

GEORGIA HEART HOSPITAL PROGRAM

Helping Enhance Access to Rural Treatment

2018 Annual Report

Hospital reaps benefit of rural hospital tax credit

Rome News-Tribune | 9/9/18

New tax credit is a 'lifeline' for Georgia's rural hospitals

Atlanta Journal-Constitution | 11/28/16

Tax credits keep hospital in black

Monroe County Reporter | 3/7/19

Tax credit program 'a tremendous help' for struggling hospital

Georgia Health News | 7/3/18

Tax credit increase signed into law

Albany Herald | 5/6/18

Tax credit program giving coastal hospitals new life

Coastal Courier | 8/27/18

Boost in tax credit helps rural hospitals

South Georgia Magazine | 9/15/17

Bank donates funds to help rural hospitals

Valdosta Daily Times | 3/20/19

Residents can enjoy tax credit, benefit hospital

The Brunswick News | 12/18/18

Giving HEART to Georgia's Rural Communities

Dear Friends,

It is with great pleasure that the Georgia HEART Hospital Program presents its first Annual Report. Produced in cooperation with Georgia Hospital Association and the 58 rural hospitals participating in Georgia HEART, this Report is designed to keep our generous donors, participating hospitals, concerned lawmakers, and the public informed about our collective success in launching the program. In addition to providing contribution details and financial results, the Report contains results from the 2018 Georgia HEART Hospital Survey, including the uses to which the HEART hospitals put their contributions. As you will read, the HEART contributions are making a critical, even life-saving, difference in rural communities throughout Georgia.



In the past, some leaders have opined that, in reality, there are two Georgias—metropolitan Atlanta and the rest of Georgia. Regardless of the degree to which this may be the case, one very encouraging outcome of the Georgia HEART program is the manner in which so many taxpayers in Metro Atlanta have embraced the opportunity to learn about the acute rural health needs of other Georgians and to make a philanthropic investment in addressing those needs.

During the last session of the Georgia General Assembly, lawmakers extended the expiration date of the Georgia HEART program through 2024. Hopefully, the early success of the program, and the outstanding results contained in this Annual Report, will motivate our donor community to continue Helping Enhance Access to Rural Treatment—HEART!

Thank you.

A handwritten signature in black ink, appearing to read "Rick Gilbert".

Rick Gilbert
Chairman of the Board
Georgia HEART Hospital Program, LLC

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The HEART Team



Pictured left to right:

- Kate Saylor**
Director of Marketing & Communications
- Avery Parker**
Director of Accounting & Finance
- Rosalyn Merrick**
Director of Stakeholder Engagement
- Meghan Waites**
Director of Advancement

- Jim Kelly**
Director and General Counsel
- Allison Saxby**
Director of Operations
- Sherri O'Connor**
Accounting Manager
- Dianne Nelson-Williams**
Accounting Associate

A Letter from Georgia Governor Brian P. Kemp

Dear Supporters of the Georgia HEART Rural Hospital Tax Credit Program,

It is my pleasure to take this opportunity to thank the 5,727 Georgians who, in 2018, contributed \$58.7 million to the 58 rural hospitals that participate in the Georgia HEART Rural Hospital Tax Credit Program. Through your generosity, you are making a life-enhancing difference to families in rural Georgia who, for decades, have produced economic, social, and cultural outcomes that make our state so great.



It is also my privilege to acknowledge and thank the participating Georgia HEART rural hospital organizations, or RHOs, for their tireless efforts to deliver quality healthcare to their fellow citizens, often times under challenging financial and demographic conditions. Their commitment to promoting access to healthcare for all and their conscientious stewardship of the contributions received under the Georgia HEART program combine to make this one-of-a-kind program a national model.

As described in this Report, in 2018, some of the critical uses made of the Georgia HEART contributions included:

- Coffee Regional Medical Center in Douglas was able to recruit a board certified hematology oncology physician and implement an infusion center for the administration of chemotherapy, thereby eliminating the need for local patients to travel to other areas of the state for their cancer treatments.
- Wills Memorial Hospital in Washington was able to make basic, yet absolutely essential, updates to their hospital, including the purchase of a new x-ray machine, blood pressure machines for each patient room, 19 new patient beds, an ER stretcher, and new flooring throughout the hospital.
- For the first time since its founding in 1969, Effingham Hospital in Springfield was able to complete the first major renovation of its inpatient rooms.

