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Rhode Island Uncompensated Hospital Care (2009)

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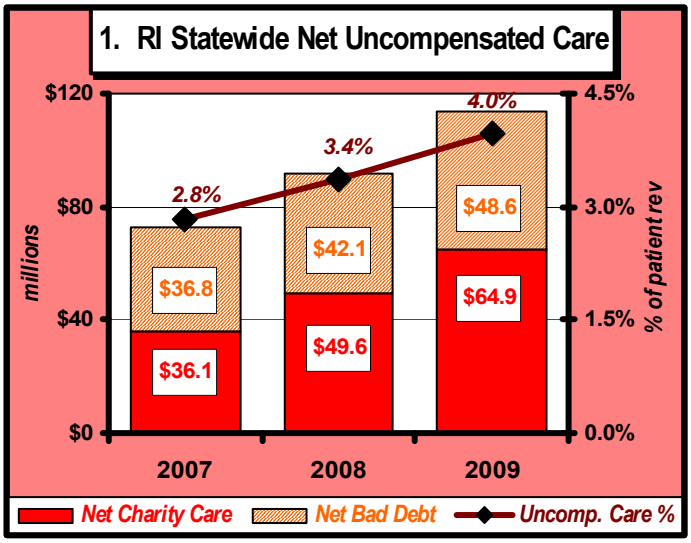
I: EXECUTIVE SUMMARY

Rhode Island patients received seven percent more uncompensated care in 2009 than in 2008; (from $122 million in 2008 to $130 million in 2009) however, the net cost of that care to the hospitals rose 24% ($92 million in 2008, $114 million in 2009). Statewide, the hospitals' burden of uncompensated care was 4.0% of patient revenue in 2009 (up from 3.4% in 2008). In 2009, Lifespan provided the largest amount of uncompensated care (5.0%), followed by the independent hospitals (3.3%), and Care New England (2.7%). When license fees are excluded from the uncompensated care costs, the statewide net uncompensated care figure is $30 million, representing a 12% decrease from $34 million in 2008.

Rhode Island's 13 hospitals are organized as private, non-profit corporations. As such, they deliver healthcare services without regard to a patient's ability to pay. In 2008, Rhode Island had 118,000 uninsured residents, and the hospitals are the acute providers of last resort for this population. The purpose of this report is to measure the amount of uncompensated care (charity care and bad debt) hospitals provide, and to quantify the financial burden of this care on the hospitals. In addition, the ethnic and racial demographic breakdown of charity patients is presented.



All hospitals in the state offer charity care in their communities in return for the benefits of tax-exempt status. Hospitals also incur a portion of their uncollected billings as bad debt. Charity care is provided to medically indigent patients without the expectation of payment (and for whom charges are not ultimately booked as revenue), while bad debt represents the charges for care provided to patients who fail to pay and written off as an operating expense.

In 2009, patients received $70 million in charity care, and the net cost of this care to the hospitals after deducting revenue subsidies from the government and private benefactors was $65 million. The standardized burden of charity care on the hospitals, represented by the percentage of patient revenue, was 2.2%, up from 1.8% in 2008.

More than 50,000 applications for charity care were received in 2009. Of those, 55% were from Whites, 25% were from Hispanics/Latinos, 13% were from Blacks/African Americans, and 7% were from another race.

In 2009, hospitals reported $60 million in bad debt, and the net cost of these services to the hospitals (after receiving governmental revenue subsidies) was $49 million. The standardized burden of bad debt on the hospitals (represented by the percentage of patient revenue) was 1.7%, up from 1.5% in 2008.

II: INTRODUCTION

The majority of the state's hospitals' charters or articles of incorporation indicate they operate for benevolent purposes *(Table 1).* In recognition of the fact that hospitals are charitable community resources and in expectation of the public benefits to be provided, the General Assembly charters typically provide that hospitals "…shall not at any time be liable to be assessed in the apportionment of any state, city, or town." Some charters further stipulate that care is to be provided to "the needy" or "the poor," and certain hospitals have been endowed with monies specifically for this purpose.

Table 1: Hospital Charters/Articles of Incorporation (Association)

Bradley	**1957**	*"...for the purpose of managing, supervising, and controllong the Emma Pendleton Bradley Home, a charitable hospital ...(to) be forever kept and maintained as a place for the care, treatment, and relief and support of poor and needy persons afflicted with nervous or other chronic diseases ..."*
Butler	**1844**	*"...(establish) The Rhode Island Asylum for the Insane ...(by) the erection, support and maintenance of an asylum for lunatic and insane persons, and for carrying into full effect the charitable and humane intentions of the corporation..."*
Kent	**1946**	*"...for the purpose of organizing, erecting, acquiring, equipping, supporting, operating and maintaining a non-profit hospital for the sick, disabled, and injured in Kent county..."*
Landmark	**1873**	*"...(establish) The Woonsocket Hospital...(by) the erection, support and maintenance of an hospital for the relief, cure and general care of the sick; such hospital to be located in the town of Woonsocket, and such relief to be so far charitable as its means and endowments will permit."*
Memorial	**1901**	*"...for the purpose of erecting, establishing and maintaining in the city of Pawtucket and State of Rhode Island, a hospital for the treatment of the sick and of those who may be suffering from accidents or injuries."*
Miriam	**1926**	*"...for the purpose of organizing, erecting, acquiring, equipping, transacting and maintaining a hospital and in connection therewith a training school for nurses for the sick, disabled, and injured in the city of Providence..."*
Newport	**1873**	*"...for the purpose of establishing and maintaining a hospital in Newport for the purpose of receiving, caring for, and healing the sick or hurt by accident or otherwise." "The Corporation is organized exclusively for hospital, charitable, scientific and education purposes as a non-business, not-for-profit corporation..."*
RIH	**1863**	*"...the establishment of a charitable institution...(for) the special need in the State of a hospital for the sick, and for those that may be disabled by accidents and injuries..."*
RWMC	**1904**	*"...(establish) the Homeopathic Hospital of Rhode Island, for the purpose of establishing and maintaining a hospital and of rendering medical and surgical aid to those in need thereof, and especially for the purpose of assisting such poor and unfortunate persons as are in need of medical and surgical treatment and are unable to pay therefor..."*
S. County	**1920**	*"...for the purpose of organizing, acquiring, equipping, supporting and maintaining a hospital for the sick, disabled, and injured in Washington county..."*
St. Joseph	**1892**	*"...(establish) St. Joseph's Hospital, for the purpose of providing medical aid and surgical treatment for the sick of all denominations..."*
Westerly	**1921**	*"...for the purpose of establishing and maintaining a hospital in the Town of Westerly; of rendering medical and surgical aid to those in need thereof especially those unable to pay therefor..."*
W&I	**1884**	*"...(establish) The Providence Lying-in-Hospital, for the erection, support and maintenance of a lying-in hospital in the city of Providence..."*

