

Vermont Hospitals Bad Debt and Free Care

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Bad Debt and Free Care Defined

Deductions from Operating Revenue

In many instances, the Hospital receives less than its full established charges for the services it renders. These revenue "adjustments" are called Deductions from Revenues and are of the following primary categories:

1. Contractual Adjustments - These adjustments represent the difference between full established charges for individual services and the contractual rates received or to be received from third-party payers for services rendered.
2. Free Care - **These deductions represent the difference between full established charges and amounts received or to be received from indigent patients, voluntary agencies, or governmental units on behalf of specific indigent patients.**
3. Bad Debt - **These deductions represent the difference between full established charges and amounts received or to be received from those that are able to pay but fail to do so.**
4. Employee or Other Discounts - These deductions represent adjustments for items such as courtesy allowances and employee discounts from the Hospital's full established charges for services.

Definitions from the Hospital Budget Uniform Reporting Manual

Bad Debt and Free Care Defined

Free care – This will be evaluated according to its relationship to gross revenues.

All hospitals must report charity/free care as distinct cost centers in the budget submission. Charity care deductions are defined as the difference between gross charges and any subsequent reimbursement that may be received from, or on behalf of, those individuals determined eligible for “free care”. GMCB recommends that individuals whose gross income is at or less than 200% of poverty should be eligible for “free care” (200% of poverty as defined by the Federal Government).

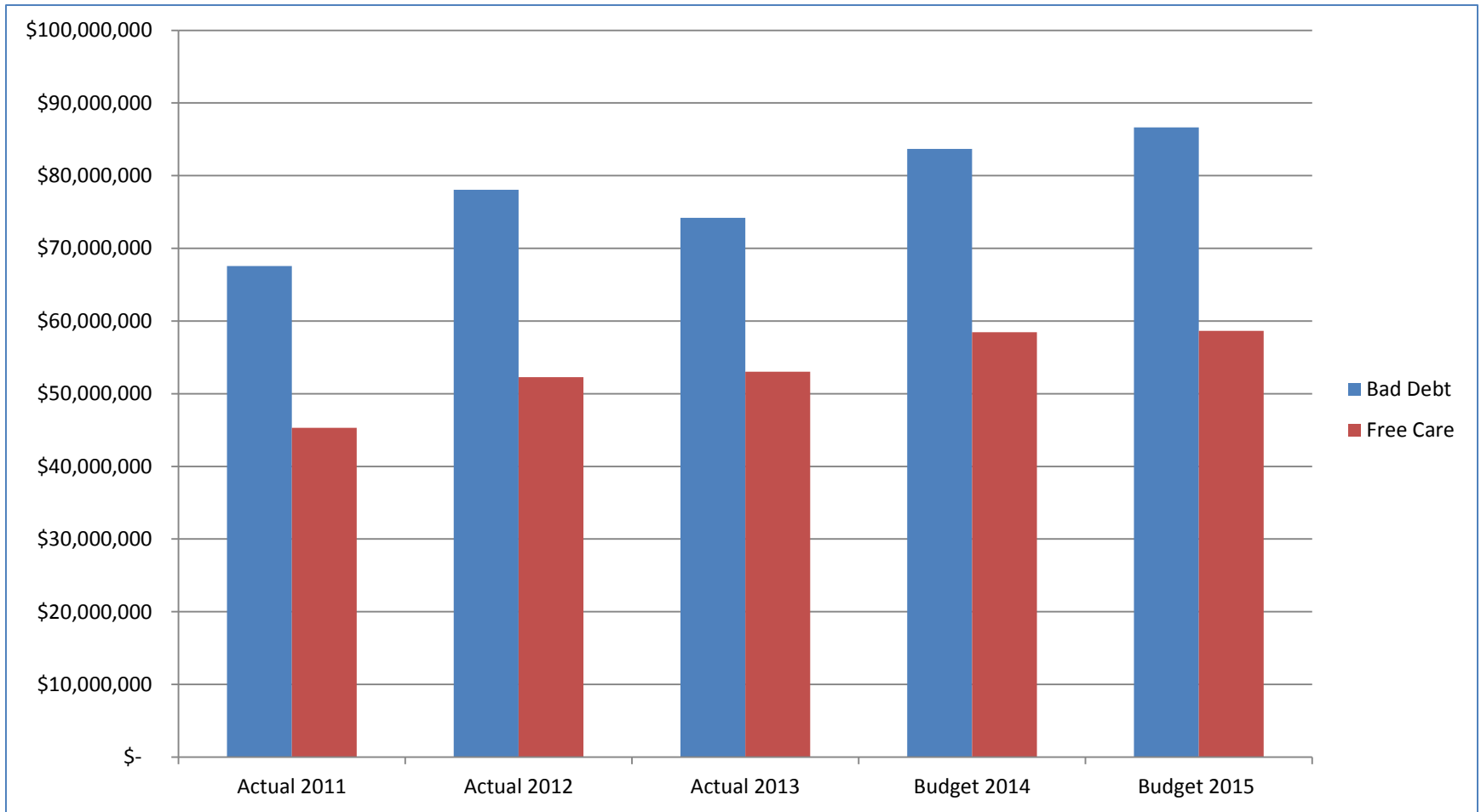
Bad debt – This will now be reported in contractual allowances. This will be evaluated according to its relationship to gross revenues and recent trends.

