

**Assessing the Reliability of Self-reported Community
Benefit Expenditures:
Evidence from Hospitals in California**

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Motivation



- Not-for-profit hospitals are required to provide community benefits in exchange for federal and state tax exemptions
- Until 2009, hospitals were not required to document the extent of their community benefit activities
- As debate over adequacy of hospitals' community benefits increased, the IRS revised Form 990 Schedule H
- Hospitals are required to report their community benefit spending, yet little is known about the reliability of self-reported expenditures

Research Objective

- To assess the reliability of hospitals' self-reported community benefit expenditures



Do hospitals that report higher community benefit expenditures provide more services to the community?

Data and Sample

- Not-for-profit hospitals in California required to submit community benefit report to OSHPD
- 2009 community benefit reports supplemented with data from annual financial reports and AHA annual survey data
- Sample was limited to 91 of 218 hospitals (42%)
 - OSHPD provided reports for 141 hospitals
 - 25 hospitals were excluded because reports were not at individual hospital level
 - 25 hospitals were excluded because of insufficient financial information provided in reports



Sample Report

- Hospitals are asked to report unreimbursed costs of community benefits provided during the year

Economic Value	2009
Traditional Charity Care <i>(Free care to uninsured and underinsured patients)</i>	\$ 5,243,851
Government Sponsored Healthcare <i>(Unpaid cost of public coverage programs, net of all government funding)</i>	88,816,741
Community Outreach Programs/ Services <i>(Classes, support groups, services, screenings, etc.)</i>	2,787,758
Subsidized Health Programs <i>(Juvenile Justice, after county funding)</i>	5,218,750
Health Professional Education <i>(after supplemental funding)</i> <i>(GME, Fellows, Nurses)</i>	1,258,207
Research <i>(not funded by external sponsors, agencies)</i>	Breakeven
Advocacy for Children's Health Issues	Included In Operations
DSH/supplemental funding	(40,821,471)
Total Charity Care and Community Benefit	\$ 62,503,835

No detailed cost accounting guidelines

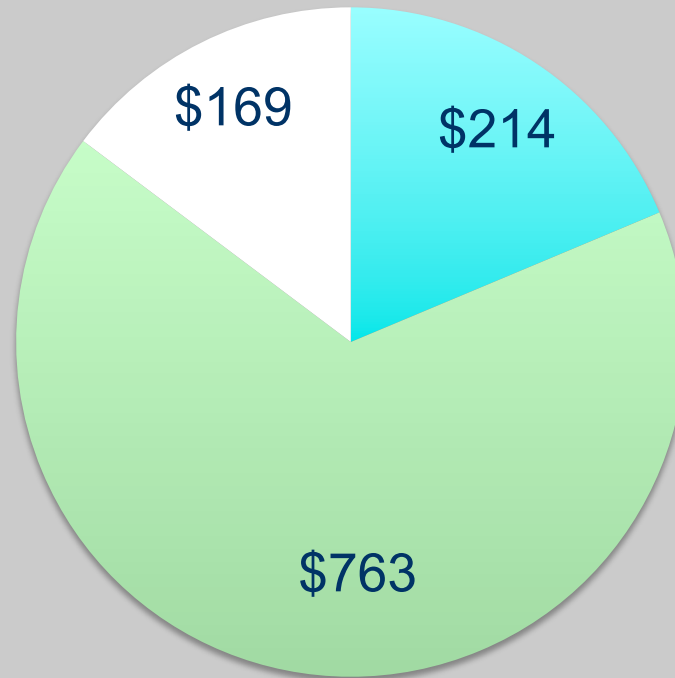
Measures of Community Benefits

- **Charity care** – Unreimbursed cost of free care provided to patients who are unable to pay
- **Government payment shortfalls** – Unreimbursed cost of care provided to patients in means-based government programs
- **Other community benefits** – Unreimbursed cost of all other community health services



To facilitate comparisons, all measures are expressed in terms of dollars per adjusted discharge