Rhode Island does not have any public assistance hospitals for those who are indigent. Thirteen hospitals are licensed by the state, and all of these hospitals are incorporated as private, non-profit Rhode Island corporations. As such, they traditionally provide healthcare services in their communities without regard to a patient's ability to pay. Charity care is considered to be one of the most fundamental public benefits offered by these hospitals in return for the benefits of tax-exempt status.

This report documents the provision of hospital charity care and the incurrence of bad debt thus fulfilling the statutory reporting requirements of RIGL 23-17.14-15 (b) & (d). This report is not a cost-benefit analysis of hospital tax-exemption in the state, nor is it a compendium of hospital community benefits. Bad debt is included here but not considered a community benefit.[1]

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[1] *A Guide for Planning and Reporting Community Benefit, The Catholic Health Association and Voluntary Hospital Association, Inc., 2006, www.chausa.org*

Instead, bad debt is recognized as a customary cost of doing business and is not attributed to any underserved population or unmet healthcare need.

This report offers an accounting of charity care and bad debt by: cost-adjusting the charge amounts to yield comparable costs, deducting the revenue subsidies to calculate the net costs, and presenting the net costs as a percentage of patient revenue to quantify standardized burdens. Section VI provides a racial and ethnic breakdown of patients who receive charity care in the state.

III: BACKGROUND

In Rhode Island, all hospitals provide unreimbursed healthcare services to patients who are uninsured, underinsured, and in some cases, fully insured. Depending on the patient's financial status, these services are classified as either charity care or bad debt. Charity care is the unbilled charges for services delivered but never recognized as revenue. For charity care, the hospital uses a means test to determine if the patient is incapable of payment. Bad debt is the charges billed for services rendered, but never collected, and written off as an operating expense. Bad debt can be a result of a patient's inability or unwillingness to pay for the services they receive.

Identifying patients who qualify for charity care is an inexact process. The patients must request assistance, and some patients may be hesitant to disclose financial hardship. Therefore, both charity care and bad debt are examined in this report.

There are no guidelines about how much charity care nonprofit hospitals should provide. Prior to 1969, a tax-exempt hospital had to be organized for a charitable purpose and "…be operated to the extent of its financial ability for those (patients) not able to pay…"[2] In 1969, the IRS replaced the charity care requirement with the mandated community benefit standard because it believed that Medicare and Medicaid would eliminate the need for charity care.[3]

As local and state governments struggle with budget deficits and there are increasing numbers of uninsured people, non-profit hospitals are under greater scrutiny to provide larger amounts of charity care. Some taxing authorities have legally challenged a hospital's tax-exemption based on its provision of charity care.[4]

Historically, each hospital (or hospital system) in the state had its own criteria to qualify patients for financial aid or charity care. On April 1, 2007, the Rhode Island Department of Health (HEALTH) implemented hospital licensing regulations that standardized the provision of charity care to uninsured Rhode Islanders with household incomes of up to 200% of the federal poverty levels (FPL).[5] In accordance with these regulations, hospitals must submit an annual report on charity care to HEALTH.

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2 *IRS Revenue Rule 56-185, 1956-1 C.B. 202*
3 *IRS Revenue Rule 69-545, 1969-2 C.B.117*
4 *Provena Covenant Medical Center case in Urbana, Illinois.*
5 *Sections 1.6, 11.3d & 11.3e of the Rules & Regulations for R.23-17.14-HCA*

IV: METHODOLOGY

When hospitals report charity care and bad debt to HEALTH, they are recorded as charges and include the percentage by which prices are set above costs. Markups vary widely among hospitals, so the reported numbers must be standardized across hospitals. The control for this factor is to estimate the actual expenses incurred to provide services by multiplying the recorded amounts of charity care and bad debt by the hospital-specific annual ratio of costs to charges (the reciprocal of the markup).

Evaluating uncompensated care expenses without considering the revenue and income hospitals receive for such care can present an incomplete and misleading picture. There are three main sources of funds to subsidize hospitals' charity care and/or bad debt: Medicaid Disproportionate Share Hospital (DSH) payments, income generated from charity care endowments, and Medicare bad debt payments.

Medicaid DSH was established by the Omnibus Budget Reconciliation Act of 1981 to provide additional funding to those hospitals that treat a disproportionate share of Medicaid and low-income patients. Rhode Island's Medicaid DSH program is jointly funded by the federal government and a state revenue match. The Rhode Island Department of Human Services (DHS) administers the program, and regards it as a funding source to offset hospital charity care, bad debt and the difference between Medicaid reimbursement and the hospital expenses incurred to provide services to that population. Therefore, net Medicaid DSH (after deducting the hospital license fees) is apportioned among these three categories, and only those amounts attributable to charity care and bad debt are considered revenue offsets.

Debate continues over whether it is appropriate to subtract hospital license fees from DSH payments when calculating the DSH offsets to charity care and bad debt. Proponents contend that the fees were instituted in 1994 to, in part, be leveraged by the state to secure additional federal Medicaid matching funds, which would then be distributed back to the hospitals through increased DSH payments. Opponents contend that the license fees have become a normal cost of operating hospitals and are completely divorced from any charitable effort. They argue that the fees are based on a percentage of the hospitals' net patient revenue and are independent of how much charity care is provided or how much bad debt is incurred. Pending a final decision on this matter, the data are presented both ways in this report. License fees are netted from DSH payments, and Appendix B presents the data without the fees. The differences are significant. In 2009, statewide net uncompensated care was $113.6 million (4.0% of patient revenue) with the fees, compared to $30.1 million (1.1% of patient revenue) without the fees.

