

DATA TRENDS



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uncompensated hospital care: a look at the trends

The two aspects of uncompensated hospital costs are charity care and bad debt. Hospital policies generally determine whether a patient is deemed able to pay for services. *Charity care* is the cost of services (net of any contractual allowances) that patients have been deemed unable to pay. *Bad debt* generally constitutes all other unpaid services for which a hospital expected but did not receive payment (excluding Medicare bad debt).

The Balanced Budget Refinement Act of 1999 established the requirement that short-term, acute care hospitals report uncompensated care costs as part of their Medicare cost reports beginning with periods ending on or after April 30, 2003. Despite this requirement, some hospitals have been delinquent in complying, and some hospitals have not reported uncompensated care costs due to exemptions from cost reporting (e.g., HMO-owned hospitals). Nonetheless, as of Sept. 30, 2006, more than 7,500 cost reports including uncompensated care costs have been filed by more than 2,600 nongovernmental, short-term, acute care hospitals.

An analysis of the data reported to date discloses shifts in the costs of uncompensated care and differences among hospitals. The data show a national decline in uncompensated care as a percentage of total hospital costs, and higher uncompensated care costs among proprietary hospitals as compared with voluntary hospitals.

These findings may be surprising to hospital financial leaders, and indeed the data may change as more recently filed cost reports become available. If these data reflect actual trends, one can only speculate at this time as to the causes. For example, the decline in uncompensated care costs could be due to factors such as improved methods of tracking such care combined with an improved ability to obtain payment from self-pay patients as a result of improved collection techniques. In addition, the difference in uncompensated care costs between proprietary and voluntary hospitals could be attributable to differences in the ways these hospitals go about tracking and measuring these costs. Again, these are only speculations. The actual trends and their causes should begin to emerge as additional cost report data become available. ●

UNCOMPENSATED CARE COSTS FROM THE INCEPTION OF REQUIRED REPORTING

| | Period Ending 2003 | Period Ending 2004 | Period Ending 2005 | Total |
|--|--------------------|--------------------|--------------------|-----------|
| Number of Hospitals (Available Cost Reports) | 2,614 | 2,687 | 2,280 | 7,581 |
| Total Hospital Cost (\$ millions) | \$311,319 | \$341,654 | \$295,498 | \$948,471 |
| Total Cost of Uncompensated Care (\$ millions) | \$40,165 | \$39,323 | \$34,089 | \$113,577 |
| Uncompensated Care as a Percentage of Total Cost | 12.9% | 11.5% | 11.5% | 12.0% |

Source: CMS-2552-96 data (HCRIS file @ 6/30/2006) for proprietary and voluntary hospitals.

UNCOMPENSATED CARE AS PERCENTAGE OF TOTAL COST BY HOSPITAL OWNERSHIP

| | Period Ending 2003 | Period Ending 2004 | Period Ending 2005 | Total |
|--|--------------------|--------------------|--------------------|-------|
| Number of Voluntary Hospitals (Available Cost Reports) | 1,974 | 1,976 | 1,633 | 5,583 |
| Voluntary Hospital Uncompensated Care | 12.6% | 11.4% | 11.5% | 11.8% |
| Number of Proprietary Hospitals (Available Cost Reports) | 640 | 711 | 647 | 1,998 |
| Proprietary Hospital Uncompensated Care | 14.7% | 12.1% | 11.8% | 12.8% |

Source: CMS-2552-96 data (HCRIS file @ 6/30/2006) for proprietary and voluntary hospitals.

This month's Date Trends was developed by CostReportData.com. For additional information, call (866) 585-2678.