



Uncompensated Care: A Drag on Montana's Economy

Medicaid expansion will reduce costs for state, health care providers

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Each year, Montana's health care providers – including doctors, nurse practitioners, and hospitals – treat thousands of low-income people who can't pay for their care because they can't afford health insurance. This uncompensated care costs providers, as well as the state and local communities, millions of dollars. Montana can help address this problem of uncompensated care by accepting available federal dollars to expand Medicaid to people earning less than 138 percent of the federal poverty line (\$16,000 for an individual, and \$27,000 for a family of three). Doing so would allow up to 70,000 Montanans to access affordable health care coverage, helping reduce unpaid costs for providers and improving the health of people across the state.

The lack of affordable health coverage costs Montana health care providers

When a patient or insurer does not pay for medical services billed it is known as uncompensated care. There are two types of uncompensated care costs (UCC): charity care and bad debt. Charity care is defined as services that the hospital offers without expectation of reimbursement, because the hospital has determined, in consultation with the patient, that the patient is unable to pay. Bad debt occurs when the hospital provides care but does not receive payment because the patient is unwilling or unable to pay their bill and has not applied for charity care.¹ Both charity care and bad debt typically occurs when the patient is indigent or does not have insurance.

- Montana hospitals incurred nearly \$400 million in uncompensated care costs in 2013.
- States that have expanded Medicaid have seen a 30% reduction in their uninsured population
- Half of the 70,000 Montanans eligible for expansion live in a county with a Critical Access Hospital.

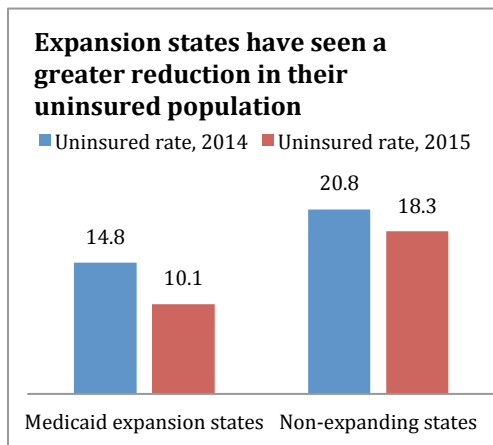
Local hospitals, as well as the State of Montana, face significant uncompensated care costs. **In 2013, Montana hospitals alone incurred nearly \$400 million in uncompensated charges.** Over 55 percent of these charges were bad debt.² State and federal health programs, such as Medicaid, Medicare, Veteran's Affairs, Indian Health Services, reimburse hospitals for approximately 63 percent of uncompensated charges.³ However, the remainder of the costs is either absorbed by hospitals, decreasing the quality of services they are able to give, or shifted to private insurers, often resulting in higher health care costs for the insured population.⁴

Utilizing federal resources to expand health care coverage under Medicaid expansion will reduce uncompensated care costs for hospitals as well as for state and local governments, helping offset the costs of Medicaid expansion to the states.

Medicaid expansion would benefit Montana health care providers, hospitals

Montana's health care providers play an essential role in our communities and economy. Although uncompensated care affects all providers, hospitals bear the majority (60 percent) of it, with clinics, health centers, and office-based physicians providing the rest.⁵ Each of these providers spends a significant portion of their budget on uncompensated care. This is money that could be used to improve care or lower patient costs.⁶

Not only do hospitals provide vital health care services, but they also represent one of the largest industries, boosting local economies across the state. There are 65 hospitals in Montana, employing over 21,000 people and helping to create an additional 40,000 jobs across the state. For every dollar that hospitals spend, \$1.70 is generated in the state economy.⁷



Medicaid expansion will significantly reduce these costs by providing health care coverage to thousands of Montanans without insurance. **States that expanded Medicaid experienced a 30 percent reduction in their uninsured rate**, from 14.8 percent to 10.1 percent of the total population.⁸ Nationwide, Medicaid expansion reduced uncompensated care for hospitals in 2014 by \$4.2 billion.⁹

Hospitals in states that expanded Medicaid experienced significant drops in the number of uninsured patients admitted, with reductions between 48 and 72 percent.¹⁰

In turn, these hospitals saw an increase in the number of patients able to pay for their care via Medicaid. States that did not expand Medicaid, like Montana, have not experienced similar reductions in uninsured patients because many of their residents still lack access to affordable health care coverage.¹¹

Rural and Tribal Areas Also Benefit from Medicaid Expansion

Although hospitals in more urban areas have the greatest uncompensated care costs, hospitals in rural and tribal areas would also benefit from Medicaid expansion. Rural hospitals and community health centers care for higher proportions of individuals without insurance, and who have greater and more expensive health needs.

