



Franklin County Charity Care Issues



BRIEFING PACKAGE for *Members of our Community*



A Brewing Healthcare Crisis – Right Here in Our Central Ohio Community

It's no secret that healthcare costs are rising, and that the number of people who lack healthcare insurance coverage or the financial resources to pay for their medical care is growing. Despite everyone's best effort, the challenge of caring for those members of our community is becoming more and more difficult.

The demand for charity care in our community is rising at an alarming and unsustainable rate. The problem is compounded by the fact that the gap between the cost of medical care for low-income Medicaid patients and the reimbursement hospitals receive from the government for providing that care is increasing as well.

These trends provide huge challenges for Columbus's not-for-profit healthcare systems, which provide the lion's share of medical care and health services to members of our community who do not have insurance and are unable to pay. Consequently, **these trends also pose a growing threat to our central Ohio community**, which has long boasted an "equal access" community healthcare system that is the envy of many other communities our size.

Understanding the nature and the magnitude of the challenge is a vital first step toward heading it off.



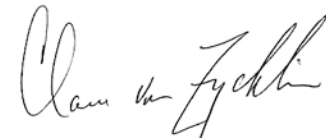
Steve Allen
CEO
Nationwide Children's Hospital



David Blom
President and CEO
OhioHealth



Steven Gabbe
Senior VP for Health Sciences
CEO, OSU Medical Center

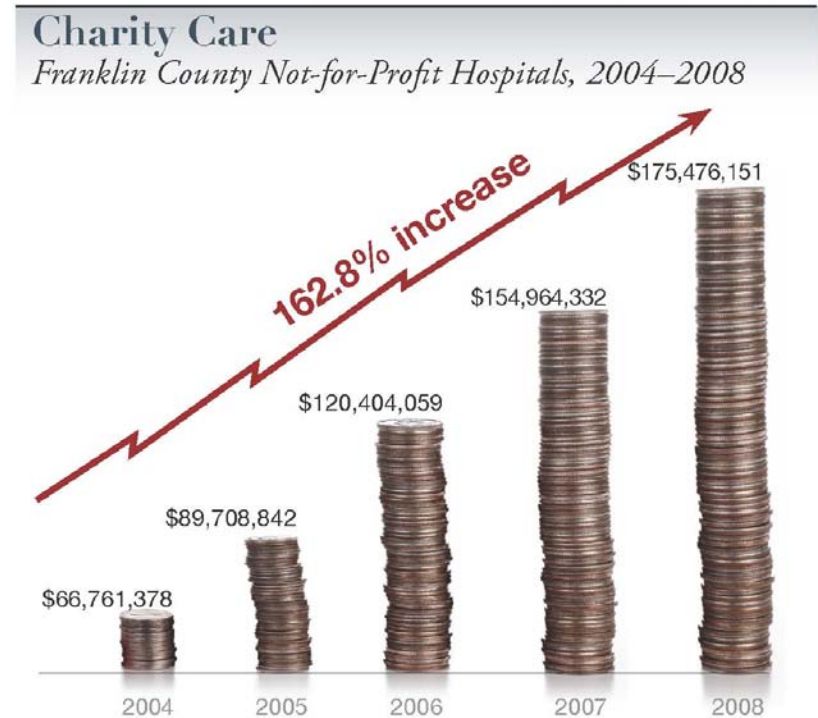


Claus von Zychlin
President and CEO
Mount Carmel Health System

Rising Demand for Charity Care

The cost of charity care to Franklin County's not-for-profit hospitals is skyrocketing at an unsustainable rate.