In Rhode Island, charity care endowments and investments totaled $1.7 billion in 2009,[6] and $87 million of these funds are restricted by the donors to use for patients who are unable to pay. Therefore, the income generated by these investments is considered a revenue offset to charity care and not to bad debt.

Medicare bad debt payments are federal monies that most hospitals receive to cover a portion of their uncollectibles from Medicare patients. In an effort to address their own expenses, Medicare reimburses a portion of its members' unpaid deductibles and coinsurance. Since the Benefits Improvement and Protection Act of 2000, hospitals have been reimbursed for 70% of their Medicare bad debt. Therefore, these payments are considered an offset to bad debt and not to charity care.

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6 *The Health of RI's Hospitals (2009); Cryan, B., HEALTH, August 2010.*

The calculation for net charity care is: CHARITY CARE COSTS (charity care charges foregone x ratio costs to charges) – APPORTIONED AMOUNT OF NET MEDICAID DSH ((Medicaid DSH payments – hospital license fee) x (charity care costs / (charity care costs + bad debt costs + Medicaid shortfalls)) – CHARITY CARE ENDOWMENTS INTEREST & DIVIDENDS.

The calculation for net bad debt is: BAD DEBT COSTS (bad debt x ratio costs to charges) – APPORTIONED AMOUNT OF NET MEDICAID DSH ((Medicaid DSH payments – hospital license fee) x (bad debt costs / (charity care costs + bad debt costs + Medicaid shortfalls)) – MEDICARE BAD DEBT PAYMENTS.

Two measures of net charity care and net bad debt are presented: absolute and relative. The absolute amount measures the net dollar value of care provided by each hospital. The relative amount is the standardized encumbrance or burden on the hospital.

Benchmarking the provision of uncompensated care is difficult because there is no standardized methodology for measuring charity care and bad debt, and there is no comparable national, regional, or state data. The American Hospital Association (AHA), uses a different methodology and calculated the national 2008 uncompensated care percentage at 5.8% (of total expenses).[7] Using AHA's methodology, the equivalent value for RI was 4.3% in 2008.

Appendix A provides the raw data, sources, and formulas used in the report, and Appendix B provides the uncompensated care amounts and burdens without factoring in the license fees. The data specific to section VI were provided by the HEALTH's Division of Community, Family Health, and Equity. Categorical groups include Care New England (Butler, Kent, Women & Infants), Lifespan (Bradley, Miriam, Newport, Rhode Island Hospital), and the independents (Landmark, Memorial, Roger Williams, South County, St. Joseph, Westerly). Roger Williams and St. Joseph affiliated under CharterCARE Health Partners in 2010, but were independent for the time period covered by this report.

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7 .*Uncompensated Hospital Care Cost Fact Sheet, American Hospital Association, November 2009*

V: UNCOMPENSATED CARE COSTS

Table 2 presents the costs incurred by the hospitals for providing uncompensated care (charity care and bad debt).

Table 2: RI Uncompensated Care *(cost-adjusted charges)*

dollars in millions	Charity Care				Bad Debt				Uncompensated Care			
	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change
Bradley	$0.3	$0.7	$0.5	-20%	$0.0	$0.03	$0.4	1242%	$0.3	$0.7	$0.9	29%
Butler	$0.3	$0.6	$0.7	4%	$0.6	$1.0	$0.8	-16%	$0.9	$1.6	$1.5	-8%
Kent	$2.2	$2.7	$3.4	29%	$5.9	$6.5	$6.7	3%	$8.2	$9.1	$10.1	11%
Landmark	$1.5	$1.1	$1.3	18%	$3.8	$3.9	$4.0	3%	$5.3	$5.0	$5.3	6%
Memorial	$1.5	$2.0	$2.3	15%	$5.6	$6.1	$5.9	-3%	$7.1	$8.0	$8.2	1%
Miriam	$5.7	$7.1	$8.8	24%	$4.4	$4.3	$4.5	4%	$10.1	$11.4	$13.3	17%
Newport	$2.4	$3.2	$2.9	-9%	$3.1	$2.0	$2.5	24%	$5.5	$5.3	$5.5	4%
RI Hospital	$27.2	$35.2	$39.6	12%	$18.9	$19.2	$17.3	-10%	$46.1	$54.3	$56.8	5%
RWMC	$2.9	$2.8	$2.4	-12%	$4.0	$4.4	$4.8	10%	$6.9	$7.2	$7.3	1%
S. County	$0.6	$0.5	$0.5	0%	$3.1	$3.0	$3.0	0%	$3.7	$3.5	$3.5	0%
St. Joseph	$1.9	$1.6	$1.8	10%	$3.0	$4.3	$4.2	-3%	$4.8	$6.0	$6.0	0%
Westerly	$0.5	$0.5	$0.4	-13%	$1.9	$2.4	$2.7	14%	$2.4	$2.8	$3.1	9%
W&I	$2.5	$4.4	$5.6	29%	$3.1	$2.3	$2.9	27%	$5.6	$6.7	$8.6	28%
STATEWIDE:	*$49.6*	*$62.3*	*$70.3*	13%	*$57.3*	*$59.4*	*$59.8*	1%	*$106.9*	*$121.7*	*$130.1*	7%
CARE N.E.	*$5.1*	*$7.7*	*$9.7*	27%	*$9.6*	*$9.8*	*$10.5*	7%	*$14.7*	*$17.5*	*$20.2*	16%
LIFESPAN	*$35.6*	*$46.2*	*$51.9*	12%	*$26.4*	*$25.6*	*$24.7*	-3%	*$62.0*	*$71.7*	*$76.5*	7%
INDEPENDENTS	*$8.9*	*$8.4*	*$8.7*	3%	*$21.3*	*$24.1*	*$24.6*	2%	*$30.2*	*$32.5*	*$33.3*	3%