Who doesn't pay?

- Uncompensated care is largely accumulated by people without insurance.
- The average bill for a single hospitalization is \$22,000.
- 30% of the uninsured have zero financial assets, often leaving them unable to pay.

Source: U.S. Department of Health and Human Services

Although larger hospitals face greater uncompensated care overall, hospitals in smaller population centers have a unique role in their communities. Expansion will provide greater financial certainty for smaller hospitals and help reduce the state and local tax dollars needed to support them.

The more rural areas of our state face different health care challenges than urban centers. Individuals residing in rural areas tend to be older, have a lower income, and are more likely to be uninsured.¹² Rural workers are less likely to have employer-sponsored health insurance than individuals in more urban areas because many people who live in rural communities are self-employed or work for small businesses.¹³ Eighty percent of uninsured individuals in rural areas work but do not receive health insurance through their jobs, making expansion one of the best ways to increase insurance coverage for working Montanans.¹⁴

Montanans residing in rural areas are more likely to qualify for health care coverage under Medicaid expansion.¹⁵ Three quarters of Montana counties are home to a Critical Access Hospital, a designation for certain rural hospitals that are 15 beds or less, and 35 miles away from another hospital. **Nearly half of the 70,000 Montanans who would be eligible for coverage under Medicaid expansion live in one of these counties.**¹⁶

For these Critical Access Hospitals, like hospitals across the state, uncompensated care is a significant concern. A study of 37 out of Montana's 46 Critical Access Hospitals showed these hospitals provided \$63 million in uncompensated care in 2013.¹⁷

Understanding Medicaid's Impact on Hospitals

Currently, hospitals provide care and treatment to uninsured individuals, and receive no payment for this care. Medicaid expansion offers an opportunity for hospitals to receive compensation.

Medicaid expansion will benefit hospitals financially. Montana hospitals would receive nearly 1 billion dollars more in revenue between now and 2022, over 50 percent more than they would currently receive without expansion.

Expansion will increase total revenues for hospitals, even if they receive fewer private insurance dollars.

Source: Urban Institute

Tribal communities will also benefit from greater health care coverage for its members. Up to 20,000 American Indians in Montana will qualify for affordable health care coverage under expansion.¹⁸ Although Indian Health Services (IHS) provides some health care to these communities, many American Indians must seek additional care at other hospitals. Indian Health Services covers some, but does not cover all, of this care through Contract Health Services, leaving many patients unable to afford it.¹⁹ Expanding Medicaid would not only help the uninsured receive and pay for care, it would also help free up funding to improve the quality of care offered by Indian Health Services.

Without Medicaid Expansion, Montana hospitals will face greater costs

States currently receive federal funds to help reimburse health care providers for costs associated with uncompensated care; however, these payments are being reduced in anticipation of greater number of insured patients. The Affordable Care Act (ACA) reduces payments to some hospitals that provide care to large populations of people who don't have insurance – known as Disproportionate Share Hospitals (DSH) – because the law intended to reduce uncompensated care by helping more people get health coverage through Medicaid expansion and the health insurance exchanges.²⁰ For example, it is expected that Montana hospitals will experience \$18 million in cuts in Medicare DSH payments by 2021.²¹ For states like Montana that failed to expand Medicaid coverage, hospitals will face substantial funding cuts in the coming years without a corresponding reduction in the uninsured population.

Conclusion

Uncompensated care results in high costs for Montana hospitals, state and local governments, and our communities as a whole, but expanding health care coverage through Medicaid for up to 70,000 Montanans will help reduce the burden of uncompensated care across the state. This legislative session, our elected leaders should choose to strengthen our hospitals, our economy, and our communities by expanding Medicaid.

¹ American Hospital Association, "Uncompensated Hospital Care Cost Fact Sheet," January 2014, <http://www.aha.org/research/policy/finfactsheets.shtml>.

² MHA...An Association of Montana Health Care Providers, on file with author.

³ Teresa A. Coughlin, John Holahan, and Kyle Caswell and Megan McGrath, "Uncompensated Care for the Uninsured in 2013: A Detailed Examination," Kaiser Family Foundation, May 2014, <http://kff.org/uninsured/report/uncompensated-care-for-the-uninsured-in-2013-a-detailed-examination/>.

⁴ Colorado Hospital Association, "Uncompensated Care," 2014, <http://www.cha.com/Colorado-Hospitals/Uncompensated-Care.aspx>.

