



## 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.<sup>1</sup>

### Uncompensated care at Alaska acute care hospitals declined by 23% from 2013 to 2015.

ASHNHA has data representing 15 acute care non-tribal hospitals 2011-2015. To ensure accuracy, uncompensated care numbers are taken from hospital's cost reports that are required to be submitted annually to Medicare and Medicaid.<sup>2</sup> Hospitals have different cost reporting periods based on their fiscal year (calendar, state FY, federal FY) so the data doesn't represent the same time period for each facility. However this does provide a snapshot of uncompensated care.

Uncompensated Care at Alaska Hospitals				
2011	2012	2013	2014	2015
\$ 85,047,723	\$ 90,025,771	\$ 94,475,540	\$ 89,001,149	\$ 72,594,126

Medicaid expansion was implemented in September 2015. For some facilities, the 2015 data represents only three months of Medicaid expansion (those reporting on a calendar year) and for others the data represents nine months of Medicaid expansion (those reporting on a state fiscal year). Until 2016 cost report data is released, it will be difficult to fully assess the impact of Medicaid expansion on uncompensated care in Alaska.

Tribal hospitals are not included in this data because of differences in cost reporting requirements.<sup>3</sup> Tribal hospitals do have uncompensated care, but because of the difference in reporting requirements it is difficult to compare their data to the non-tribal facilities. Tribal facilities report data from patient accounting and general ledger systems and the uncompensated care represents the total amount of gross charges written off for care provided to patients who have no payer source.

### What does a reduction in uncompensated care mean for Alaska's health care system?

- A decrease in uncompensated care can result in improved financial sustainability for Alaska's small/rural hospitals that have been operating at a deficit. Additional resources allow Alaska hospitals to better respond to community health needs and provide community benefits.



- Hospitals face looming uncertainty due to federal cuts authorized by the ACA. These cuts amount to more than \$857 million (-11%) over sixteen years for Alaska hospitals.<sup>4</sup> Hospitals agreed to payment reductions based on the assumption that Medicaid expansion and insurance subsidies would result in fewer uninsured patients. If the ACA Medicare cuts are maintained and Medicaid expansion and insurance subsidies go away, the pressure on hospitals will be significant.
- Small and large hospitals are under increasing regulatory and financial pressure to adapt to a rapidly changing business model and declining reimbursement.
- The health care industry is faced with significant financial pressure and at the same time being asked to transform health care, from a system that rewards volume to one that rewards value. Incentives within the current system are not aligned. Hospitals get paid when people are sick – not for keeping them well or for delivering high-quality, cost-effective care. Health care is undergoing radical transformation, away from a system that pays for volume to a system that pays for value. The reduction in uncompensated care can give hospitals the capital needed to support transformation.

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<sup>1</sup> American Hospital Association, Uncompensated Hospital Care Cost Fact Sheet

<sup>2</sup> Hospital cost report data, schedule S-10 includes the uncompensated care cost numbers - non-Medicare bad debt on line 23 and charity care to uninsured patients line 29.

<sup>3</sup> Hospitals operated by Native health organizations are required to file a Schedule E cost report. The Schedule E cost report is an abbreviated form of cost reporting. As a result they are not obligated by CMS to report charity care or bad debt, simply because this is not a component of Schedule E cost report. Schedule S-10 is not a part of their cost report.

<sup>4</sup> Medicare Payments Cuts in Alaska, February 2017, DataGen Enacted Medicare Cut Analysis report