual net service revenue to benefit the community through the funding of programs improving the health of the community. The Trust will provide \$5 to \$7 million a year in support for innovative, community-based programs that improve community health and wellness. In the last year, the Community Benefit Trust has provided over \$5 million in grants to innovative community-based organizations helping some of our community's most vulnerable populations: children, elderly and the disadvantaged.

Leadership on Healthcare Issues and Solutions

- Alegent Health has long been a leader in partnering with other healthcare institutions and its communities to address the issues impacting the accessibility, cost and quality of healthcare.
- As one of the largest employers in our community — with approximately 8,400 employees — Alegent Health faces the very same issues other employers face when it comes to rising health insurance and healthcare costs.
- Alegent Health is working to do its part to manage critical affordability issues in the short-term while assisting in the development of broader, long-term solutions.



Q&A on Not-For-Profit Healthcare and Charitable Care

Lawyers representing groups of uninsured and low-income individuals filed more than 48 civil class action lawsuits against not-for-profit healthcare systems nationwide.

The lawsuits claim that the named healthcare systems violated their obligation as tax-exempt organizations to provide charity care. Plaintiffs contend that defendants 1) do not provide ample charity care; 2) use aggressive bill collection tactics; and 3) charge uninsured patients full price, which can be more than insured patients.

As the area's largest not-for-profit healthcare provider, Alegent Health has prepared the following answers to questions you might have about not-for-profit healthcare and about Alegent Health's charitable care.

Q: Is Alegent Health involved or named in these lawsuits?

A: No. Alegent Health has not been named and is not presently involved in any of the class action lawsuits that have been filed.

Q: What legal obligation does a not-for-profit healthcare system have to provide charitable services, programs and care?

A: A nonprofit healthcare system must provide a certain amount of charitable care each year. This generally includes, at a minimum, providing emergency room care without regard to ability to pay and offering a charitable care program for the poor and indigent.

Q: Why do some healthcare organizations receive tax-exempt status from the federal government?

A: The federal government recognizes the "promotion of health" as a charitable purpose. An entity organized for charitable purposes qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Tax-exempt status is essential to assisting healthcare organizations in achieving their charitable purpose of offering a broad array of activities and services that promote the health of the community.

Q: Why is not-for-profit healthcare an important model?

A: Not-for-profit healthcare organizations provide 85% of the healthcare in the United States. These not-for-profit healthcare organizations are devoted to the charitable purpose of promoting community health and care for patients regardless of their ability to pay. Without the not-for-profit healthcare system, many underinsured and uninsured patients would not receive the care they need.

Q: What does a not-for-profit healthcare organization need to do to maintain its tax-exempt status?

A: In order to maintain tax-exempt status, an entity must demonstrate it is organized and operated for charitable purposes such as the promotion of health. This is accomplished by providing services that promote the health of the community, providing emergency room care without regard to ability to pay, devoting available funds to enhance healthcare services in the community and offering a charitable care program for those in need. Without shareholders that require dividends, not-for-profit healthcare organizations devote their resources entirely to providing and improving healthcare.

Q: Does Alegent Health meet its obligations to provide charitable care in exchange for its tax-exempt status?

A: Alegent Health exceeds its obligation to provide charitable care as it provides emergency room care, without regard to ability to pay; it offers a generous charity care plan for patients who cannot afford to pay; and it strives to provide services that promote the health of its entire community. In the last year, over 6,500 uninsured patients obtained treatment at Alegent Health. Over the last five years, Alegent Health has provided nearly \$39 million in charity care.

Q: Do low-income, uninsured patients pay 100% of the cost for medical care at Alegent Health?

A: No. Alegent Health offers direct financial assistance and charity care to low-income, uninsured and underinsured patients. We have a financial assistance program that offers assistance on a sliding scale, using the U.S. Housing and Urban Development income guidelines, which substantially reduces patient costs based on family income. In addition, our program limits catastrophic bills to 20% of a family's annual income, regardless of income level.

Q: How can someone who has no insurance coverage receive discounted or charitable medical care from Alegent Health?

A: Our financial assistance counselors will help them complete the necessary forms to apply for assistance. An Alegent Health financial assistance counselor works in partnership with patients admitted without insurance to identify appropriate assistance with bills, including Alegent Health's own direct financial assistance program. Our focus is to treat people with respect and dignity as we heal everyone we serve.

Q: Do you use collection agencies to pursue payment from uninsured or low-income patients?

A: Yes. When financially able, every patient should expect to contribute to the costs of his or her medical care. When medical bills present a financial challenge, we work with individuals to achieve reasonable solutions to these challenges. To ensure that every patient is treated properly, we involve our Mission Services staff in selecting agencies to work with to ensure that any contact with our patients is handled in a way that reflects our Mission and values. We remain committed to our patients and their families. Each individual deserves respect and compassion, not only as we provide care, but throughout the billing and collections process.

Q: Has Alegent Health made any changes to its financial assistance and billing programs as a result of recent attention to charity care?

A: Alegent Health's financial assistance policies are routinely updated to better meet the needs of our patients and our community.

Q: How much did Alegent Health provide uninsured and low-income patients in charity care last year?

A: Alegent Health spent over \$22 million providing charity care in fiscal year 2005. We also contributed about \$11 million in support of community health and wellness programs and provided over \$5 million in Community Benefit Trust grants to innovative, community-based programs that improve community health and wellness.



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I N F O R M A T I O N T O L E A D

Staying Out of the Limelight

Alegent Health's new trust fund may satisfy community benefit standard.

Wayne Sensor, CEO of Alegent Health in Omaha, Neb., thinks he's onto something big and astonishingly simple. In the absence of government and industry mandates specifying how to measure the nebulous community benefit, Sensor and his board have done something significant to demonstrate just how much they care about the community. In September, they began tithing 10 percent of Alegent's annual cash flow to a newly created Community Benefit Trust Fund. The program will pay for health-related community projects aimed at "vulnerable populations" in Omaha and Council Bluffs, Iowa, a service area of 1.7 million.

"We provide great inpatient and outpatient care, and yet our mission is the community's health, and there's still a void left that those services don't address," says Sensor. The funding mechanism comes from the nine-hospital system's faith-based mission (it was created through a 1996 merger between Catholic and Lutheran systems). "Based on our religious heritage, it suggests that doing our part might be 10 percent of cash flow," Sensor says.

Alegent has provided \$14 million in initial funding, and Sensor says Alegent's board expects to contribute between \$5 and \$7 million annually to the trust, based on how well the system does financially. Sensor notes that the funding for the foundation is fiscally

In addition to the trust, Alegent has implemented a financial assistance policy aimed at the underinsured and uninsured. The program offers discounts for those who earn up to 400 percent of the federal poverty level. Also, last year, the board approved a "catastrophic clause" that Sensor calls "unique." In addition to the discounts, if a family receives a bill equalling 20 percent of its income, the organization will deeply discount the bill.

In September, Alegent began tithing 10 percent of Alegent's annual cash flow to a newly created Community Benefit Trust Fund

sound and does not affect Alegent's ability to access capital, a problem many see as much more threatening to community hospitals than either the Scruggs lawsuits or increased scrutiny from the IRS and Congress. Alegent's board has been working to create the trust fund for the last two years. Its establishment, says Sensor, has nothing to do with the added attention on the tax status of non-profit hospitals.

He adds that such a program further separates the system from questionable business practices that might be more at home in for-profit hospitals and brings it closer to the hard-to-define community benefit standard. Alegent has not been named in the 49 lawsuits filed by the Scruggs Law Firm. Adds Sensor: "We can stand the bright lights of inspection."

—PHILIP BETBEZE

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