While enhancing the ability of rural hospitals to serve their communities, the Georgia HEART program does so through voluntary taxpayer support and the free enterprise system, not through government mandates and a distant bureaucracy. Empowered by private philanthropy, donors are taking a heightened interest in the performance, transparency, and accountability of their local rural hospitals. In turn, because of the free market approach, rural hospital officials must listen more closely to the views of their local financial supporters than might otherwise be the case when exclusively funded by taxes. As a businessman and free-market conservative, I was proud to have championed the adoption of the RHO tax credit, am excited about its results to date, recently secured the extension of its existence through 2024, and am committed to expanding the program as circumstances dictate.

It is no secret that there is a great disparity in health outcomes between the residents of the state's 108 rural counties and the rest of urban, suburban, and exurban Georgia. Since 2001, eight rural hospitals have closed, making healthcare delivery a real life challenge for Georgia families sitting around their dinner tables. A sick person's zip code should not determine his or her ability to visit a physician, physician assistant, nurse, or other healthcare service provider or negatively impact the quality of his or her health outcomes. In addition to expanding the Georgia HEART Rural Hospital Tax Credit Program as necessary, I will lead in the adoption of other reforms to improve access to healthcare in rural Georgia, including the recent signing of legislation to expand high-speed internet service in rural areas, which will improve much-needed telemedicine offerings.

Meanwhile, I deeply appreciate and applaud all of you who are supporting this groundbreaking, innovative approach to improving Georgia's rural hospitals and rural health outcomes.

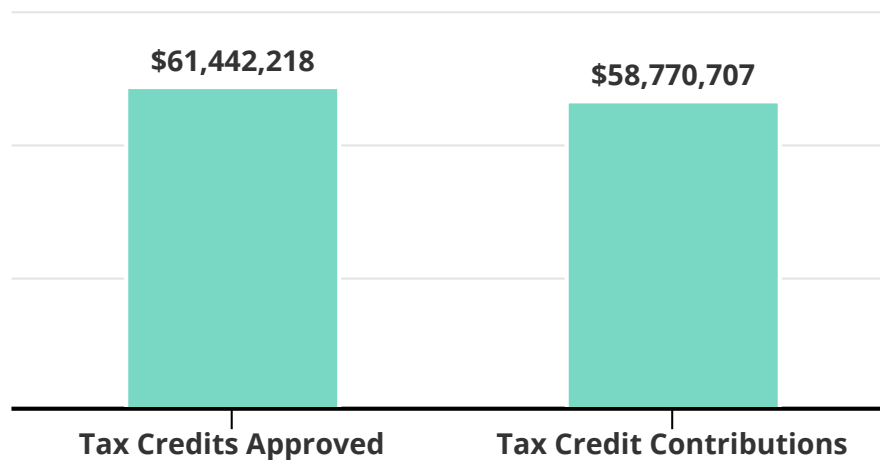
Sincerely,

A handwritten signature in black ink, appearing to read "B: P. Kemp", with a stylized, cursive-like flourish at the end.