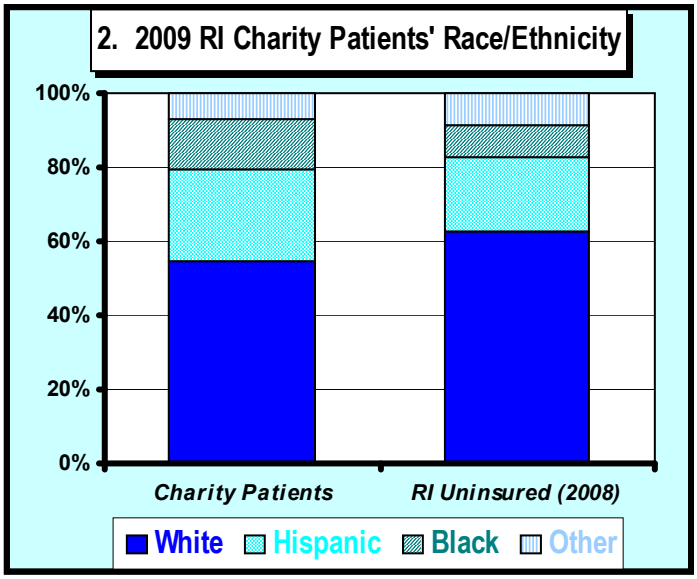
In 2009, patients received $130.1 million in uncompensated hospital services, including $70.3 million in charity care and $59.8 million in bad debt. Since 2008, uncompensated care increased by 7%, charity care increased by 13%, and bad debt increased by 1%. In 2009, uncompensated care costs increased the most at Care New England (16%), followed by Lifespan (7%), and the independents (3%).

Since 2007, a number of factors have caused an increase in the demand for charity care to the point where it now exceeds the amount of bad debt, but this report will not explore those factors.

VI: CHARITY PATIENT DEMOGRAPHICS

In 2009, there were more than 50,000 medically indigent (charity care) applications approved (4.8% of the state population if all applications represent unique individuals). On average, each charity-care patient received $1,339 in free healthcare services.

Chart 2 presents the racial and ethnic composition of the charity-care patients, compared to the composition of the state's uninsured. Whites comprised 58% of the uninsured and represented 55% of the charity-care patients, Hispanic/Latinos comprised 26% of the uninsured and 25% of the charity-care patients, African Americans represented 7% of the uninsured and 13% of the charity-care patients, and those in other racial or ethnic groups comprised 9% of the uninsured group and 7% of the charity patients.



Whites, Hispanic/Latinos, and those in the other racial group used charity hospital services in proportion to their representation in the uninsured population. African Americans used a higher proportion of charity-care services (13%) compared to their representation in the uninsured population (7%).

VII: NET UNCOMPENSATED CARE COSTS

Table 3 presents the net hospital costs from providing uncompensated care after all subsidies are considered. The revenue offsets are not patient payments but governmental contributions and private donations.

Table 3: RI Net Uncompensated Care *(net of revenue subsidies)*

dollars in millions	Charity Care				Bad Debt				Uncompensated Care			
	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change
Bradley	$0.2	$0.6	$0.5	-19%	<$0.1	<$0.1	$0.3	1261%	$0.2	$0.6	$0.8	31%
Butler	$0.3	$0.6	$0.6	7%	$0.2	$0.5	$0.3	-53%	$0.5	$1.1	$0.9	-22%
Kent	$2.2	$2.6	$3.4	34%	$5.0	$5.4	$5.7	6%	$7.2	$7.9	$9.1	15%
Landmark	$1.3	$0.8	$1.1	37%	$2.7	$2.1	$2.7	29%	$4.0	$2.9	$3.8	31%
Memorial	$0.7	$1.5	$1.9	29%	$2.7	$4.6	$4.9	6%	$3.4	$6.1	$6.8	11%
Miriam	$5.7	$7.1	$8.8	24%	$3.2	$3.2	$3.4	8%	$8.9	$10.3	$12.3	19%
Newport	$1.7	$3.0	$2.8	-7%	$2.3	$1.6	$2.3	40%	$4.0	$4.6	$5.1	9%
RI Hospital	$19.0	$26.8	$36.3	36%	$11.6	$12.6	$13.9	10%	$30.6	$39.4	$50.3	28%
RWMC	$1.8	$2.0	$2.0	3%	$2.2	$2.9	$3.6	24%	$4.0	$4.9	$5.6	15%
S. County	$0.6	$0.5	$0.5	-1%	$2.9	$2.8	$2.8	1%	$3.5	$3.3	$3.3	1%
St. Joseph	$0.7	$1.3	$1.8	38%	$0.5	$2.7	$3.6	33%	$1.2	$4.0	$5.4	35%
Westerly	$0.2	$0.1	$0.1	-16%	$1.6	$2.2	$2.6	18%	$1.8	$2.3	$2.7	16%
W&I	$1.7	$2.9	$5.1	78%	$2.0	$1.4	$2.6	78%	$3.7	$4.3	$7.7	78%
STATEWIDE:	*$36.1*	*$49.6*	*$64.9*	31%	*$36.8*	*$42.1*	*$48.6*	15%	*$72.9*	*$91.7*	*$113.6*	24%
CARE N.E.	*$4.2*	*$6.0*	*$9.1*	52%	*$7.2*	*$7.4*	*$8.5*	16%	*$11.4*	*$13.4*	*$17.7*	32%
LIFESPAN	*$26.6*	*$37.4*	*$48.4*	29%	*$17.1*	*$17.5*	*$20.0*	14%	*$43.7*	*$54.9*	*$68.4*	25%
INDEPENDENTS	*$5.3*	*$6.1*	*$7.4*	20%	*$12.5*	*$17.3*	*$20.1*	17%	*$17.8*	*$23.4*	*$27.5*	18%

In 2009, hospitals incurred $113.6 million in net uncompensated care costs, including $64.9 million in net charity care and $48.6 million in net bad debt. Since 2008, net uncompensated care increased by 24%, net charity care increased by 31%, and net bad debt increased by 15%.

