

THE SACRAMENTO BEE sacbee.com

This story is taken from Sacbee / Our Region / Top Stories

Hospitals footing more bills

bcalvan@sacbee.com

Published Tuesday, Jul. 28, 2009

The emergency room at UC Davis Medical Center is bustling, its waiting room more crowded than ever and its doctors and nurses caring for an increasing stream of patients who can't possibly pay for services.

These days, more patients are arriving without jobs or health insurance.

As a result, the university medical center is forced to absorb the financial burden of caring for many of the capital's medically indigent, uninsured and financially strapped - a burden that eventually is passed on to paying customers.

"We saw it coming, but the train was bigger than we thought," said William McGowan, the chief financial officer for the UC Davis Health System.

"We didn't think the recession would be this long or this deep."

From July 1, 2008, to June 30, the university health system was left footing the bill for \$165.7 million in charity services - up from \$96.9 million the year before.

Bad debts climbed to \$54.9 million for the just-completed fiscal year, up from \$38.3 million the previous year.

Across California, hospitals have seen a surge in the amount of care they provide for free - known in the health care industry as charity care.

Last year, hospitals across California wrote off nearly \$1.2 billion in bad debts and provided \$973.4 million in charity care - an 89 percent increase from four years earlier.

The growing number of patients who can't pay has had a "devastating effect" on hospitals, said Jan Emerson, spokeswoman for the California Hospitals Association.

"It's a significant burden on us, and it's getting bigger as the days go by."

Nonprofits' role debated

Nonprofit hospitals such as UC Davis Medical Center are required by the Internal Revenue Service to benefit the community in exchange for billions of dollars in tax breaks.

Hospitals typically comply by providing health screenings, smoking cessation programs and free medical care to those who cannot pay.

As Congress plunges into the health care debate, the role that nonprofit hospitals play in caring for the poor and medically underserved is part of the broad and contentious discussion in Washington to revamp the country's health care system.

The Obama administration has made health care a top priority, arguing that systemic changes are needed to bring down costs and widen access to health care to the country's 46 million uninsured. Nearly 7 million Californians do not have medical coverage.

If Washington succeeds in passing comprehensive health care legislation, there may be no need for charity care, according to Reatha Clark, a health industries partner for PricewaterhouseCoopers.

If there is universal health coverage, she said, "who would be left for charity care?" Universal health care is certainly one of the goals for overhauling the country's health care system, but the question is still open about how truly universal the current proposals would be, said Marian Mulkey, a senior program officer with the California Healthcare Foundation.

Few of those watching the health care debate unfold believe that a universal insurance company would truly provide coverage to every person in the United States.

Some people may decline to participate. Also, coverage is unlikely to be extended to undocumented immigrants, who account for about 10 percent of uncompensated care, according to the state hospital association.

Critics: Hospitals fall short

Not everyone involved in the health care debate is sympathetic to the hospitals' plight. Some critics say hospitals aren't doing enough to provide free care.

Key federal legislators want to reduce the tax breaks nonprofit hospitals enjoy and set minimum amounts they must spend on free community care. The critics include Sen. Chuck Grassley, the ranking Republican on the Senate Finance Committee.

A state hospital group official took issue with this criticism. Hospitals have done more than their share to help those in need, particularly in times of financial distress, said Scott Seamons, regional vice president for the Hospital Council of Northern and Central California.

"We don't want to be an industry that's always crying about money, but without money, we can't continue to serve the community in the way we do," said Seamons.

UC Davis isn't the only Northern California hospital hit hard by the rising number of people without health insurance. From July 2007 to June 2008, Catholic Healthcare West's 41 hospitals provided \$569 million in charity care - more than three times the \$168 million of free service given four years earlier.

The uninsured "are impacting our emergency departments. There are more people coming in," said Rosemary Younts, the community benefit director for Catholic Healthcare West's Sacramento service area, which includes Methodist Hospital and the Mercy chain of facilities.

And at Sutter Medical Center, charitable care has more than doubled since 2004, rising from \$23.5 million that year to \$48.9 million last year, according to data filed with the Office of Statewide Health Planning and Development.

Financial strain widespread

As the debate continues in Washington, the ranks of the uninsured keep growing. For every percentage point rise in the unemployment rate, 1.1 million more people go without health insurance, according to the Kaiser Family Foundation.

This year alone, more than 330,000 people are expected to lose coverage in California, according to Families USA. The Washington, D.C.-based health care advocacy group predicts that by 2010, nearly 1 million Californians, more people than in any other state, will have lost their health insurance during a three-year period. As employers struggle, growing numbers are eliminating health insurance programs.

Others are expecting their employees to carry more of the burden for rising premiums. From 1999 to 2008, the average cost of health insurance premiums more than doubled, from \$5,791 to \$12,680, according to the Kaiser Family Foundation.

Even those with health insurance are struggling to pay for higher premiums and deductibles.

Unaffordable medical bills were partly blamed for 62 percent of all personal bankruptcies in 2007, according to a study released this year by researchers at Harvard and Ohio universities.

Three-fourths of those debtors had health insurance, according to a recent study in the American Journal of Medicine.

The study notes that more people are mortgaging their homes in a failed attempt to pay their medical bills.

Unpaid medical bills translate to bad debts that hospitals must absorb or pass on to other health care consumers.

Charity care isn't necessarily free, and unpaid bills don't necessarily vanish into thin air. They are partly recouped and collected when hospitals shift costs to their paying customers.

Bills for health services rise, and so do insurance premiums. The de facto subsidy is what is known within the industry as cost shifting.

To make up the difference, some hospitals have attempted to negotiate more favorable contracts with insurers, with mixed results, and are trying to extract deeper discounts from suppliers. Hospitals have also slowed hiring, cut services, delayed construction projects and put off big ticket purchases.

At UC Davis Medical Center, historically the health provider of last resort for the area's medically indigent, officials expect continuing financial strain.

"We'll continue to see those patients in need," said McGowan, the medical center's financial officer. His hospital, he said, is projecting as much as \$175 million in charity care by the end of the fiscal year next summer, while the tally for bad debts is expected to rise to \$62 million.

"In our budgetary process, we try to anticipate this kind of thing happening," he said. "But we hadn't anticipated the magnitude."

[ShareThis](#)

Call The Bee's Bobby Caina Calvin, (916) 321-1067.