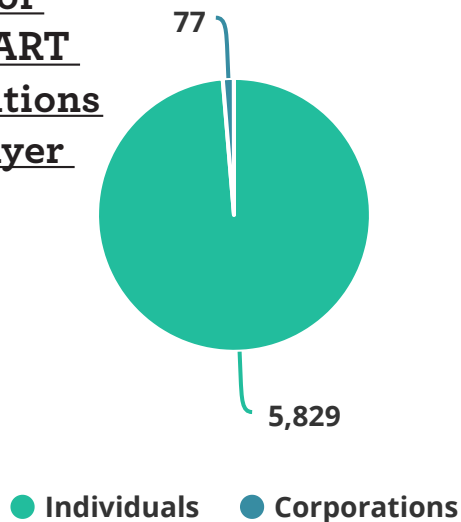
Governor Brian P. Kemp

HEART Contribution Results

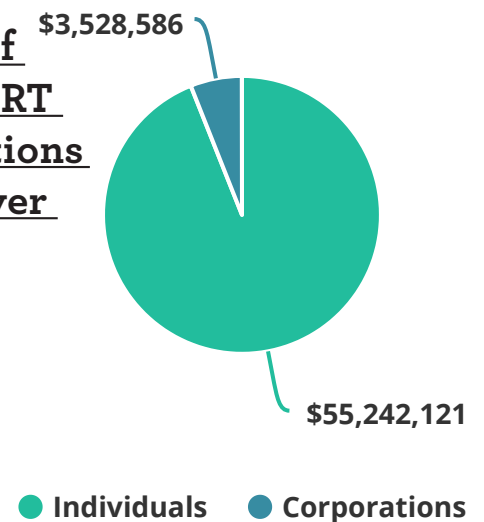
2018 HEART Contributions



Number of 2018 HEART Contributions by Taxpayer Type



Dollar Amount of 2018 HEART Contributions by Taxpayer Type



If you pay Georgia income taxes, you are eligible to receive a 2019 tax credit for contributing to your designated rural hospital organization as follows:

Individual Filer	100% of the amount contributed, up to a limit of \$5,000
Married Filing Jointly	100% of the amount contributed, up to a limit of \$10,000
Pass-Through Entity	100% of the amount contributed, up to a limit of \$10,000, so long as the owner would have paid Georgia income tax in that amount on their share of taxable income from the pass-through entity
C Corporation or Trust	100% of the amount contributed or 75% of the corporation's or trust's Georgia income tax liability, whichever is less

After June 30 of 2019, for so long as a portion of the \$60 million cap on tax credits is available, individual taxpayers may make unlimited contributions to RHOs for a corresponding 100% Georgia income tax credit.

Legislative and Tax Developments

Since the inception of the Georgia Rural Hospital Organization (“RHO”) Expense Credit in 2016, Georgia lawmakers have consistently evaluated the progress of the RHO program and, as necessary, revised the law to encourage participation, transparency, and accountability. These efforts have included:



- Increasing the RHO tax credit percentage from 70% of the contribution amount to 90%, then, ultimately, to 100%;
- Increasing the maximum amounts that taxpayers may contribute for a RHO tax credit to \$5,000 for single individuals and to \$10,000 for married couples;
- Introducing a maximum \$10,000 credit amount for contributions made by the owners of interests in pass-through entities;
- On July 1 of each year, waiving the maximum limits on the amounts that individual taxpayers may contribute to rural hospitals for a RHO tax credit;
- Extending the RHO program to 2024;
- Capping at 3% of contributions the total fees that rural hospitals may pay to outside consultants for RHO tax credit marketing and administration services;
- Requiring the Georgia Department of Community Health (“DCH”) to create a manual setting forth the manner in which hospitals will be evaluated to determine those hospitals most in financial need;
- Requiring that any “undesigned” contributions be allocated to rural hospitals in order of the DCH list of hospitals by financial need until each one receives the maximum \$4 million in credits for which it is eligible each year;
- Enhancing the contribution and expense reporting requirements; and
- Requiring the Georgia Department of Revenue to publicly disclose more information about the status of the RHO program.

On August 23, 2018, the U.S. Department of the Treasury and Internal Revenue Service published proposed regulations, effective August 28, 2018, that, if finalized, would prevent taxpayers from taking a federal charitable income tax deduction for contributions made to tax-exempt entities (such as rural hospitals) in exchange for a state income tax credit. Subsequently, the IRS announced that “C” corporations would be able to deduct such contributions as business expenses. Since the publication of the proposed regulations, Georgia HEART, the Georgia Hospital Association, and rural hospital leaders have been encouraging members of Georgia’s U.S. Congressional delegation to request that the Treasury Department exclude pre-August 28, 2018 state income tax credit programs from the application of the proposed regulations. Hopefully, at a minimum, the final regulations will provide a “safe harbor” permitting all business owners to deduct their contributions to RHOs as business expenses for federal income tax purposes. In any case, taxpayers who contribute to RHOs will continue to receive a 100% Georgia income tax credit, thereby continuing the “no-cost” feature of the RHO program.