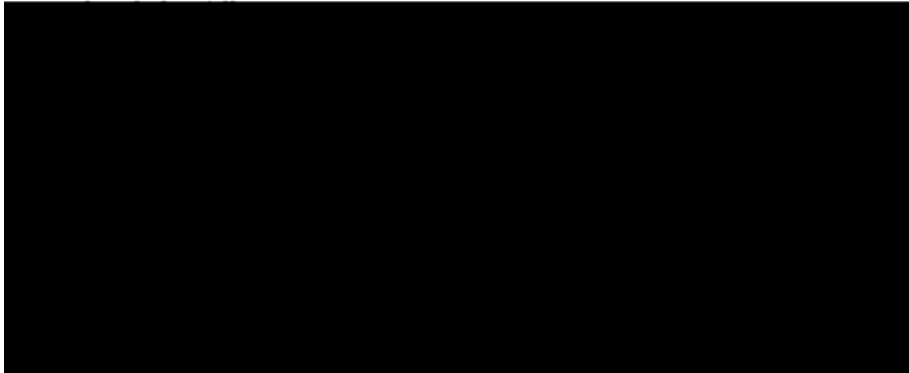
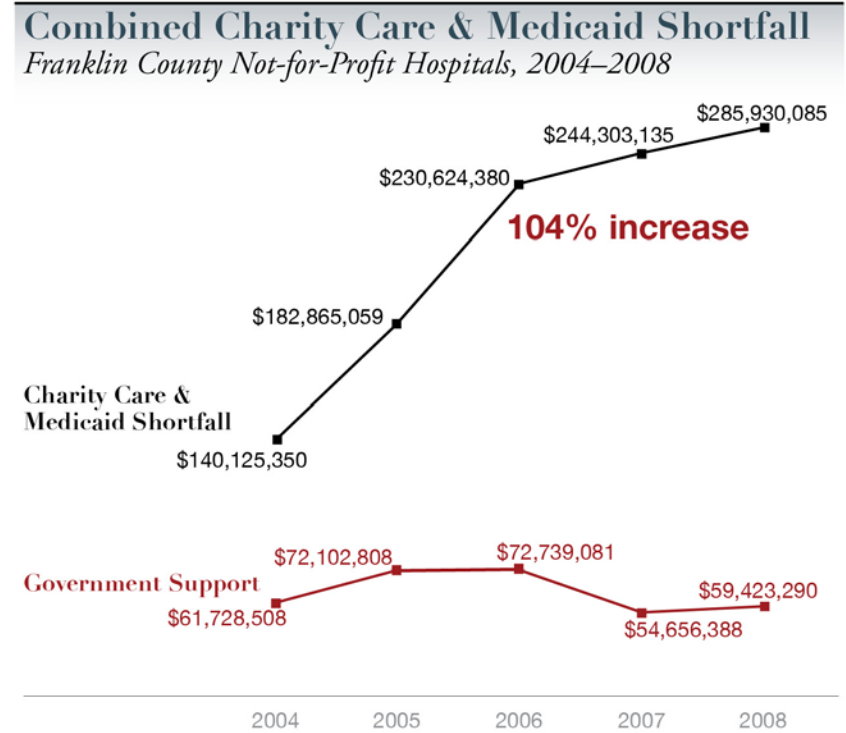
- **In FY 2008, Franklin County's not-for-profit hospitals provided more than \$175 million in charity care** – and that does not include millions of dollars of uncompensated care that physicians on the hospitals' medical staffs provided in their offices and local free clinics.
- The \$175 million in charity care is **\$8 million more** than the combined total dollars raised by United Way of Central Ohio (\$56 million) and awarded by The Columbus Foundation (\$111 million) in 2007.
- Over the five-year period from FY 2004 through FY 2008, the cost of charity care provided by Franklin County's not-for-profit hospitals **increased nearly 163 percent**.



Declining Government Support

In addition to rising charity care costs, **Medicaid payments to hospitals have stayed flat** even as the cost of providing care has continued to rise each year. On top of that, the **government is spending less on programs intended to help hospitals** cover their charity care and Medicaid losses.