The components of net uncompensated care have shifted in the past two years. In 2007, the overall mix was 50% charity care to 50% bad debt. In 2009, those amounts were 57% and 43%, respectively. In 2009, Lifespan had the highest proportion of charity care (71%), followed by Care New England (52%), and the independents (27%).

VIII: UNCOMPENSATED CARE BURDENS

Table 4 compares each hospital's net uncompensated care burdens from 2007 to 2009. Net uncompensated care is uncompensated care costs less the revenue received from non-patient sources to subsidize that care. These amounts are further standardized by presenting them as a percentage of patient revenue to assess the actual financial burdens on the hospitals.

Table 4: RI Uncompensated Care *(net costs as a % of patient revenue)*

	Charity Care				Bad Debt				Uncompensated Care			
	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change
Bradley	0.5%	1.1%	0.9%	-22%	<0.1%	<0.1%	0.6%	1212%	0.5%	1.2%	1.5%	26%
Butler	0.6%	1.2%	1.1%	-8%	0.5%	1.1%	0.4%	-60%	1.1%	2.3%	1.5%	-33%
Kent	1.0%	1.0%	1.2%	24%	2.1%	2.1%	2.1%	-2%	3.1%	3.1%	3.3%	7%
Landmark	1.0%	0.6%	1.0%	62%	2.0%	1.6%	2.4%	53%	3.0%	2.2%	3.4%	55%
Memorial	0.4%	0.9%	1.1%	26%	1.7%	2.8%	2.9%	4%	2.1%	3.7%	4.0%	9%
Miriam	2.0%	2.3%	2.6%	16%	1.1%	1.0%	1.0%	1%	3.1%	3.3%	3.7%	11%
Newport	1.7%	2.9%	2.6%	-10%	2.2%	1.6%	2.2%	36%	3.9%	4.5%	4.8%	6%
RI Hospital	2.3%	3.2%	4.1%	29%	1.4%	1.5%	1.6%	5%	3.8%	4.7%	5.7%	22%
RWMC	1.2%	1.2%	1.2%	-3%	1.4%	1.8%	2.1%	16%	2.6%	3.0%	3.3%	8%
S. County	0.7%	0.5%	0.4%	-10%	3.3%	2.8%	2.6%	-8%	3.9%	3.3%	3.0%	-8%
St. Joseph	0.4%	0.7%	1.0%	37%	0.3%	1.6%	2.0%	31%	0.7%	2.3%	3.1%	33%
Westerly	0.2%	0.1%	0.1%	-22%	2.2%	2.7%	2.9%	9%	2.4%	2.8%	3.0%	7%
W&I	0.6%	0.9%	1.6%	67%	0.7%	0.5%	0.8%	67%	1.3%	1.4%	2.4%	67%
STATEWIDE:	*1.4%*	*1.8%*	*2.3%*	25%	*1.4%*	*1.5%*	*1.7%*	10%	*2.8%*	*3.4%*	*4.0%*	18%
CARE N.E.	*0.7%*	*1.0%*	*1.4%*	41%	*1.3%*	*1.2%*	*1.3%*	7%	*2.0%*	*2.2%*	*2.7%*	22%
LIFESPAN	*2.1%*	*2.9%*	*3.5%*	23%	*1.4%*	*1.3%*	*1.5%*	9%	*3.5%*	*4.2%*	*5.0%*	18%
INDEPENDENTS	*0.7%*	*0.8%*	*0.9%*	19%	*1.6%*	*2.1%*	*2.4%*	15%	*2.3%*	*2.9%*	*3.3%*	16%

The statewide 2009 uncompensated care burden was 4.0%, including 2.3% in charity care and 1.7% in bad debt. Since 2008, the uncompensated care burden increased by 18%, the charity care burden increased by 25%, and the bad debt burden increased by 10%. Eleven of the hospitals saw an increase in ithier 2009 uncompensated care burden.

In 2009, Lifespan had the highest 2009 uncompensated care burden (5.0%), followed by the independents (3.3%), and Care New England (2.7%). Lifespan also had the highest charity care burden (3.5%), followed by Care New England (1.4%), and the independent hospitals (0.9%).

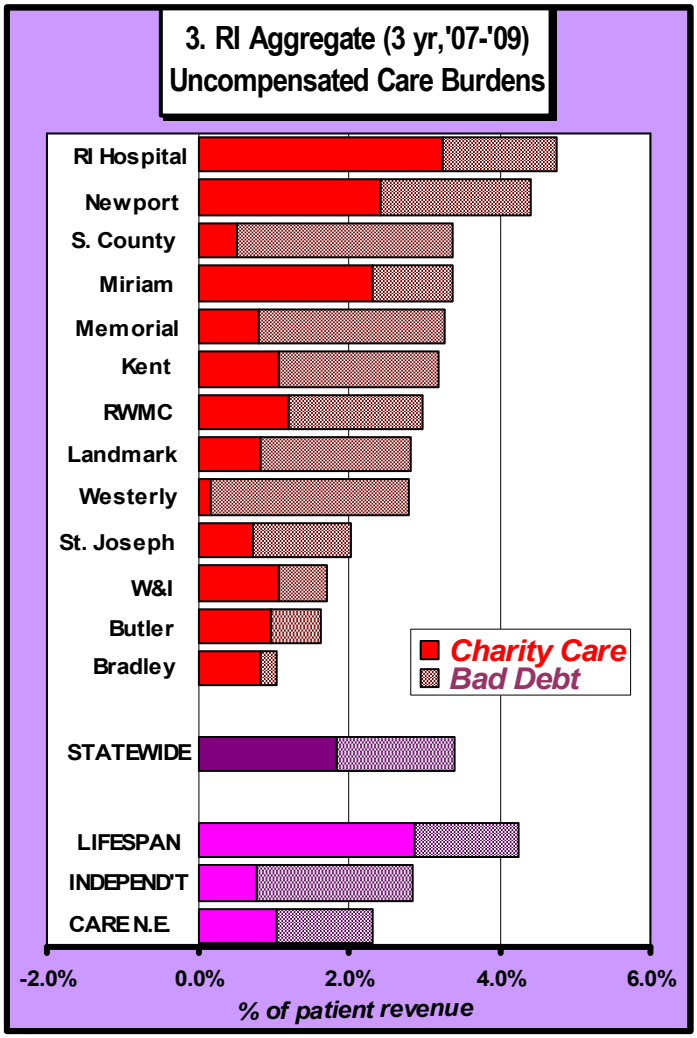
Chart 3 presents each hospital's charity-care and bad-debt burdens for the 2007-2009 time span. Aggregating three years' of data eliminates any outliers associated with reporting only a single year.