2018 HEART Tax Credit Survey Results



2018 HEART Rural Hospital Tax Credit Survey

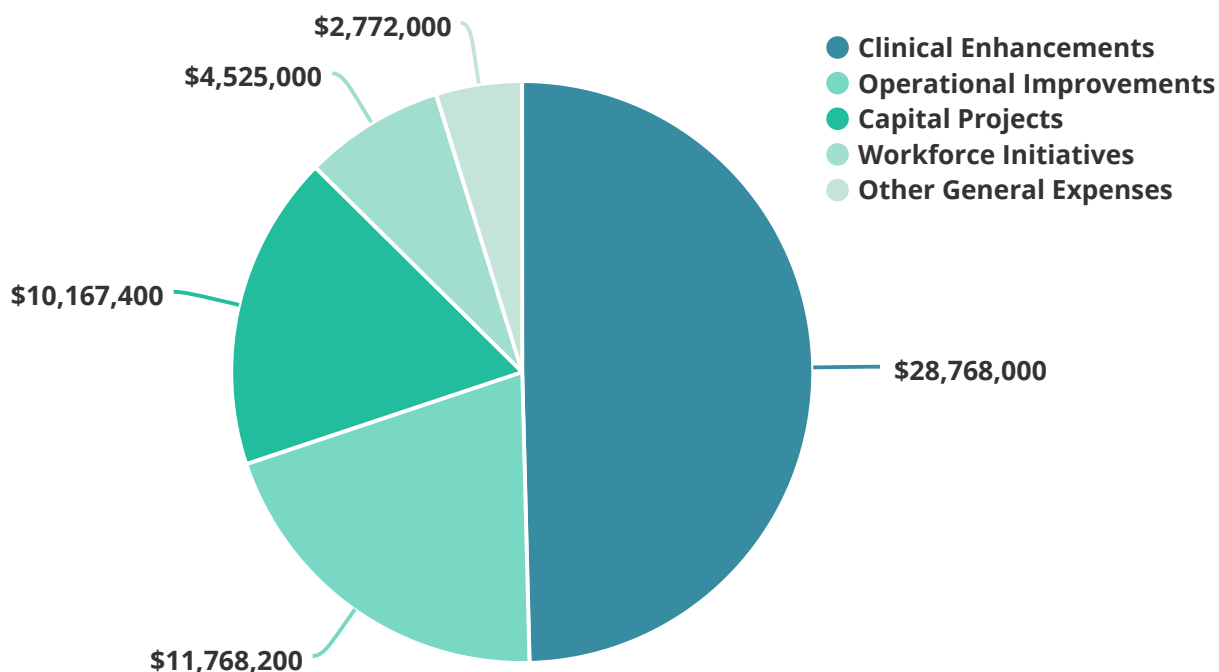


In January 2019, Georgia HEART and Georgia Hospital Association surveyed all 58 eligible rural hospitals to collect data about the various ways in which HEART tax credit contributions are being utilized.

The 2018 Georgia HEART Rural Hospital Tax Credit Survey, which received 100% participation, divides hospital spending into four main categories: clinical enhancements, operational improvements, capital projects, and workforce initiatives.

The Survey results indicate that, in 2018, nearly one-half of all contributions were spent on clinical enhancements that directly impacted patient care. It is clear that the Georgia HEART program is providing critical resources for Georgia's rural hospitals and communities.