- From FY 2004 through FY 2008, the combined cost of charity care and Medicaid shortfall for Franklin County hospitals **more than doubled**.
- Cumulatively, combined gross costs for charity care & Medicaid shortfall over the last five years **exceeded \$1 billion** (\$823 million net).
- Over the same five-year period, government funds provided to our hospitals to mitigate the impact of charity care and Medicaid shortfall **remained relatively flat** (with some year-to-year variation based on timing of the disbursement of funds).
- As a result of the decline in government support, Franklin County hospitals actually experienced a **net increase of 189 percent** for charity care & Medicaid shortfall from 2004 through 2008.



These Trends Pose a Serious Threat to Our Community

The charity care and unpaid care for Medicaid patients provided by Franklin County's not-for-profit hospitals are major components of our community's healthcare "safety net" – and that safety net is being stretched beyond its limits.

What are the risks to our community?

First, without an effective safety net, the uninsured and underinsured in our community may receive healthcare services too late or not at all. Their medical conditions may get worse and require more intensive, costly treatment later – driving up healthcare costs for everyone.

But our community will "pay" in other ways as well.

There Is No Such Thing as “Free” Care

While indigent and uninsured patients may not pay for the medical services they receive, one way or another the rest of the community pays for that care – either directly through higher medical bills or indirectly through higher health insurance premiums. Additionally, as demand for charity care grows and government reimbursements decline, fewer resources are available to:

- invest in the research, education, innovation and technology that improve quality of care for all members of our community
- support community outreach programs that often target some of the most vulnerable segments of our community
- build new facilities that expand access to care and increase capacity to meet community need

And, worst case scenario . . . If charity care and government reimbursement trends continue their current trajectories, **some vital though unprofitable community health services** – such as emergency room services, kidney dialysis, transplants, burn units, poison centers and many others – **could someday disappear.**

Some people ask, “Why don’t hospitals spend less on new facilities and use the dollars saved to cover the cost of charity care?” Several forces drive our capital investments and facilities growth:

- *Need for additional capacity to meet increased demand from population growth and aging population*
- *Marketplace expectations for continued improvements to quality of care through state-of-the-art technology – plus the reality that many outdated facilities cannot support the newest technologies*
- *For-profit specialty facilities siphon away profitable services from hospitals – which hospitals in turn must replace to remain competitive*

Central Ohio's Unique Healthcare Advantage

Central Ohio's network of not-for-profit healthcare systems is one of our community's great assets – and the envy of many comparably sized communities. In fact, the Greater Columbus Chamber of Commerce touts our local healthcare system as a major selling point in its efforts to attract business investment to our community.

What makes central Ohio's healthcare system so special?

- Our four not-for-profit healthcare systems deliver **top-quality care**, as evidenced by many nationally ranked hospitals, programs and physicians, as well as cutting-edge research and innovation that constantly improve care.
- Healthcare in central Ohio is **reasonably priced** compared to other cities our size, providing good value for the money.
- There is a **high degree of collaboration** among the four not-for-profit healthcare systems, contributing to the efficient use of healthcare resources.
- Central Ohio's "**equal access**" system does not discriminate – i.e., rich and poor alike are admitted to the same hospitals and receive the same quality of care, regardless of ability of pay.

What many people don't understand is that our not-for-profit hospitals "pay" for charity care largely through their surplus operating revenues – and that the value of the charity care and other community benefits we have provided over the past several years is much greater than the value of the taxes from which we are exempted.

That's why attacks from some unions and public officeholders challenging our hospitals' 501c(3) not-for-profit status are so troubling. Challenges to our tax-exempt status pose a serious threat to our continuing ability to care for the indigent and uninsured.

Alternatives to “Equal Access” Are Not Attractive

An “equal access” healthcare system is vital to our sense of “community” in central Ohio.

Many communities our size take a different approach to caring for those who can't pay. Either they open a **public charity care hospital**, or they impose a **healthcare tax** to pay for indigent care.

Leaders in our community decided long ago that neither of these two options is desirable. Charity care hospitals often are overcrowded and in some cases – though not all – provide uneven levels of care and/or operate in a manner that fails to respect patients' dignity. And the impact of healthcare taxes on local residents can be expensive and burdensome.