For 2007-2009, the uncompensated care burden was 3.4%. Individually, Rhode Island Hospital (4.8%), Newport Hospital (4.4%), and South County Hospital (3.4%), had the largest burdens, while Bradley Hospital (1.1%), Butler Hospital (1.6%), and Women & Infants Hospital (1.7%) had the smallest burdens.

For 2007-2009, statewide charity care burden was 1.8%. These rates ranged from a low of 0.2% (Westerly) to a high of 3.2% (Rhode Island Hospital).

Individual differences in hospital charity burdens cannot be fully explained by differences in their financial-aid policies because of standardized, minimum eligibility requirements effective in 2007. The geographic area in which a hospital operates may influence the patient mix and variations in charity burderns. To expect each hospital to incur the same charity burden ignores these factors that hospitals may have little ability to influence.

For 2007 – 2009, Lifespan had the highest uncompensated care burden (4.3%), followed by the independents (2.8%), and Care New England (2.3%). For the same period for charity care, Lifespan provided the highest percentage of these services (2.9%), followed by Care New England (1.1%), and the independents (0.8%).



APPENDIX A: Hospital Data & Formulas

	BRADLEY ($s in thousands)				BUTLER ($s in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Charity Care *(charges foregone)*	$399	$791	$626	-21%	$705	$1,389	$1,445	4%
2 Bad Debt	($366)	$32	$424	1225%	$1,219	$2,133	$1,789	-16%
3 Ratio Costs to Charges	0.806	0.843	0.854	1%	0.489	0.466	0.465	0%
4 Medicaid 'Shortfalls'	$0	$0	$0	---	$0	$29	$141	386%
5 Medicaid DSH Payments	$79	$71	$80	13%	$9	$6	$9	47%
6 Hospital License Fees	$0	$0	$0	---	$0	$0	$0	---
7 'Charity Care' Endowments	$0	$0	$0	---	$2,823	$2,399	$2,183	-9%
8 CC Endow. Interest & Dividends	$0	$0	$0	---	$69	$61	$45	-26%
9 Medicare Bad Debt Payments	$0	$0	$0	---	$348	$447	$574	28%
10 Net Patient Revenue	$51,064	$52,904	$54,884	4%	$45,831	$49,909	$57,729	16%

	KENT ($s in thousands)				LANDMARK ($s in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Charity Care *(charges foregone)*	$6,713	$8,442	$10,863	29%	$4,735	$3,854	$4,557	18%
2 Bad Debt	$17,668	$20,582	$21,155	3%	$12,270	$13,453	$13,923	3%
3 Ratio Costs to Charges	0.335	0.315	0.316	0%	0.311	0.289	0.288	0%
4 Medicaid 'Shortfalls'	$2,956	$0	$203	---	$3,448	$3,662	$1,498	-59%
5 Medicaid DSH Payments	$5,959	$7,390	$8,445	14%	$4,105	$6,032	$6,863	14%
6 Hospital License Fees	$6,519	$7,129	$11,376	60%	$2,889	$3,530	$5,670	61%
7 'Charity Care' Endowments	$860	$861	$866	1%	$0	$0	$0	---
8 CC Endow. Interest & Dividends	$31	$31	$23	-26%	$0	$0	$0	---
9 Medicare Bad Debt Payments	$963	$918	$984	7%	$576	$682	$620	-9%
10 Net Patient Revenue	$233,097	$254,512	$274,521	8%	$133,380	$131,465	$111,272	-15%

	MEMORIAL ($s in thousands)				MIRIAM ($s in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Charity Care *(charges foregone)*	$3,145	$4,026	$4,852	21%	$21,246	$25,839	$33,342	29%
2 Bad Debt	$11,588	$12,397	$12,688	2%	$16,444	$15,745	$17,087	9%
3 Ratio Costs to Charges	0.484	0.489	0.465	-5%	0.267	0.275	0.264	-4%
4 Medicaid 'Shortfalls'	$4,074	$4,451	$3,860	-13%	$2,042	$2,129	$3,639	71%
5 Medicaid DSH Payments	$9,570	$6,350	$8,346	31%	$7,600	$8,150	$8,534	5%
6 Hospital License Fees	$4,894	$4,568	$7,304	60%	$8,115	$8,751	$14,431	65%
7 'Charity Care' Endowments	$4,000	$3,350	$2,958	-12%	$0	$0	$0	---
8 CC Endow. Interest & Dividends	$200	$223	$174	-22%	$0	$0	$0	---
9 Medicare Bad Debt Payments	$567	$561	$479	-15%	$1,155	$1,145	$1,081	-6%
10 Net Patient Revenue	$162,581	$165,491	$168,605	2%	$282,809	$312,686	$334,572	7%

