



IMPACT OF MEDICAID EXPANSION ON HOSPITAL UNCOMPENSATED CARE

Uncompensated care is an overall measure of hospital care provided for which no payment was received from the patient or insurer. It is the sum of a hospital's "bad debt" and the charity care it provides. Charity care is care for which hospitals never expected to be reimbursed. A hospital incurs bad debt when it cannot obtain reimbursement for care provided. In practice, however, hospitals often have difficulty in distinguishing bad debt from charity care.¹

In 2011, non-tribal Alaska hospitals provided \$91 million in uncompensated care.² Because of difference in cost reporting requirements, data is not available from most tribal hospitals. This summary seeks to quantify the potential impact of Medicaid expansion on hospital uncompensated care.

- Early evidence shows a dramatic drop in uncompensated care for hospitals in states that have expanded Medicaid, due to an increase in Medicaid patient volume. At the same time, the proportion of self-pay and overall charity care has declined in expansion-state hospitals.³
- A Colorado study analyzed data from 465 hospitals in 30 states in the first four months of Medicaid expansion. It found that unpaid care decreased by 30 percent in expansion states and remained essentially unchanged in non-expansion states. The report links an enrollment surge in expansion states to not only the reduction in uncompensated care but also the 25-percent decrease in people paying out of pocket.⁴
- In Alaska, if Medicaid is expanded a decrease in uncompensated care is anticipated. Based on the experience in other states a 20%-30% reduction of uncompensated care could be achieved. This could amount to decrease of between \$18 and \$27 million in uncompensated care at non-tribal hospitals.
- A decrease in uncompensated care could result in improved financial sustainability for Alaska's small/rural hospitals that are currently operating at a deficit. Additional resources will allow Alaska hospitals to better respond to community health needs and provide community benefits.
- Hospitals face looming uncertainty as federal cuts authorized by the ACA increase. These cuts amount to more than \$320 million over ten years for Alaska hospitals.⁵ Hospitals agreed to payment reductions based on the assumption that expanding Medicaid would be mandatory for all states and would make up for losses.
- Pending federal cuts may result in severe financial hardship for hospitals, meaning that they will increase costs to paying patients or provide less uncompensated care to uninsured residents.

¹ American Hospital Association, Uncompensated Hospital Care Cost Fact Sheet

² 2011 Hospital Cost Report data, S-10 worksheet Non-Medicare bad debt line 23 and Charity care to uninsured patients line 29. Data represents 16 non-tribal hospitals for cost reporting period Oct 1, 2010 – Sept 30, 2011.

³ Colorado Hospital Association, Center for Health Information and Data Analytics, June 2014

⁴ Ibid.

⁵ Impact of Existing Medicare Provider Payment Cuts in Alaska, DataGen report, October 2013