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What is the True Value of Charity Care in Virginia?

Richmond, VA – Earlier this year, the 2017 Virginia General Assembly passed House Bill 2101 which had requirements that would increase transparency. The bill defined bad debt, charity care and detailed how charity care values should be reported by hospitals and other providers based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services (CMS) and what it cost the hospital to provide those charity care services.

While reporting regulations have not yet been established and new data is not yet flowing, Virginia Health Information (VHI) collaborated with the Virginia Department of Health (VDH) and the Virginia Hospital & Healthcare Association (VHHA) to develop a charity care report using data that is currently available. Hospitals and others report charity care provided to patients in gross revenue amounts to VHI. Think of gross revenue like a new car’s sticker price before you negotiate the final amount you pay. VHI used formulas to reduce the individual hospital’s gross revenue to reflect hospital cost and Medicare discount rates.

In 2013, Virginia acute hospitals provided \$1.34 billion worth of charity care based on gross revenues. During 2015, that figure grew with Virginia acute hospitals reporting over \$2.5 billion in gross charity care. When calculated using our formula, charity care at hospital cost and Medicare cost were nearly cut in half.

VHI has published a report, available at www.vhi.org/Media, to display the differences in charity care calculations and to further the conversation around the most appropriate measurement of charity care in Virginia. In the report, gross charity care, charity care at hospital cost and charity care at Medicare cost are compared in dollars, by staffed bed and by percent of revenue for each of the five health planning regions and statewide.

Charity care in general is free or discounted care provided to low-income people who qualify for financial assistance. The Virginia Department of Health, through the Certificate of Public Need program, may require hospitals and other facilities to provide charity care as a condition of having a project approved; such as a new MRI or CT machine or a new wing or facility.

Virginia Health Information (VHI) is the nonprofit organization that businesses, consumers, the Commonwealth of Virginia and health insurance companies go to for health information. VHI publishes reports and consumer guides on health insurance, hospitals, HMOs, nursing facilities, physicians and other topics at www.vhi.org. To find the latest updates on healthcare data and statistics, find and like VHI on Facebook at www.facebook.com/vahealth.

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