Hospital Spending by Category



Clinical Enhancements



50%

Items or services that directly impacted patient care

- Clinical software purchases / upgrades
- Community-based disease management services
- Development of new service lines / new procedures
- Offsetting indigent care costs
- Purchasing diagnostic, medical, or therapeutic equipment or technology

Operational Improvements

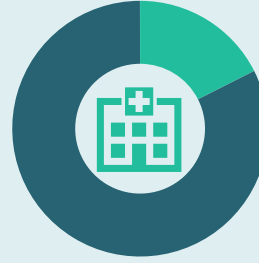


20%

Replacement items or services that would be funded through operations but had been delayed due to lack of resources

- Equipment replacement or upgrades (less than \$200,000)
- Facility replacement or upgrades
- Mechanical upgrades
- New equipment purchases (IT, non-clinical)
- Reserving contributions for a multiyear campaign / expenditure

Capital Projects



18%

Items or services that improved the physical hospital building or mechanical needs not generally funded through the operational budget

- Major relocation of existing services
- Large-scale equipment purchases (over \$200,000)
- Pay off capital debt

Workforce Initiatives



8%

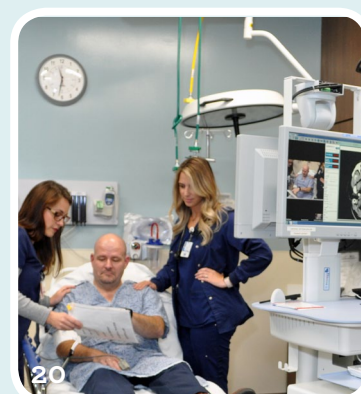
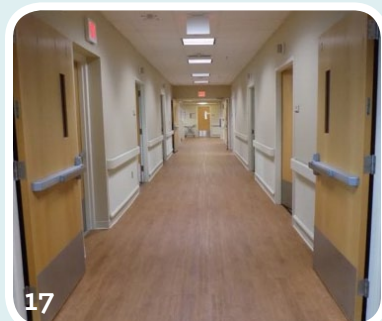
Items or services that impacted the workforce of the hospital

- New service line specific recruitment
- Physician recruitment
- Staff education opportunities
- Staff retention efforts
- Staff wage increases

Hospital Uses of Funds



1. Cook Medical Center in Adel continues construction of replacement facility set to open in fall 2019
2. Department managers celebrate halfway point of construction at Cook Medical Center's new facility
3. Habersham Medical Center in Demorest purchases Panda Baby Warmer for Family Birth Center
4. Coffee Regional Medical Center in Douglas establishes new PCI Intervention program
5. Chatuge Regional Hospital in Hiawassee obtains new rehabilitation equipment
6. Irwin County Hospital in Ocilla purchases new anesthesia machine
7. New lights are installed in the operating room at Irwin County Hospital
8. Evans Memorial Hospital in Claxton obtains new digital imaging equipment
9. St. Mary's Sacred Heart Hospital in Lavonia improves safety and security for patients, visitors, and staff
10. Bacon County Hospital in Alma updates radiology equipment to be fully digital
11. Crisp Regional Hospital in Cordele renovates oncology center to improve patient experience
12. 3D mammography machine provides superior treatment at Crisp Regional Hospital



13. Appling Healthcare System in Baxley purchases Central Monitoring Stations for all patient care areas
14. Clinch Memorial Hospital in Homerville equips EMS teams with LifePak monitors and stretchers
15. Effingham Hospital in Springfield completes major renovation of inpatient rooms
16. Monroe County Hospital in Forsyth purchases critical patient care equipment
17. Emanuel Medical Center in Swainsboro replaces flooring throughout facility
18. Colquitt Regional Medical Center in Moultrie finished construction of new oncology center
19. WellStar Sylvan Grove Hospital in Jackson expands radiology imaging services
20. St. Mary's Good Samaritan Hospital in Greensboro expands telehealth services
21. Dodge County Hospital in Eastman purchases new medical carts for nursing staff
22. Union General Hospital in Blairsville purchases new mammography system
23. Jefferson Hospital in Louisville develops cardiopulmonary rehabilitation program
24. Elbert Memorial Hospital in Elberton establishes new 3D mammography suite

Hospital Highlights

Elbert Memorial Hospital in Elberton, Georgia

“The Georgia HEART rural hospital tax credit program definitely helped our community. Without these contributions, Elbert Memorial Hospital would not have been able to make payroll at times. We would not have been able to purchase new and improved equipment for our physicians. We would not have been able to get our vendors paid. **Without these contributions, EMH may not even be open right now,** and this community would be suffering without a hospital.