	NEWPORT ($s in thousands)				RI HOSPITAL ($s in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Charity Care *(charges foregone)*	$5,123	$6,990	$6,476	-7%	$80,568	$103,781	$117,138	13%
2 Bad Debt	$6,706	$4,391	$5,567	27%	$55,883	$56,538	$51,126	-10%
3 Ratio Costs to Charges	0.468	0.463	0.453	-2%	0.338	0.339	0.338	0%
4 Medicaid 'Shortfalls'	$747	$795	$1,294	63%	$12,683	$9,297	$11,983	29%
5 Medicaid DSH Payments	$4,208	$3,310	$4,076	23%	$34,857	$37,245	$44,326	19%
6 Hospital License Fees	$2,977	$2,982	$4,796	61%	$20,454	$24,408	$40,868	67%
7 'Charity Care' Endowments	$11,103	$7,057	$12,139	72%	$40,283	$33,358	$30,904	-7%
8 CC Endow. Interest & Dividends	$190	$68	$158	132%	$1,611	$1,334	$1,236	-7%
9 Medicare Bad Debt Payments	$255	$279	$227	-19%	$2,629	$2,658	$2,487	-6%
10 Net Patient Revenue	$101,709	$102,777	$105,973	3%	$809,582	$840,004	$881,533	5%

APPENDIX A cont.: Hospital Data & Formulas

	ROGER WILLIAMS ($s in thousands)				S. COUNTY ($s in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Charity Care *(charges foregone)*	$6,450	$6,247	$5,335	-15%	$1,264	$1,096	$1,134	4%
2 Bad Debt	$8,989	$9,880	$10,569	7%	$6,423	$7,098	$7,342	3%
3 Ratio Costs to Charges	0.444	0.444	0.456	3%	0.481	0.428	0.415	-3%
4 Medicaid 'Shortfalls'	$3,661	$3,090	$3,140	2%	$803	$923	$1,087	18%
5 Medicaid DSH Payments	$7,044	$6,172	$7,875	28%	$1,938	$2,242	$3,985	78%
6 Hospital License Fees	$3,937	$4,028	$6,576	63%	$2,311	$2,437	$3,931	61%
7 'Charity Care' Endowments	$348	$348	$348	0%	$0	$0	$0	---
8 CC Endow. Interest & Dividends	$171	$217	$88	-59%	$0	$0	$0	---
9 Medicare Bad Debt Payments	$646	$590	$659	12%	$232	$234	$169	-28%
10 Net Patient Revenue	$154,320	$161,376	$171,759	6%	$87,742	$99,571	$109,215	10%

	ST. JOSEPH ($s in thousands)				WESTERLY ($s in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Charity Care *(charges foregone)*	$5,792	$4,995	$5,454	9%	$1,334	$1,231	$1,092	-11%
2 Bad Debt	$9,140	$13,134	$12,659	-4%	$4,641	$6,264	$7,249	16%
3 Ratio Costs to Charges	0.323	0.329	0.331	1%	0.404	0.377	0.370	-2%
4 Medicaid 'Shortfalls'	$0	$0	$0	---	$943	$1,061	$1,145	8%
5 Medicaid DSH Payments	$7,850	$6,447	$6,122	-5%	$2,542	$2,246	$3,557	58%
6 Hospital License Fees	$4,919	$5,259	$8,352	59%	$2,209	$2,183	$3,540	62%
7 'Charity Care' Endowments	$435	$477	$520	9%	$9,122	$7,538	$7,290	-3%
8 CC Endow. Interest & Dividends	$14	$21	$12	-43%	$311	$342	$306	-11%
9 Medicare Bad Debt Payments	$707	$764	$608	-20%	$104	$159	$115	-28%
10 Net Patient Revenue	$172,252	$173,233	$175,306	1%	$71,960	$80,842	$87,786	9%

	WOME & INFANTS ($s in thousands)			
	2007	2008	2009	'08-'09 Change
1 Charity Care *(charges foregone)*	$5,711	$10,173	$13,183	30%
2 Bad Debt	$7,102	$5,379	$6,891	28%
3 Ratio Costs to Charges	0.434	0.430	0.427	-1%
4 Medicaid 'Shortfalls'	$9,231	$9,483	$13,139	39%
5 Medicaid DSH Payments	$12,062	$13,997	$16,563	18%
6 Hospital License Fees	$7,536	$8,598	$14,699	71%
7 'Charity Care' Endowments	$1,901	$1,936	$1,939	0%
8 CC Endow. Interest & Dividends	$42	$42	$53	26%
9 Medicare Bad Debt Payments	$117	$102	$128	26%
10 Net Patient Revenue	$278,571	$305,916	$325,965	7%

Source (#s 1, 2, 5, 6 & 10): Audited financial statements (Landmark's data are unaudited for 2008 & 2009; as was Memorial's 2009 #1)
Source (#3): Medicare Cost Reports ((Wkst. B, Part 1, Col. 25, Ln. 95) / (Wkst. C, Part 1, Col. 8, Ln. 103)); Bradley: Wkst. G-3, Ln. 4 / Ln. 1
Source (#s 4, 7 & 8): self-reported by the hospitals (#4 is the same amount used in the hospital's Medicaid DSH negotiations/allocations)
Source (#9): Medicare Cost Reports (Wkst. E, Part A, Line 21.01) plus (Wkst. E, Part B, Line 27.01)
*CHARITY CARE COSTS: (#1 * #3)*
*BAD DEBT COSTS: (#2 * #3); Note: Bradley's 2007 Bad Debt Costs are recorded at $0 because it booked a $366k unexpected 'recovery' to its 'provision for bad debts account' that year*
UNCOMPENSATED CARE COSTS: (charity care costs + bad debt costs)
*NET CHARITY CARE: ((#1 * #3) - ((#5 - #6) * ((#1 * #3) / ((#1 * #3) + (#2 * #3) + #4))) - #8); Note: if #6 > #5, apportioned amount of net Medicaid DSH is $0*
*NET BAD DEBT: ((#2 * #3) - ((#5 - #6) * ((#2 * #3) / ((#1 * #3) + (#2 * #3) + #4))) - #9); Note: if #6 > #5, apportioned amount of net Medicaid DSH is $0*
NET UNCOMPENSATED CARE: (net charity care + net bad debt)
CHARITY CARE BURDEN: (net charity care / #10)
BAD DEBT BURDEN: (net bad debt / #10)
UNCOMPENSATED CARE BURDEN: (charity care burden + bad debt burden)

