

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2009

**Open to Public
Inspection**

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.

▶ Attach to Form 990.

▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization

FRANCES MAHON DEACONESS HOSPITAL

Employer identification number

81-0231786

Part I Charity Care and Certain Other Community Benefits at Cost

	Yes	No
1a Does the organization have a charity care policy? If "No," skip to question 6a	<input checked="" type="checkbox"/>	
1b If "Yes," is it a written policy?	<input checked="" type="checkbox"/>	
2 If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
3 Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients.		
a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____%	<input checked="" type="checkbox"/>	
b Does the organization use FPG to determine eligibility for providing discounted care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____%	<input checked="" type="checkbox"/>	
c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.		
4 Does the organization's policy provide free or discounted care to the "medically indigent"?	<input checked="" type="checkbox"/>	
5a Does the organization budget amounts for free or discounted care provided under its charity care policy?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization's charity care expenses exceed the budgeted amount?	<input checked="" type="checkbox"/>	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		<input checked="" type="checkbox"/>
6a Does the organization prepare an annual community benefit report?	<input checked="" type="checkbox"/>	
b If "Yes," does the organization make it available to the public?	<input checked="" type="checkbox"/>	

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheets 1 and 2)			911,365		911,365	3.70
b Unreimbursed Medicaid (from Worksheet 3, column a)						
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			911,365		911,365	3.70
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			45,400		45,400	0.18
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			8,775,189	6,123,144	2,652,045	10.76
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j Total Other Benefits			8,820,589	6,123,144	2,697,445	10.94
k Total. Add lines 7d and 7j			9,731,954	6,123,144	3,608,810	14.64

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule H (Form 990) 2009

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development			40,052		40,052	0.16
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total			40,052		40,052	0.16

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

	Yes	No
1 Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	X	
2 Enter the amount of the organization's bad debt expense (at cost)		36,478
3 Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy		
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including other bad debt amounts in community benefit.		

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	7,416,233
6 Enter Medicare allowable costs of care relating to payments on line 5	7,342,805
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	73,428
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other	

Section C. Collection Practices

9a Does the organization have a written debt collection policy?	X
b If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	X

Part IV Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 PRAIRIE RIDGE VILLAG	ASSISTED LIVING	50	0	0
2 NE MT STAT AIR AMBUL	AIR AMBULANCE	36	0	0
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				

Part VI Supplemental Information

Complete this part to provide the following information.

- 1 Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b, and Part V. See Instructions.
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves.
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- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.
- 6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

Part I, Line 7g - Subsidized Health Services Explanation

PHYSICIAN CLINIC PROFESSIONAL SERVICES MAKE UP \$5254745 OF COLUMN C, \$4056519 OF COLUMN D, AND \$1198226 OF COLUMN E. THE COST OF BAD DEBT REMOVED FROM THE COMMUNITY BENEFIT EXPENSE IN COLUMN C IS \$6631.

FRANCES MAHON DEACONESS HOSPITAL'S EFFORTS TO RECRUIT AND RETAIN PHYSICIANS AND OTHER PROVIDERS ARE DEPENDENT ON OUR ABILITY TO COMPETE WITH ALL OTHER COMMUNITIES THAT ARE RECRUITING SIMILAR PHYSICIANS AND PROVIDERS. BECAUSE OF OUR SMALL COMMUNITY SIZE AND REMOTE LOCATION FAR REMOVED FROM MEDICAL COMMUNITIES OF GREATER SCOPE, WE EMPLOY PHYSICIANS AND SUBSIDIZE PHYSICIAN PRACTICES TO OFFER APPROPRIATELY COMPETITIVE SALARIES AND PRACTICE ENVIRONMENTS (SPECIFICALLY, REASONABLE CALL SCHEDULES). WE BELIEVE OUR ABILITY TO OFFER CORE NECESSARY PRIMARY CARE, OBSTETRICS, AND EMERGENCY SERVICES IS DEPENDENT ON SUBSIDIZATION.

Part I, Line 7, Column (f) - Exclusions from Percent of Total Expense

BAD DEBT EXPENSE REPORTED ON FORM 990, PART IX, LINE 25, COLUMN A, BUT REMOVED HERE IS \$50142. JOINT VENTURE AND SUBSIDIZED PHYSICIAN CLINIC PROFESSIONAL SERVICES NOT INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN A, BUT INCLUDED HERE IS \$5858843.