This program helped save lives in our community. Without this rural hospital in Elberton, lives would have surely been lost by having to go 30-40+ miles away for their healthcare. Nearly 200 jobs would have been lost. This community would have been devastated.

These rural hospital tax credit contributions not only **kept our hospital open,** they allowed us to add and enhance services to the community, and **set us up for success in the future.** Elbert Memorial Hospital is **back on track to start growing once again.**

We are eternally grateful for each and every person that contributed to our hospital. **We can never thank you enough!** It’s a New Day at EMH!”

– Kerry Trapnell, CEO

Emanuel Medical Center in Swainsboro, Georgia

“The Georgia HEART rural hospital tax credit program has significantly increased the vitality of Emanuel Medical Center. You can feel the positive energy all throughout our organization. It is easy to understand the excitement when you understand our history.

Prior to 2018, **we were financially unable to fund most of our capital needs.** Our equipment and building were in significant need of an upgrade. The managers complained each year, “it is not even worth requesting equipment, because the answer will be no.” This was tough on our employees because they were trying to treat one of the sickest communities (2018 Georgia County Health Ranking 144/159) with very limited resources.

Tax credit contributions allowed us to improve the delivery of care by purchasing or leasing new medical equipment for nearly every hospital department. We were able to make building upgrades such as replacing ancient carpet with more professional LVT flooring. For managers and their teams who waited for more than a decade for some of these upgrades, **the joy was immense.”**

– Damien Scott, CEO

Polk Medical Center in Cedartown, Georgia



“We have several **exciting projects** being planned that will be funded by donations through the Georgia HEART rural hospital tax credit program.

We are expanding our on-site MRI services, making it **easier for patients to receive this service without having to travel** outside our community. Donations were also used to fund a portion of the salary for a Community Health Nurse who oversees a team of school nurses and also leads health and wellness programs in local manufacturing plants. We purchased equipment that will **enhance the care and treatment provided for patients who visit our emergency room.**

Knowing that many of the health issues facing our community have their origin in poor daily nutrition, we are in a multiyear partnership with a local farmers market to provide locally grown fruit and produce **to those in the community that don't have easy access to healthy food options**, particularly school-aged children. We purchase the produce from local farmers with rural hospital tax credit funds and distribute it to those in need. This gives Polk Medical Center the opportunity to **put these dollars back into our community's economy.**”

– Tifani Kinard, Administrator and Chief Nursing Officer

St. Mary's Sacred Heart Hospital in Lavonia, Georgia



“With the combination of a growing shortage of nurses and the difficulty in recruiting to our rural service area, recruiting and retaining staff continues to be a major concern for our St. Mary's Sacred Heart Hospital. **With Georgia HEART rural tax credit dollars, we were able to adjust nursing pay** to better recruit and retain nursing staff. We have **expanded the outpatient radiology** schedule and added additional staff to meet this need. Tax credit contributions have **allowed us to add security guards to maintain and improve the safety and security** of employees, patients and visitors at our hospital.

Our REACH telemedicine program through Augusta University provides neurological expertise quickly for patients. **Contributions have allowed us to continue and maintain this service for patients** and work towards becoming a designated remote stroke center.

We are able to continue our commitment of providing 24/7 board-certified/board-eligible physician coverage in both hospital medicine and emergency medicine areas of our hospital. **This is the level of service we believe our patients deserve.**”

– Lauren Papka, Director of Administrative & Support Services

HEART Partnerships

Rural Hospital Organizations

The Georgia Department of Community Health has qualified 58 hospitals throughout the state as rural hospital organizations to which individuals and corporate taxpayers may contribute and receive a Georgia income tax credit. Georgia HEART is proud to partner with all 58 eligible hospitals in the administration of this important program. In addition to providing contribution marketing, processing, tracking, and reporting services to its partner hospitals, Georgia HEART periodically hosts hospital officials in “HEART to HEART Conversation” meetings in an effort to produce energy and engage ideas to build even more momentum around the tax credit program for current and future years.