⁵ Teresa A. Coughlin, John Holahan, and Kyle Caswell and Megan McGrath, "Uncompensated Care for the Uninsured in 2013: A Detailed Examination," Kaiser Family Foundation, May 2014, <http://kff.org/uninsured/report/uncompensated-care-for-the-uninsured-in-2013-a-detailed-examination/>.

⁶ Thomas DeLeire, Karen Joynt, and Ruth McDonald, "The Impact of Insurance on Hospital Uncompensated Care Costs in 2014, 2014," Department of Health and Human Services, 2014, http://aspe.hhs.gov/health/reports/2014/UncompensatedCare/ib_UncompensatedCare.pdf.

⁷ American Hospital Directory, December 2014,

http://www.ahd.com/list_cms.php?mstate%5B%5D=mt&listing=1&viewmap=0 American Hospital Association, "The Economic Contribution of Hospitals," January 2013, <http://www.aha.org/research/reports/13econimpact.shtml>.

⁸ Between Q1 2013 and Q2 2014. Thomas DeLeire, Karen Joynt, and Ruth McDonald, "The Impact of Insurance on Hospital Uncompensated Care Costs in 2014, 2014," Department of Health and Human Services, 2014, http://aspe.hhs.gov/health/reports/2014/UncompensatedCare/ib_UncompensatedCare.pdf.

⁹ Between Q2 2013 and Q2 2014. Thomas DeLeire, Karen Joynt, and Ruth McDonald, "The Impact of Insurance on Hospital Uncompensated Care Costs in 2014, 2014," Department of Health and Human Services, 2014, http://aspe.hhs.gov/health/reports/2014/UncompensatedCare/ib_UncompensatedCare.pdf.

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- ¹⁰ Thomas DeLeire, Karen Joynt, and Ruth McDonald, "The Impact of Insurance on Hospital Uncompensated Care Costs in 2014, 2014," Department of Health and Human Services, 2014,
- ¹¹ Thomas DeLeire, Karen Joynt, and Ruth McDonald, "The Impact of Insurance on Hospital Uncompensated Care Costs in 2014, 2014," Department of Health and Human Services, 2014, http://aspe.hhs.gov/health/reports/2014/UncompensatedCare/ib_UncompensatedCare.pdf.
- ¹² American Hospital Association, "The Opportunities and Challenges for Rural Hospitals in an Era of Health Reform," Trendwatch, April 2011.
- ¹³ Keith J. Mueller, PhD, et. al., "The Current and Future Role and Impact of Medicaid in Rural Health," Rural Policy Research Institute, Sept. 2012, http://www.rupri.org/Forms/HealthPanel_Medicaid_Sept2012.pdf.
- ¹⁴ American Hospital Association, "The Opportunities and Challenges for Rural Hospitals in an Era of Health Reform," Trendwatch, April 2011, <http://www.aha.org/aha/trendwatch/2011/11apr-tw-rural.pdf>.
- ¹⁵ Abigail R. Barker, PhD, et. al., "The Uninsured: An Analysis by Income and Geography," RUPRI Center for Rural Health Policy Analysis, June 2013, <http://www.public-health.uiowa.edu/rupri/publications/policybriefs/2013/Uninsured%20Analysis%202013.pdf>.
- ¹⁶ 42 out of 56 counties house a CAH. Some counties have more than one CAH. Author's calculations, United States Census, Small Area Health Insurance Estimates, <http://www.census.gov/did/www/sahie/>.
- ¹⁷ MHA...An Association of Montana Health Care Providers, on file with author.
- ¹⁸ Ed Fox, "Health Care Reform: Tracking Tribal, Federal, and State Implementation." Kauffman & Associate, Inc., May 20, 2011.
- ¹⁹ Indian Health Service, "Contract Health Services," 2014, <http://www.ihs.gov/chs/>.
- ²⁰ Judy Salomon, "Coming Cuts to Safety Net Hospitals Reinforce Importance of Medicaid Expansion," Off the Charts Blog, Center on Budget and Policy Priorities, May 2014, <http://www.offthechartsblog.org/coming-cuts-to-safety-net-hospitals-reinforce-importance-of-medicaid-expansion/>.
- ²¹ Bureau of Business and Economic Research, "An Estimate of the Economic Ramifications Attributable to the Potential Medicaid Expansion on the Montana Economy," January 2013, http://csi.mt.gov/health/media/BBER_MedicaidExpansion.pdf.