Part VI Supplemental Information

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Part I, Line 7 - Costing Methodology Explanation

USED ADJUSTED COST TO CHARGE RATIOS FOR PATIENT CARE FROM THE MEDICARE COST REPORT, ADJUSTED FOR BED TAX AND COMMUNITY BENEFIT. BAD DEBT EXPENSE AND CHARITY CARE ARE ALREADY EXCLUDED FROM THE MEDICARE COST REPORT.

Part III, Line 4 - Bad Debt Expense Explanation

THE ORGANIZATIONS PATIENT CARE COST TO CHARGE RATIO, AFTER ELIMINATING BAD DEBT, CHARITY CARE, BED TAX, AND COMMUNITY BENEFIT EXPENSE, IS APPLIED TO GROSS BAD DEBT CHARGES TO ARRIVE AT THE COST OF BAD DEBT. DISCOUNTS REDUCE REVENUE AND ARE NOT RECORDED AS BAD DEBT. PAYMENTS RECEIVED ON PREVIOUSLY WRITTEN OFF ACCOUNTS ARE RECORDED AS RECOVERIES OF BAD DEBT WHICH REDUCE BAD DEBT EXPENSE. NONE OF THE BAD DEBT IS CONSIDERED ATTRIBUTABLE TO PATIENTS WHO WOULD QUALIFY FOR FINANCIAL ASSISTANCE. BAD DEBTS ARE AN INEVITABLE RESULT OF OPERATING A NON PROFIT HOSPITAL.

THE BAD DEBT EXPENSE FOOTNOTE IN THE AUDITED FINANCIAL STATEMENTS READS AS FOLLOWS: ACCOUNTS RECEIVABLE ARE CARRIED NET OF AN ESTIMATE FOR UNCOLLECTIBLES AND ALLOWANCES. ACCOUNTS WHICH ARE NOT CONSIDERED COLLECTIBLE ARE WRITTEN OFF AGAINST THE ALLOWANCE ACCOUNT. ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS ARE SET BASED ON HISTORICAL LOSS RATES APPLIED TO AGED ACCOUNTS RECEIVABLE. BAD DEBTS ARE CLASSIFIED AS AN OPERATING

Part VI Supplemental Information

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EXPENSE.**Part III, Line 8 - Medicare Explanation**

THERE IS NO MEDICARE SHORTFALL SINCE CRITICAL ACCESS HOSPITALS ARE REIMBURSED 101 PERCENT OF COST FROM MEDICARE. MEDICARE COSTS ON PART III, LINE 6 ARE DIRECTLY FROM THE MEDICARE COST REPORT. MEDICARE REVENUE ON PART III, LINE 5 IS DIRECTLY FROM THE MEDICARE COST REPORT.

Part III, Line 9b - Collection Practices Explanation

THE ORGANIZATION USES A SLIDING SCALE BASED ON FEDERAL POVERTY GUIDELINES, COMBINED WITH AN ASSET TEST AND A MEDICALLY INDIGENT TEST REGARDLESS OF INCOME, TO DETERMINE ELIGIBILITY FOR FREE OR DISCOUNTED CARE. THE ORGANIZATION DOES NOT ATTEMPT TO COLLECT CHARGES APPROVED AS CHARITY OR FINANCIAL ASSISTANCE UNLESS THE PATIENT QUALIFIED FOR DISCOUNTED CARE AND THEN DEFAULTS ON THE PAYMENT PLAN ON THE BALANCE OF THE ACCOUNT. THIS IS A SPECIFIC POLICY FOR PATIENTS QUALIFYING FOR FREE OR DISCOUNTED CARE.