April 2019 HEART to HEART Conversation meeting attendees (pictured left to right):

*Thomas Steiner, Burke Medical Center
Lauren Harrell, Memorial Hospital and Manor
Nicole Gilbert, Colquitt Regional Medical Center
Gina McDonald, Colquitt Regional Medical Center
Marty Ray, Candler County Hospital
and Emanuel Medical Center
Karen McLeod, Taylor Regional Hospital
Dan Bevels, Polk Medical Center
Susan Pope, Wills Memorial Hospital
Kathleen Smith, WellStar Sylvan Grove Hospital*



Georgia Hospital Association

Since the inception of the Georgia rural hospital tax credit program, Georgia HEART and the Georgia Hospital Association (“GHA”) have partnered to educate rural hospital communities about the nature, implementation, and benefits of the program. GHA strives to advance the health of individuals and communities by serving as the leading advocate for all Georgia hospitals and health care systems. In particular, GHA operates the Center for Rural Health, which represents the interests of small rural hospitals throughout Georgia.

“GHA is excited about the tremendous impact the Georgia HEART tax credit program is having in our member rural hospital communities and greatly appreciates the support of the thousands of donors who are helping improve access to rural health.”

–Earl Rogers, President and CEO, Georgia Hospital Association

Georgia Chamber of Commerce

Georgia HEART and the Georgia Chamber of Commerce work together to identify and inform Georgia businesses that may be interested in supporting rural hospitals, which, in many cases, care for their employees. In the Chamber’s view, improving access to rural health is vital to the sustainability of rural communities, a fact highlighted each year at the Chamber’s Rural Prosperity Summit, at which attendees share new ideas and make connections relating to improving rural prosperity in Georgia.

“The Georgia HEART program is one piece of a larger effort among lawmakers, policy-makers, and health care professionals to design and implement reforms that will improve the likelihood that our rural hospitals will survive and thrive in these very challenging financial, demographic, and economic times rural Georgia communities face.”

–Chris Clark, President and CEO, Georgia Chamber of Commerce

2018 HEART Audited Financials

Statement of Operations For Period from April 18, 2018 to December 31, 2018

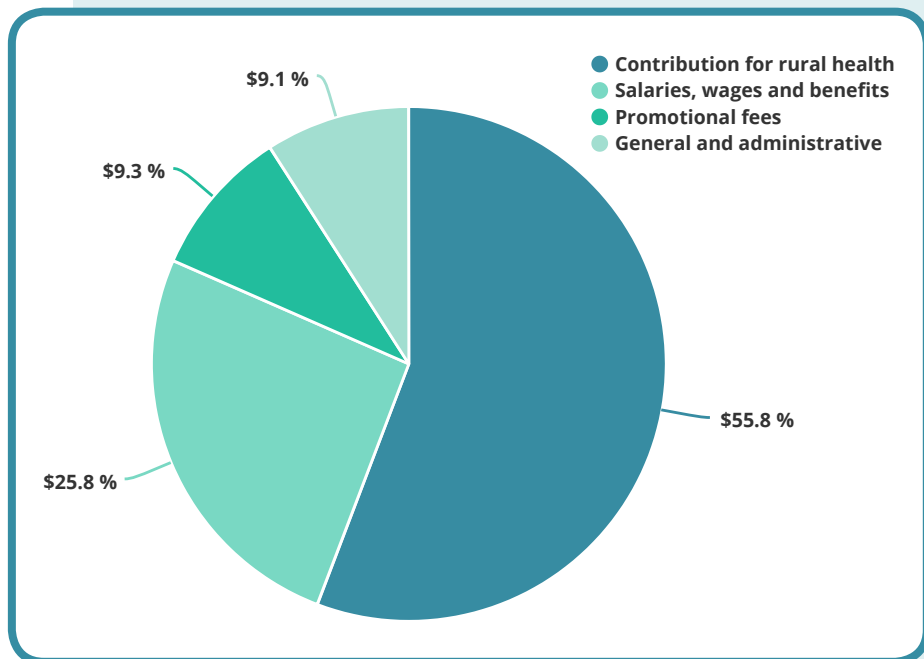
Revenues:

