RUNNING THE GAMUT

A snapshot of 802 hospital pension plans monitored by the Pension Benefit Guaranty Corp.

Unfunded benefit liability	Plans	Total unfunded benefit liability ($ in billions)	Percentage of total plan participants	Average funding percentage
None	67	$0	10.0%	107.4%
Less than $5 million	251	0.55	7.8	89.8
$5 million to $50 million	423	7.19	48.2	83.1
$50 million to $100 million	40	2.88	14.8	78.4
$100 million to $250 million	18	2.72	12.8	76.1
More than $250 million	3	0.86	6.3	88.0
Totals	**802**	**$14.19**		**82.2%**

Note: Total percentages don't add up to 100 because of rounding.

Source: Pension Benefit Guranty Corp.

Not an issue for most chains

For the most part, for-profit hospital companies are not in the defined-benefit pension plan game.

According to a March 2008 study of hospital pension plans by the Pension Benefit Guaranty Corp., just 46, or 5.7%, of 802 defined-benefit pension plans are run by for-profit sponsors. Defined-benefit plans are "an anomaly of their past," usually liabilities that came with their acquisitions of not-for-profit hospitals, says Suzanne Kelly, senior financial analyst with the PBGC.

The report lists four companies that account for most of these plans—HCA, Tenet Healthcare Corp., Province Healthcare Co. and Triad Hospitals. The latter two no longer exist as independent companies, as Province was bought by LifePoint Hospitals in 2005 and Triad was bought by Community Health Systems in 2007. A LifePoint spokeswoman says the system did not take on any defined-benefit liabilities as part of its deal. But Community says it did take on obligations as part of its acquisition of Triad.

Community did not, however, take on defined-benefit pension liabilities in two recent acquisitions of not-for-profits, Kelly says. When Community acquired two-campus Wyoming Valley Health Care System, Wilkes-Barre, Pa., in May, the PBGC said it negotiated to have $50 million of the sales proceeds set aside to fund the pension. The other acquisition, which did not involve the PBGC, was two-hospital Empire Health Services, Spokane, Wash.

Community evaluates each acquisition individually to determine whether to take on pension liabilities, spokeswoman Tomi Galin says.

—*Vince Galloro*

lion in unfunded benefit liabilities and a funding ratio below 80%, according to the study. The PBGC spoke with health department officials in New Jersey and New York to make them more aware of the problem and encourage them to discuss it with hospital officials in their states, Kelly says.

Matthew D'Oria, deputy commissioner of the New Jersey Health and Senior Services Department, says his agency's meeting with the PBGC last fall opened a new source of information for its efforts to stay on top of hospital finance in New Jersey. The department gained new oversight powers under a law that was enacted last year (Aug. 18, 2008, p. 12).

"As much data as we get, there's not a lot of specific information about the pensions," D'Oria says. "On the balance sheet, it shows up as a liability, but just one of many. They were able to shed a lot of light on some of our hospitals. We know better now which ones are closer to safe levels for pension funding."

Educating elected officials

The contact with the PBGC has been maintained, and that has led the department to educate state and federal elected officials about the effect that pension liabilities can have on some hospitals, D'Oria says. For example, the agency has told state officials that, he says, "A hospital might look good right now, but they have a looming pension liability coming in a few months that will wipe out their reserves." Health department officials also have spoken with the state's congressional delegation to recommend some measures, perhaps temporary, to ease the burden of pension contributions in light of the actuarial squeeze of cratering equity returns and sharply lower interest rates, he adds.

Neil Benjamin, director of the Division of Health Facility Planning within the New York State Health Department, says his agency's meeting a year ago with the PBGC helped smooth the way for a hospital merger in Amsterdam, N.Y. Amsterdam Memorial Hospital and St. Mary's Hospital were not required to merge under the state's Berger Commission report (Dec. 4, 2006, p. 6), but they took advantage of a voluntary consolidation program that the department calls "Berger look-alikes," Benjamin says.

A sticking point was the pension obligation of 39-bed Amsterdam Memorial, which 143-bed St. Mary's didn't want to assume, the PBGC's Kelly says. The health department gave St. Mary's a $7 million grant that was payable to the PBGC to buy out the hospital's obligation and, in May, the PBGC assumed responsibility for the plan, according to a PBGC news release.

The health department also helped the PBGC with the data collection that it needs for monitoring plans, Benjamin says. The state's Medicaid program requires cost reports that include audited financial statements, he says. Within those statements, the auditors have to report on the funding level of the organization's pension liabilities, he says. The department now provides these cost reports to the PBGC, he adds.

"We've established a good basis of communication with them," Benjamin says. "We'll continue to talk to them."

Kelly adds that the PBGC is open to hospital officials directly. "If they think that they are getting into a problem area," she says, "feel free to talk to us." «