From: Jim Mcniff
To: Director - FASB
Subject: file reference number EITF090L..CHARITY CARE
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Attachments: How Charity Care Can Be Bad For the Patient.doc

To FASB TASK FORCE..

In response to the questions you have listed on page 2..

1)Charity can be classified as patients who were eligible for medicaid/state program but were not enrolled and those who are not medicaid eligible but received charity care based on hospital policies. Therefore I would first break it out by these two categories and apply the average medicaid rate to the medicaid eligible group and apply direct/indirect costs to non-medicaid group..

2)I agree with direct and indirect cost basis for non-medicaid portion.If paying patients are still paying off of some charge basis it is not relevant to costs.

3)I believe the proposal should be prospective not retroactive. The recalulating of prior charity care write offs would be expensive and cumbersome for providers. As a result ,the calculations may not be as accurate as compared to prospective results.

4)That is dependent on how the hospital today determines charity care.Many hospitals use software to support the determination therefore it would be easier for them to comply.

5)Based on our current systems , it would not take us much time to implement.

My comment..

If this data is used to compare one hospitals charity level to another and it is assumed that the higher charity care hospital is more charitable, you would draw an incorrect conclusion. For example,if a hospital invests in getting people enrolled in community medicaid(for outpatient services) and therefore lowers it's charity care ,why should this be viewed in a negative light. (see attached article)

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"How Charity Care Can Be Bad For the Patient"

An uninsured patient is seen in your emergency room. They are treated and released. Upon leaving the hospital they stop at a discharge desk that explains the hospital's charity care policy and based on the post service credit check, their income would allow them to receive charity. The patient signs a form supporting the data and the account balance is written off to charity before a bill is ever sent. This may not be exactly the scenario at your hospital however there are forces in the environment that will bring you there.

1. Patient advocacy groups are speaking out for the uninsured patients that hospitals should provide charity care to support their tax exempt status and not prevent patients from seeking services.

2. The IRS will be implementing changes to Form 990 that require that hospitals specifically state the amount of charity care they are providing.

3. In New York, the Bad Debt and Charity Care pools may be changed to reimburse hospitals only for charity care not bad debt.

4. HFMA has proposed a financial statement (#15) that requires the break out of charity care from total uncompensated care. IRS has recommended that hospitals consider instituting statement 15.

5. Software vendors are heavily marketing products that allow you to determine a patients ability to pay earlier in their treatment process. This will make it earlier to designate that service as charity with the system data supporting that decision.

It appears we are all doing the right thing for the provider and the patient. However there is the potential of unintended consequences that may actually not be good for the patient or the provider. If we are so quick to provide charity care, we maybe losing the opportunity to actually get the patient coverage. We must remember that charity care in the emergency room doesn't mean the patient is now able to get their prescriptions filled or visit a physician. So have we really helped the patient? Sure it is labor intensive and complex to get a patient enrolled in a state program but we owe it to our patients and our providers. Some of the incentives in the system do not support the enrollment of patients. I don't think the state would be upset if there were less Medicaid patients to pay for, providers getting reimbursed through other means for charity care, or advocacy groups seeing higher charity care numbers. It becomes even more critical getting patients on Medicaid based on New York's proposal to support preventive and primary care services.

Let's not rush to provide the easy fix while over looking what is best for the patient and the healthcare system.