Both options can politicize healthcare, creating divisions within the community by pitting “have's” against “have-not's” – and can be a source of community tension and strife. Both options are less desirable than our community's current approach to providing medical care for the least fortunate members of our community.

Agreement among hospitals on a policy for sharing the charity care burden is unique – it's something our community should be proud of, and something we should preserve.

Franklin County hospital leaders recently reaffirmed their longstanding commitment to share responsibility for providing care to all members of our community, regardless of their ability to pay. As part of that commitment, our hospitals have adopted a uniform set of charity care guidelines.

Looking Ahead

Our community's approach to healthcare, in which all people regardless of economic status receive the same quality of care at the community's acute care hospitals, is truly special and should be preserved.

The challenges we face – as not-for-profit healthcare systems, and as a caring community –are unprecedented. The demand for charity care is rising at levels that are simply unsustainable.

This is much bigger than a hospital issue – it's a community issue. Any response we craft must be a community response. That's why we need input from community leaders like you.

If we don't come together as a community to protect the existing healthcare system that has served us well for decades, we could end up with alternatives that no one will want or be happy with. As central Ohio's healthcare leaders, we invite your thinking on how we can come together in a purposeful way – as a community – to better understand the threat, and to work creatively and collaboratively to develop an appropriate community response.

APPENDIX A

Definitions

- **Charity Care** is free care provided to individuals who do not have insurance (or who have inadequate insurance) and are unable to pay themselves. These individuals do not receive a hospital bill. In this report, charity care figures are based on actual cost of care – not posted hospital charges.
- **Medicaid Shortfall** refers to the unpaid cost of care provided to Medicaid patients (low-income children and parents, pregnant women and people with disabilities). It is the cost of care less the amount paid by the government.
- **HCAP (Hospital Care Assurance Program)** is a government program that allocates funds to hospitals to help cover some of the cost of uncompensated services they provide to the indigent and uninsured.
- **UPL (Upper Payment Limit)** a government program that allocates funds to certain hospitals to make up the difference between Medicaid reimbursement and Medicare reimbursement. In effect, hospitals eligible for UPL assistance are compensated for caring for Medicaid patients at a higher Medicare rate.

APPENDIX B

Franklin County Hospitals' Charity Care Guidelines

Free Care (HCAP)

- Free, medically necessary hospital care for Ohio residents with family incomes under 100% of the federal poverty income limits (FPL) as outlined in OAC 5101:3-2-07.17.
- Documentation is generally required.

Charity Care

- Patients are encouraged to apply for Medicaid or assist with any other third-party payer that might cover care.
- Because of the significant number of children without commercial health insurance who are eligible for Medicaid, parents seeking care for their children at Children's Hospital are required to apply for Medicaid before they can access the hospital's charity care program. The actual delivery of care will not be denied.
- Free medically necessary hospital care for patients with family incomes between 101% and 200% of FPL.
- Discounted medically necessary, hospital care based on dual sliding scale developed from both FPL and total charges up to 400% FPL.

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- Hospital may deny out-of-panel, non-emergency care after patient notification and if they reside in out of system service areas.
- Family unit for income calculations is based on HCAP.
- Income may include assets, if available.
- “Untimely” applications may be denied.

Special Circumstances, Hardship Cases, Catastrophic Care

- Assets may be considered in determination if available.
- Full or partial discounts are considered on a case-by-case basis when patient’s unusual financial situation, medical debt or other unusual circumstance prevent them from qualifying for charity care programs or applying for public assistance.

Collection Activity

- Hospitals have a rigorous process for due diligence to assure that patients are treated fairly and those who have ability to help pay for care is required to do so.
- Decision to forward case for action requires the internal judgment of a designated hospital leader or committee.
- Legal action may be pursued against patients who have the means to pay but are unwilling.



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