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

<table>
<thead>
<tr>
<th>Economic Value</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Charity Care (Free care to uninsured and underinsured patients)</td>
<td>$ 5,243,851</td>
</tr>
<tr>
<td>Government Sponsored Healthcare (Unpaid cost of public coverage programs, net of all government funding)</td>
<td>88,816,741</td>
</tr>
<tr>
<td>Community Outreach Programs/ Services (Classes, support groups, services, screenings, etc.)</td>
<td>2,787,758</td>
</tr>
<tr>
<td>Subsidized Health Programs (Juvenile Justice, after county funding)</td>
<td>5,218,750</td>
</tr>
<tr>
<td>Health Professional Education (after supplemental funding) (GME, Fellows, Nurses)</td>
<td>1,258,207</td>
</tr>
<tr>
<td>Research (not funded by external sponsors, agencies)</td>
<td>Breakeven</td>
</tr>
<tr>
<td>Advocacy for Children’s Health Issues</td>
<td>Included In Operations</td>
</tr>
<tr>
<td>DSH/supplemental funding</td>
<td>(40,821,471)</td>
</tr>
<tr>
<td>Total Charity Care and Community Benefit</td>
<td>$ 62,503,835</td>
</tr>
</tbody>
</table>
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: $169
- Government payment shortfalls: $214
- Other community benefit: $763

Total: $763
## Assessment of Self-reported Expenditures

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

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

\[ \text{corr} = 0.56 \quad (p<0.001) \]
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
  
  \[ \text{corr} = 0.38 \quad (p<0.001) \]
Other Community Benefits

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

\[ \text{corr} = 0.31 \]
\[ (p=0.008) \]
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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