Note: Vermont hospitals free care policies are posted on their respective web sites.

Definitions from the Hospital Budget Uniform Reporting Manual Supplement

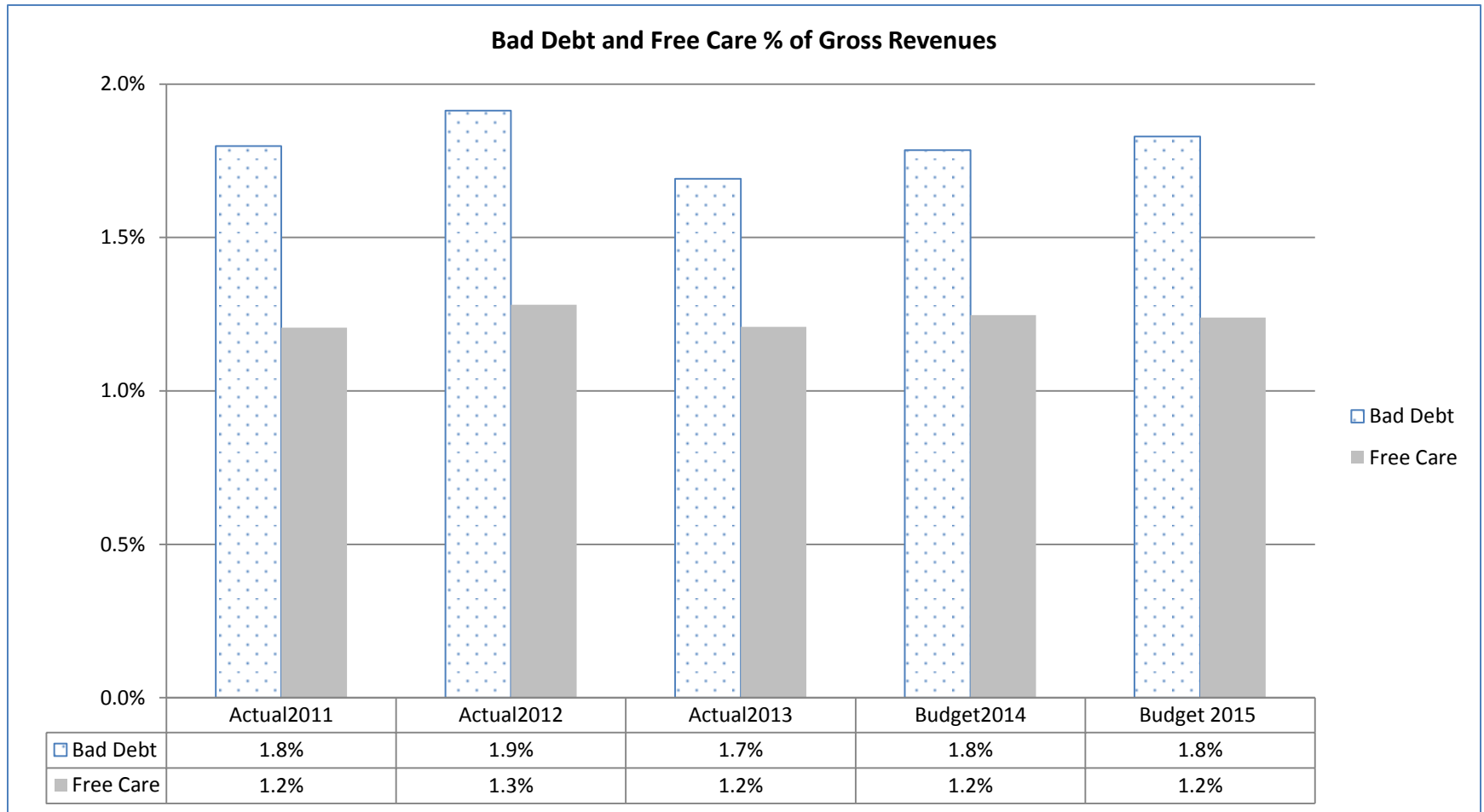
Bad Debt and Free Care Trends

Reported Amounts



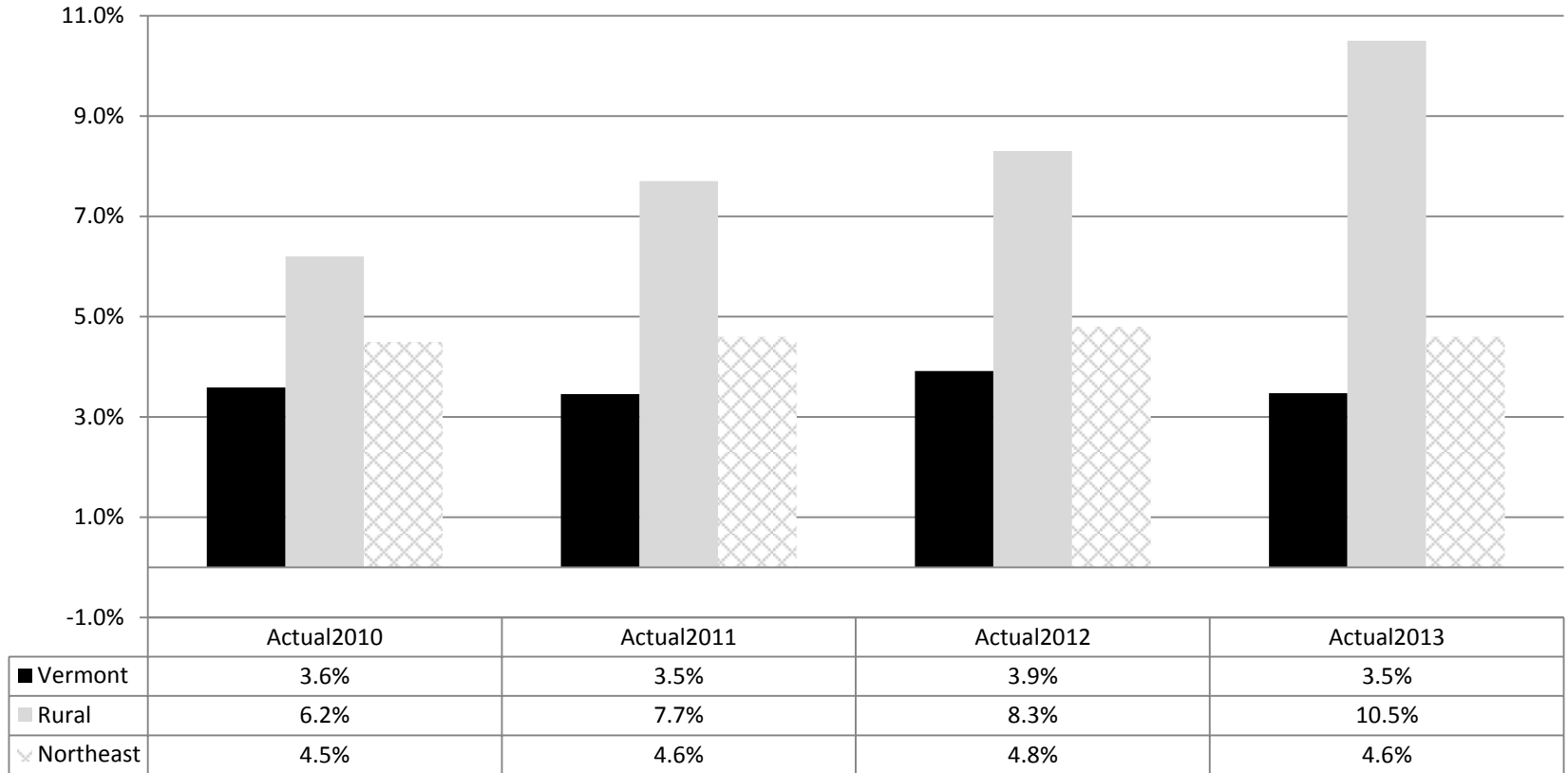
Bad Debt and Free Care Trends

Relative share of Total Revenues



Bad Debt and Free Care Comparison to Peers

Bad Debt % of Net Patient Revenues



Source: Optum Almanac of Financial and Operating Indicators 2015; median values

Vermont Hospitals

Profit and Loss Statement

2015 Budget

GROSS PATIENT CARE REVENUE	\$ 4,735,245,475
DISPROPORTIONATE SHARE PAYMENTS	38,289,419
GRADUATE MEDICAL EDUCATION PAYMENTS	29,954,640
BAD DEBT	(86,627,708)
FREE CARE	(58,652,440)
DEDUCTIONS FROM REVENUE	(2,429,148,754)
NET PATIENT CARE REVENUE	\$ 2,229,060,632
OTHER OPERATING REVENUE	127,360,793
TOTAL OPERATING REVENUE	\$ 2,356,421,425
TOTAL OPERATING EXPENSE	\$ 2,280,130,288
NET OPERATING INCOME (LOSS)	76,291,137
NON-OPERATING REVENUE	30,523,392
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	\$ 106,814,529