Median Self-reported Expenditures



- Charity care
- Government payment shortfalls
- Other community benefit

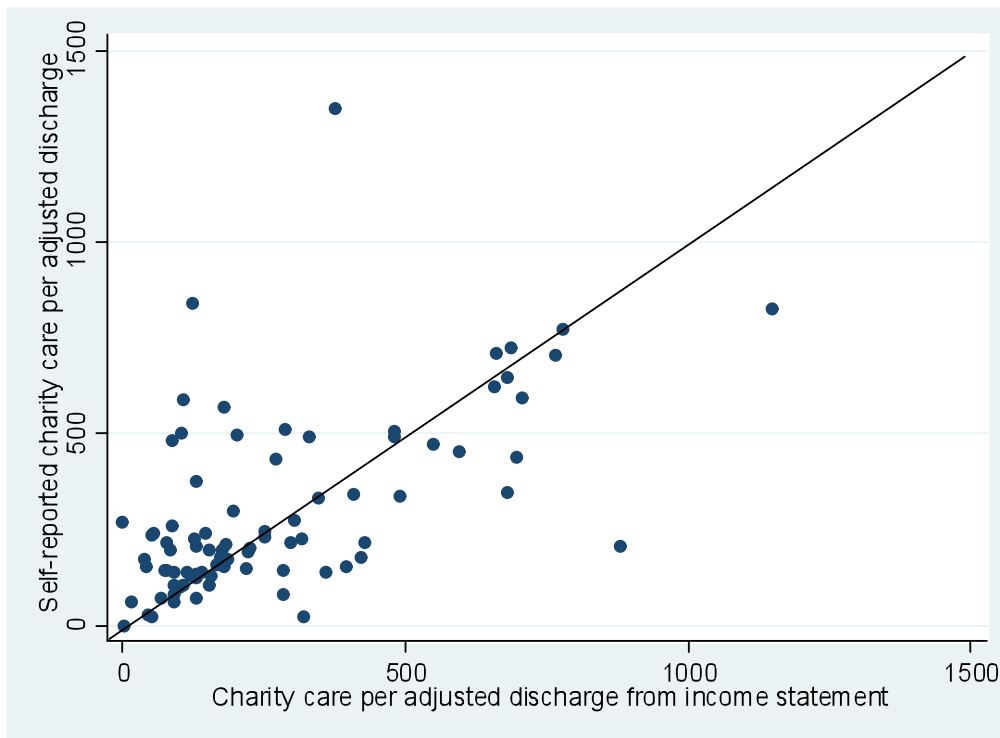
Assessment of Self-reported Expenditures

Self-reported expenditure	Indicator of charitable activity
Charity care	Charity care reported in financial statements (Charges times hospital's cost-to-charge ratio)
Government payment shortfalls	Medicaid inpatient load (% of inpatient days provided to Medicaid patients)
Other community benefits	Provision of community health services (Sum of 17 services aimed at promoting community health through prevention, education, outreach)

➔ Analysis will use bivariate Spearman's rho correlation coefficients

Charity Care

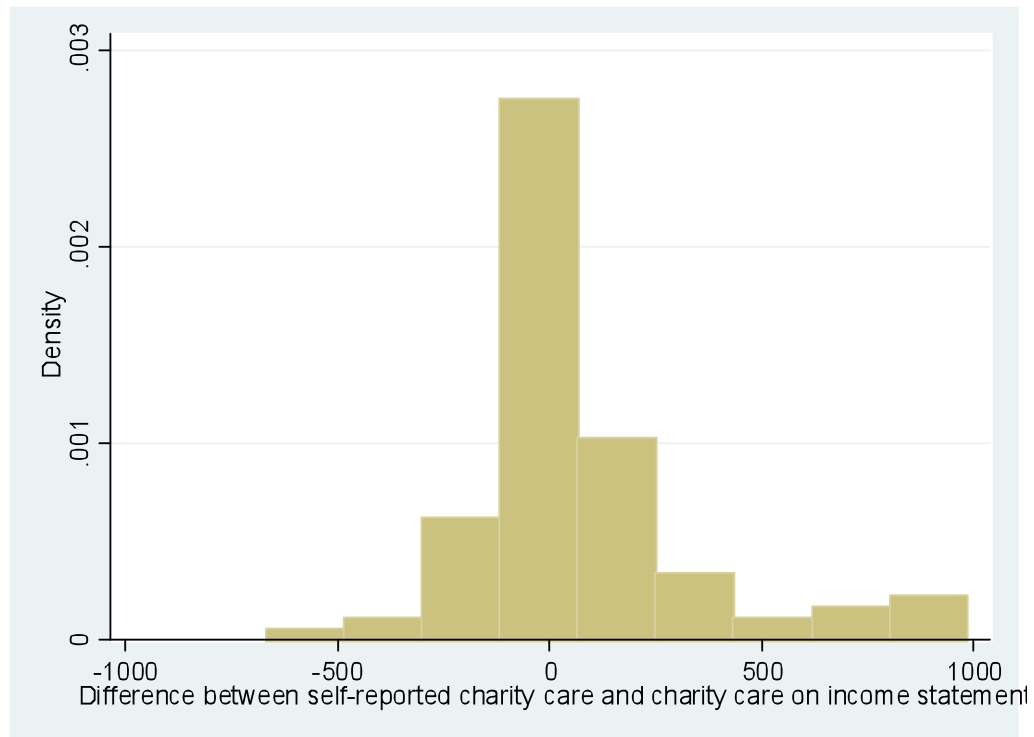
- Self-reported charity care was positively correlated with charity care reported in financial statements



corr = 0.56
($p < 0.001$)