Part V, Number of Other Types of Facilities

Part VI Supplemental Information

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1 PHYSICIANS' OFFICE**Needs Assessment**

FRANCES MAHON DEACONESS HOSPITAL (FMDH) UTILIZES MANY METHODS OF ASSESSING THE PATIENT SERVICES NEEDS FOR OUR SERVICE AREA. THESE INCLUDE BUT ARE NOT LIMITED TO: ANALYSIS OF OUTMIGRATION STATISTICS OBTAINED THROUGH ACCESS TO THE COMPDATA DATABASE PROVIDED THROUGH THE ORGANIZATION FORMALLY KNOWN AS THE MONTANA HOSPITAL ASSOCIATION, AND, MODELING OF PATIENT TO POPULATION RATIOS TO IDENTIFY AND PLAN FOR THE APPROPRIATE PROVIDER MIX TO SERVE THE COMMUNITY. IN ADDITION, FMDH PARTICIPATED THIS YEAR IN AN AREA HEALTH EDUCATION CENTER LEAD COMMUNITY HEALTH SERVICES DEVELOPMENT ASSESSMENT. IDEAS GENERATED OUT OF EACH OF THESE EFFORTS ARE THEN EVALUATED AS TO THE CAPABILITIES OF OUR ORGANIZATION TO DEVELOP IDENTIFIED SERVICES. MINIMUM CRITERIA FOR DEVELOPMENT OF NEW OR MODIFICATION OF EXISTING SERVICES ARE: THE NEW OR MODIFIED SERVICE CAN REASONABLY FINANCIALLY SUPPORT ITS OPERATION; WE HAVE OR CAN ACQUIRE THE NECESSARY PERSONNEL WITH THE CREDENTIALS TO DELIVER THE SERVICE AND RETAIN ENOUGH PERSONNEL WITH THE REQUIRED SKILL SETS TO AVOID INTERRUPTION OF SERVICE DELIVERY IF SAID PERSONNEL TURN OVER; THE SERVICES CAN BE DELIVERED IN A MANNER THAT ACHIEVES APPROPRIATELY HIGH LEVELS OF PATIENT SATISFACTION.

Part VI Supplemental Information

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Patient Education of Eligibility for Assistance

FRANCES MAHON DEACONESS HOSPITAL EMPLOYS A FINANCIAL COUNSELOR WHO HAS THE SOLE RESPONSIBILITY TO WORK WITH PATIENTS TO NAVIGATE OUR FINANCIAL ASSISTANCE PROGRAMS. ALL PATIENTS ARE SENT INFORMATION AT THE INITIAL BILLING FOR DELIVERED PATIENT SERVICES THAT DESCRIBES OUR FINANCIAL ASSISTANCE PROGRAM. OUR WEBSITE HAS INFORMATION ABOUT OUR FINANCIAL ASSISTANCE PROGRAMS ALONG WITH ACCESS TO THE APPLICATION WHICH WAS SUBSTANTIALLY SIMPLIFIED WITHIN THE LAST TWO YEARS.

.....
Community Information

FRANCES MAHON DEACONESS HOSPITAL IS LOCATED IN GLASGOW MONTANA WHICH IS OVER FOUR HOURS HIGHWAY TRAVEL TIME AWAY FROM ANY TERTIARY MEDICAL CENTER. OUR PRIMARY SERVICE AREA CONSISTS OF GLASGOW MONTANA AND VALLEY COUNTY, POPULATIONS OF 2870 AND 6771, RESPECTIVELY (BASED ON 2009 CENSUS BUREAU ESTIMATES). OUR SPECIALTY SERVICES DRAW FROM PORTIONS OF THE SURROUNDING COUNTIES OF DANIELS, ROOSEVELT, AND PHILLIPS COUNTY. THE AREA IS PRIMARILY AGRICULTURAL BASED WITH LOW POPULATION DENSITIES. OUR POPULATION IS AN OLDER POPULATION WITH 19.9% OF THE POPULATION OVER THE AGE OF 65 (BASED ON THE 2009 CENSUS BUREAU ESTIMATES). THE POPULATION IS MOSTLY WHITE, BUT

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PORTIONS OF OUR EXTENDED SERVICE AREA HAVE HIGH POPULATIONS OF NATIVE
 AMERICAN ANCESTRY TO WHICH WE PROVIDE SERVICES.

Community Building Activities

THE MONETARY AMOUNT LISTED IN THIS SECTION REPRESENTS ACTUAL DUES PAID TO
 ECONOMIC DEVELOPMENT ORGANIZATIONS TO WHICH FRANCES MAHON DEACONESS
 HOSPITAL BELONGS AND PARTICIPATES IN, NAMELY, TWO RIVERS ECONOMIC GROWTH
 AND GLASGOW AREA CHAMBER OF COMMERCE. ECONOMIC DEVELOPMENT INCLUDES
 PLANNING FOR AND PROVIDING THE HEALTH CARE SERVICES THAT EMPLOYERS AND
 THEIR EMPLOYEES REQUIRE.

