



## Policy Analysis Brief

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# Hospital Charity Care Policies and the California Health Care Safety Net

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## OVERVIEW

Estimates of charity care expenditures provide a quantitative measure of hospitals' commitment to expanding access to the medically uninsured in their communities but fail to provide information about the subset of uninsured who benefit or the gaps in public insurance programs' coverage that are filled by these charity care programs. This brief provides an overview of a study, conducted for the California HealthCare Foundation, that gathered information on California hospitals' charity care policies. The objective of the study was to identify the eligibility criteria hospitals use for free care and to understand the gaps in Medi-Cal, California's version of Medicaid, and county indigent program coverage that these providers are capable of filling.

## DATA AND METHODS

Staff requested, by fax, mail, and telephone, from 385 acute care hospitals in the state, a written copy of each provider's charity care policy or guidelines. We received and reviewed policies from 176 respondent providers to identify the eligibility criteria they use for dispensing free care and the demographic and financial resource limitations placed on the population they serve through their charity programs.<sup>1</sup> We catalogued over 40 different policy attributes including income and asset limitations, non-financial considerations, availability of charity care to individuals covered through public and private insurance, and types of services for which charity care is available. We compared hospitals' eligibility criteria to those of Medi-Cal and county indigent care programs.

<sup>1</sup>We received 197 responses, a response rate of 51 percent. Of the 197 hospitals, 12 stated they did not maintain a written policy and 9 refused to provide the requested information. A few hospital systems and providers operating multiple facilities had uniform policies across all campuses; therefore, a subset of policies was duplicated across more than one hospital.

## RESULTS: PROVISIONS IN HOSPITAL CHARITY CARE POLICIES

We classified the provisions in hospital charity care policies into three groups: (1) eligibility criteria, (2) limitations on free services, and (3) administrative procedures. Table 1 details the types of provisions in each group and their frequency of occurrence in the hospital policies we examined.

### Hospital Charity Care Eligibility Criteria

About 90 percent of hospitals specifically indicated that charity care eligibility was linked to patient income. The majority of hospitals, 56 percent, limited eligibility to individuals with incomes less than 100 percent of the federal poverty level (FPL). Approximately 31 percent of hospitals extend charity care to patients with incomes between 100 and 200 percent of the FPL. However, the range of income that hospitals established to qualify patients for

charity care varied widely, from 75 to 500 percent of the FPL.

The majority of hospitals indicated their charity care services were available to uninsured patients who had limited financial resources and failed to qualify for public programs. Almost all policies, 94 percent, explicitly required patients to apply to and be ineligible for Medi-Cal or the county indigent care program before requesting free care from the hospital. The majority of policies indicated that hospital staff might assist patients to complete and submit necessary applications to state or county organizations, as appropriate. Over half the policies reviewed stated that patients with a catastrophic condition, or with medical costs that exceeded a fixed amount, could qualify for charity care to cover co-payments and out-of-pocket costs not reimbursed by their insurer.

In addition to income, nearly 72 percent of policies indicated that assets or net worth were considered to determine charity care eligibility. Other related criteria included employment status and the adequacy of expected future earnings to meet healthcare financial obligations. The charity care policies we reviewed contained insufficient information to resolve how hospitals used assets, net worth, and earnings expectations to establish whether a patient qualified for free care services.

## Benefit Limits

Hospital policies often distinguished between “full” and “partial” charity care. Hospitals providing full charity care write off 100 percent and those providing partial charity care write off less than 100 percent of charges as a charity care expense. Whether a patient qualifies for full or partial charity care is determined on the basis of patient income and assets. Providers frequently structure charity care on a sliding scale so that the proportion of the hospital charge allocated to charity care increases for patients with lower levels of income and assets. A small number of hospitals specifically indicated that charity care was available only for emergency services or that the amount of charity care provided to each patient was limited.

## Administrative Provisions

Policies often discussed the “timing of determination of eligibility.” Ninety-one percent of hospitals specified whether eligibility must be determined prior to admission, or can be determined following discharge. Four percent of hospitals indicated they determine eligibility only prior to admission. A few policies recognized that eligibility for public indigent and hospital charity care programs varies over time depending on health, income, or employment status. These policies provided instructions about appropriate accounting practices to handle changes.

Bad debt and charity care are often commingled and misreported in hospital accounting practice. However, almost 70 percent of the written hospital policies we reviewed distinguished between these two forms of liability.

## HOW DO CHARITY CARE PROGRAMS ENHANCE ACCESS TO ESSENTIAL MEDICAL SERVICES?

California hospitals’ charity care programs may help support the state’s health care safety net and enhance access to medical services in several critical ways. Although there is substantial overlap between the financial criteria used by states to determine public program eligibility and by hospitals to determine charity care eligibility, hospitals, unlike public programs, do not impose eligibility categories such as Medi-Cal aid codes or county citizenship requirements. Thus hospitals are theoretically able to extend access to medical services to low-income residents who fall through Medi-Cal and county program eligibility gaps.

Many hospitals may assist low-income patients to navigate through the Medi-Cal and county administrative processes, including preparing and submitting enrollment applications. Although it is in the provider’s economic interest to guide potential patients

**TABLE 1: Provisions Frequently Contained in California Hospitals' Charity Care Policies, N = 176**

Provision	Definition	(%) of Policies with Provision*
<b>Eligibility Provisions</b>		
Individual or Family Income	Determination recognizes poverty standards with consideration of family size, geographic area, and other pertinent factors.	80%
Individual or Family Assets	Value of assets is considered for determination of eligibility.	72%
Individual or Family Net Worth	Net worth considers all liquid and non-liquid assets owned less liabilities and claims against assets.	42%
Employment Status or Earning Capacity	Determination considers the likelihood of future earnings and their sufficiency to meet healthcare related obligations within a reasonable time period.	87%
Other Financial Obligations	Other financial debts are considered when looking at patients' ability to pay.	65%
Frequency of Healthcare Services and Medical Bills	Determination considers frequency of bills and services in relation to all other factors as well as the history of service and the need for future service.	40%
Other Sources of Payment	Eligibility is determined after considering all other sources of payment and applying all resources including Medi-Cal and other public programs.	94%
Catastrophic Costs	Policy provides for catastrophic costs.	54%
<b>Benefit Provisions</b>		
Partial Charity Care	Allows for partial charity care and discounted services depending on patient's income and resources.	90%
Charity Care Limit	Limitations on the amount of charity care provided to each patient.	2%
<b>Administrative Provisions</b>		
Timing of Eligibility	Specifies whether eligibility must be determined prior to admission, or can be determined following discharge.	91%
Bad Debt	Policy explicitly distinguishes bad debt from charity.	69%

\* Percentages may understate the prevalence of specific provisions because only unambiguous references are reported.

through the public system, this service increases access to care for the state's uninsured. Thus hospitals may not only help those who do not qualify for federal, state, and county programs to get needed care, they may also help those who meet eligibility criteria to overcome significant barriers in the application process and receive appropriate coverage.

The availability of partial charity care may enhance access to health care services for patients with incomes or assets that exceed poverty levels who would otherwise be required to spend down their resources to qualify for public programs. Hospitals may also provide a financial buffer for privately insured patients who experience a

catastrophic event and for publicly insured patients who experience temporary lapses in coverage as a result of administrative obstacles.

California's hospitals can be an important part of the state's health care safety net by extending health care services to individuals who do not qualify for public programs and by guiding those who do qualify through the process of applying for public coverage.

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