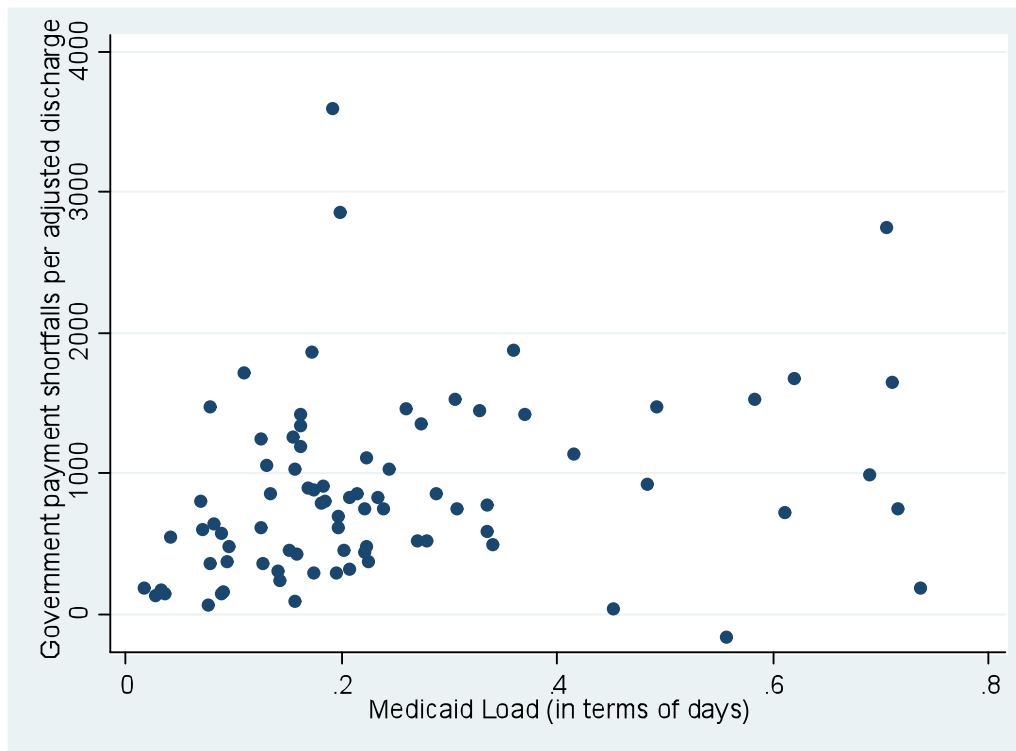
Charity Care

- Hospitals did not systematically over- or underreport charity care in their community benefit reports



Government Payment Shortfalls

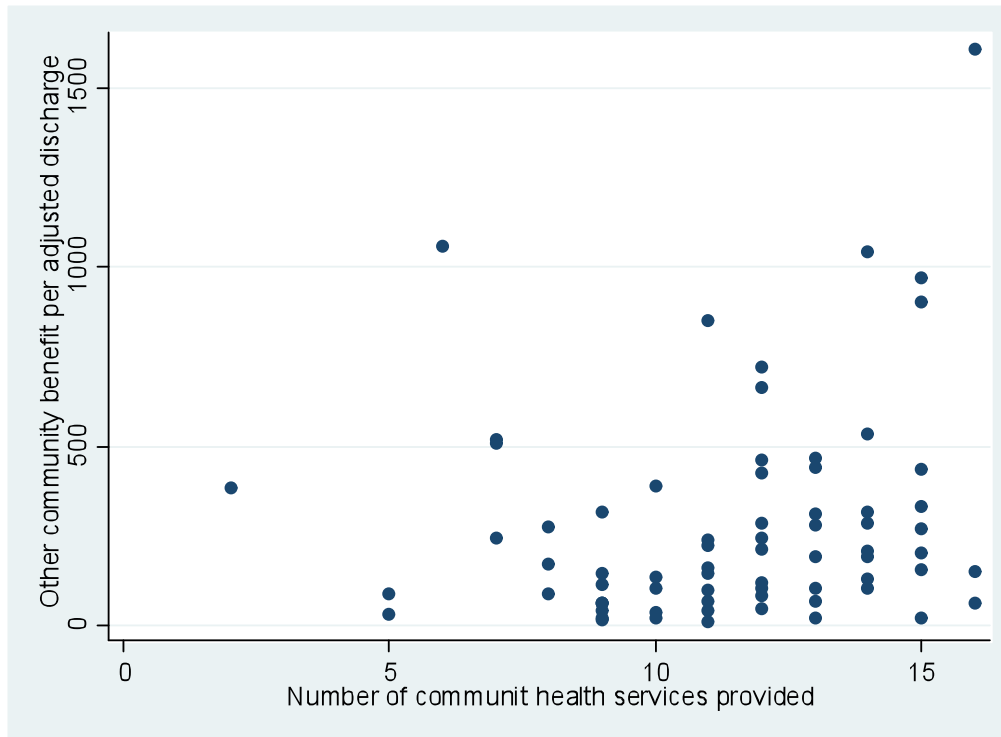
- Self-reported government payment shortfalls were positively correlated with Medicaid inpatient load



corr = 0.38
($p < 0.001$)

Other Community Benefits

- Self-reported other community benefits were positively correlated with community health services



corr = 0.31
(p=0.008)

Summary and Discussion

- Self-reported expenditures were strongly positively correlated with various indicators of charitable activity

➔ Hospitals that report higher community benefit expenditures tend to provide more health services to community

- Self-reported data may provide a fairly accurate picture of hospital's commitment to serving community

- Lack of accounting guidelines does not necessarily compromise reliability of self-reported spending

➔ Further analysis of nationally representative data needed to examine generalizability of findings

Thank You

Any Questions or Comments?

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