Appx. B: Net Uncompensated Care Amounts *(without license fees)*												
dollars in millions	Charity Care				Bad Debt				Uncompensated Care			
	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change
Bradley	$0.2	$0.6	$0.5	-19%	$0.0	$0.0	$0.3	1261%	$0.2	$0.6	$0.8	31%
Butler	$0.3	$0.6	$0.6	7%	$0.2	$0.5	$0.3	-53%	$0.5	$1.1	$0.9	-22%
Kent	$1.0	$0.5	$0.6	26%	$1.8	$0.3	$0.2	-26%	$2.8	$0.8	$0.8	5%
Landmark	$0.8	$0.3	($0.0)	-102%	$1.4	$0.5	($0.6)	-229%	$2.2	$0.8	-$0.7	-178%
Memorial	$0.0	$0.7	$0.5	-31%	$0.3	$2.4	$1.3	-45%	$0.3	$3.2	$1.8	-42%
Miriam	$2.1	$2.8	$4.4	55%	$0.5	$0.6	$1.2	100%	$2.6	$3.4	$5.5	62%
Newport	$0.6	$1.4	$1.0	-28%	$0.8	$0.6	$0.8	20%	$1.4	$2.0	$1.8	-13%
RI Hospital	$9.5	$13.3	$12.8	-3%	$5.1	$5.3	$3.7	-31%	$14.5	$18.6	$16.5	-11%
RWMC	$0.8	$0.9	$0.5	-43%	$0.7	$1.2	$0.5	-56%	$1.4	$2.0	$1.0	-50%
S. County	$0.3	$0.2	$0.1	-73%	$1.5	$1.3	$0.2	-81%	$1.9	$1.5	$0.3	-80%
St. Joseph	($1.2)	($0.2)	($0.1)	67%	($2.6)	($1.1)	($0.7)	37%	-$3.7	-$1.3	-$0.8	41%
Westerly	($0.2)	($0.1)	($0.2)	-65%	$0.4	$0.8	$0.3	-63%	$0.2	$0.7	$0.1	-90%
W&I	$0.4	$0.5	$1.3	135%	$0.5	$0.2	$0.6	173%	$0.9	$0.8	$1.9	146%
STATEWIDE:	*$14.7*	*$21.6*	*$22.0*	2%	*$10.5*	*$12.7*	*$8.0*	-37%	*$25.2*	*$34.3*	*$30.1*	-12%
CARE N.E.	*$1.7*	*$1.6*	*$2.5*	56%	*$2.5*	*$1.1*	*$1.1*	-1%	*$4.2*	*$2.7*	*$3.6*	33%
LIFESPAN	*$12.4*	*$18.1*	*$18.7*	3%	*$6.3*	*$6.5*	*$5.9*	-9%	*$18.8*	*$24.6*	*$24.7*	0%
INDEPENDENTS	*$0.6*	*$1.9*	*$0.8*	-59%	*$1.7*	*$5.1*	*$1.0*	-79%	*$2.2*	*$7.0*	*$1.8*	-74%

Appx. B cont.: Net Uncompensated Care (percentage) Amounts *(without license fees)*												
	Charity Care				Bad Debt				Uncompensated Care			
	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change	2007	2008	2009	'08-'09 change
Bradley	0.5%	1.1%	0.9%	-22%	0.0%	0.0%	0.6%	1212%	0.5%	1.2%	1.5%	26%
Butler	0.6%	1.2%	1.1%	-8%	0.5%	1.1%	0.4%	-60%	1.1%	2.3%	1.5%	-33%
Kent	0.4%	0.2%	0.2%	17%	0.8%	0.1%	0.1%	-32%	1.2%	0.3%	0.3%	-2%
Landmark	0.6%	0.3%	0.0%	-103%	1.1%	0.4%	-0.6%	-252%	1.7%	0.6%	-0.6%	-192%
Memorial	0.0%	0.4%	0.3%	-32%	0.2%	1.5%	0.8%	-46%	0.2%	1.9%	1.1%	-43%
Miriam	0.7%	0.9%	1.3%	44%	0.2%	0.2%	0.3%	87%	0.9%	1.1%	1.7%	52%
Newport	0.6%	1.4%	0.9%	-30%	0.8%	0.6%	0.7%	17%	1.4%	2.0%	1.7%	-16%
RI Hospital	1.2%	1.6%	1.5%	-8%	0.6%	0.6%	0.4%	-34%	1.8%	2.2%	1.9%	-15%
RWMC	0.5%	0.5%	0.3%	-47%	0.4%	0.7%	0.3%	-59%	0.9%	1.3%	0.6%	-53%
S. County	0.4%	0.2%	0.1%	-75%	1.7%	1.3%	0.2%	-83%	2.1%	1.5%	0.3%	-82%
St. Joseph	-0.7%	-0.1%	0.0%	67%	-1.5%	-0.6%	-0.4%	38%	-2.2%	-0.7%	-0.4%	42%
Westerly	-0.3%	-0.2%	-0.3%	-52%	0.5%	1.0%	0.4%	-66%	0.2%	0.9%	0.1%	-90%
W&I	0.1%	0.2%	0.4%	121%	0.2%	0.1%	0.2%	157%	0.3%	0.2%	0.6%	131%
STATEWIDE:	*0.6%*	*0.8%*	*0.8%*	-3%	*0.4%*	*0.5%*	*0.3%*	-39%	*1.0%*	*1.3%*	*1.1%*	-16%
CARE N.E.	*0.3%*	*0.3%*	*0.4%*	45%	*0.4%*	*0.2%*	*0.2%*	-8%	*0.7%*	*0.4%*	*0.5%*	23%
LIFESPAN	*1.0%*	*1.4%*	*1.4%*	-2%	*0.5%*	*0.5%*	*0.4%*	-14%	*1.5%*	*1.9%*	*1.8%*	-5%
INDEPENDENTS	*0.1%*	*0.2%*	*0.1%*	-60%	*0.2%*	*0.6%*	*0.1%*	-80%	*0.3%*	*0.9%*	*0.2%*	-74%