Health of Community in Relation to Exempt Purpose

FRANCES MAHON DEACONESS HOSPITAL MAINTAINS AN OPEN MEDICAL STAFF. WE ARE
 GOVERNED BY A VOLUNTARY BOARD OF COMMUNITY PERSONS REPRESENTING MOST OF THE
 INDIVIDUAL TOWNS OR GEOGRAPHICAL AREAS OF OUR PRIMARY SERVICE AREA. FOR
 NONELECTIVE SERVICES, WE TREAT PATIENTS WITHOUT REGARD TO ABILITY TO PAY,
 CONSISTENT WITH OUR ORIGINS AS A HILL BURTON FUNDED FACILITY. ALTHOUGH OUR
 HILL BURTON OBLIGATION WAS SATISFIED MANY YEARS AGO, WE STILL ADHERE TO THE
 PRINCIPLES INHERENT IN THAT OBLIGATION. SURPLUS FUNDS ARE RETAINED WITHIN
 THE ORGANIZATION TO ASSURE FULFILLMENT OF OUR CHARITABLE MISSION BOTH IN

Part VI Supplemental Information

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THE PRESENT AND IN THE FUTURE.**Affiliated Health Care Information**

FRANCES MAHON DEACONESS HOSPITAL PROVIDES HOSPITAL INPATIENT AND OUTPATIENT SERVICES. GLASGOW CLINIC PC PROVIDES PROFESSIONAL PRIMARY CARE PHYSICIAN AND MIDDLELEVEL PROVIDER SERVICES. HI-LINE MEDICAL SERVICES INC PROVIDES SPECIALTY PHYSICIAN AND RETAIL PHARMACY SERVICES.

List of States Where Community Benefit Report is Filed

Montana

Additional Information

PART I, LINE 6A: ANNUAL COMMUNITY BENEFIT REPORT FILED WITH MONTANA ATTORNEY GENERAL. ADDITIONALLY THE FORM 990 SCHEDULE H IS CONSIDERED AN ANNUAL COMMUNITY BENEFIT REPORT AND IT IS AVAILABLE TO THE PUBLIC.

PART I, LINE 7E: WE PROVIDE COMMUNITY HEALTH IMPROVEMENT AND EDUCATION IN A NUMBER OF WAYS, INCLUDING BUT NOT LIMITED TO: AN ANNUAL HEALTH FAIR, PAYMENT FOR A SECTION IN THE LOCAL NEWSPAPER THAT PROVIDES EDUCATIONAL ARTICLES DEVELOPED BY OUR ORGANIZATION FOCUSED TO HEALTH CONCERNS PREVALENT

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IN OUR COMMUNITY, AND CLASSES OFFERED TO VARIOUS GROUPS SPECIFIC TO
 PARTICULAR DISEASE PROCESSES.

PART V: GLASGOW CLINIC PC IS A SEPARATE ORGANIZATION THAT IS A RURAL HEALTH
 CLINIC AND IS OPERATED AND SUBSIDIZED BY FRANCES MAHON DEACONESS HOSPITAL
 (FMDH). THEIR REVENUE AND EXPENSES ARE NOT INCLUDED ON FMDH'S FORM 990,
 EXCEPT THAT THE SUBSIDIZED PHYSICIAN ACTIVITY IS INCLUDED ON SCHEDULE H,
 PART I, LINE 7G. HI-LINE MEDICAL SERVICES, INC IS A SEPARATE ORGANIZATION
 THAT INCLUDES SPECIALTY PHYSICIAN PRACTICES AND A RETAIL PHARMACY. FMDH
 MANAGES THIS ENTITY AND SUBSIDIZES THE PHYSICIAN PRACTICES AS NEEDED.
 THEIR REVENUE AND EXPENSES ARE NOT INCLUDED ON FMDH'S FORM 990, EXCEPT THAT
 THE SUBSIDIZED PHYSICIAN ACTIVITY IS SHOWN ON SCHEDULE H, PART I, LINE 7G.