Fee Income	\$1,607,120
Interest Income	\$4,263
Total Revenue:	\$1,611,383

Expenses:

Contribution for rural health	\$850,000
Salaries, wages & benefits	\$392,860
Promotional fees	\$142,283
General & administrative	\$138,220
Total Expenses:	\$1,523,363

Net Income	\$88,020
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Since April 18, 2018, Georgia HEART has been a wholly-owned subsidiary of Georgia Community Foundation, Inc., a 501(c)(3) tax-exempt non-profit organization (“GCF”). Each year, Georgia HEART transfers all of its net fee income to GCF to be used exclusively for the promotion of rural health in Georgia. In 2018, Georgia HEART contributed \$850,000 to GCF for this purpose.

Each year, Georgia HEART contributes a portion of its fee income to Georgia Hospital Health Services, Inc. (“GHHS”), a subsidiary of the Georgia Hospital Association, to assist in the promotion of the Georgia HEART program. In 2018, Georgia HEART paid \$133,873 to GHHS. Georgia HEART paid the remaining \$8,410 in promotional fees to Georgia Chamber of Commerce, Inc. to promote Georgia HEART among “C” corporations.

The 2018 financial statements of Georgia HEART Hospital Program, LLC were audited by the independent CPA firm Bennett Thrasher LLP, whose audit opinion declared that HEART's 2018 financial statements present fairly, in all material respects, the financial position of Georgia HEART Hospital Program, LLC as of 12/31/18, and the results of its operations and its cash flows for the period from April 18, 2018 (Inception) to December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

To see the complete audit report, including financial statements and footnotes, see:
<https://www.georgiaheart.org/results/page/financial-audit-report>

GEORGIA HEART HOSPITAL PROGRAM

Helping Enhance Access to Rural Treatment

Georgia HEART Hospital Program, LLC
3740 Davinci Court, Suite 375
Peachtree Corners, GA 30092

U.S. Postage
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Permit #49

**Together, these 58 qualified rural hospital organizations and Georgia HEART
are Helping to Enhance Access to Rural Treatment.**

Appling Healthcare System
Bacon County Hospital
Bleckley Memorial Hospital
Brooks County Hospital
Burke Medical Center
Candler County Hospital
Chatuge Regional Hospital
Clinch Memorial Hospital
Coffee Regional Medical Center
Colquitt Regional Medical Center
Cook Medical Center
Crisp Regional Hospital
Dodge County Hospital
Donalsonville Hospital
Dorminy Medical Center
Effingham Hospital
Elbert Memorial Hospital
Emanuel Medical Center
Evans Memorial Hospital
Grady General Hospital
Habersham Medical Center
Higgins General Hospital
Irwin County Hospital
Jasper Memorial Hospital
Jeff Davis Hospital
Jefferson Hospital
John D. Archbold Memorial Hospital
Liberty Regional Medical Center
Meadows Regional Medical Center

Medical Center of Peach County
Memorial Hospital and Manor
Miller County Hospital
Mitchell County Hospital
Monroe County Hospital
Morgan Medical Center
Murray Medical Center
Navicent Health Baldwin
Phoebe Sumter Medical Center
Phoebe Worth Medical Center
Piedmont Mountainside Hospital
Polk Medical Center
Putnam General Hospital
South Georgia Medical Center – Berrien Campus
South Georgia Medical Center – Lanier Campus
Southeast Georgia Health System – Camden Campus
Southwest Georgia Regional Medical Center
St. Mary's Good Samaritan Hospital
St. Mary's Sacred Heart Hospital
Stephens County Hospital
Taylor Regional Hospital
Tift Regional Medical Center
Union General Hospital
University Hospital McDuffie
Upson Regional Medical Center
Washington County Regional Medical Center
Wayne Memorial Hospital
WellStar Sylvan Grove Hospital
Wills Memorial Hospital