



Internal Revenue Service
Department of the Treasury

Report to Congress on Private Tax-Exempt, Taxable, and Government- Owned Hospitals

January 2015



Overview

Section 9007(e)(1) of the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 (2010), 124 Stat. 119, 858 (ACA) provides that the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall submit to the Committees on Ways and Means, Education and the Workforce, and Energy and Commerce of the House of Representatives and to the Committees on Finance and Health, Education, Labor, and Pensions of the Senate an annual report on the following:

- Information with respect to private tax-exempt, taxable, and government-owned hospitals regarding:
 - Levels of charity care provided
 - Bad debt expenses
 - Unreimbursed costs for services provided with respect to means-tested government programs
 - Unreimbursed costs for services provided with respect to non-means-tested government programs
- Information with respect to private tax-exempt hospitals regarding costs incurred for community benefit activities

This report contains the information required by Section 9007(e)(1) for calendar year 2011, the first complete year for which data from both departments are available.

CONTENTS

Overview	2
Data	3
I. Section 9007(e)(1)(A)	3
a. Levels of charity care provided	3
b. Bad debt expenses	4
c. Unreimbursed cost for services provided with respect to means-tested government programs	4
d. Unreimbursed cost for services provided with respect to non-means-tested government programs	5
II. Section 9007(e)(1)(B)	6
Future Reports	7



Data

I. Section 9007(e)(1)(A)

The Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), collects information with respect to private tax-exempt, taxable, and government-owned hospitals on an annual Hospital and Hospital Health Care Complex Cost Report (Medicare Cost Report).

For Cost Reporting Periods beginning on or after May 1, 2010, private tax-exempt, taxable, and government-owned hospitals are generally required to use Form CMS-2552-10 to complete their Medicare Cost Report. Form CMS-2552-10 collects the information required to be reported by Section 9007(e)(1)(A) of the ACA.

CMS publishes, on its CMS cost report website, data as reported to the Healthcare Cost Report Information System (HCRIS) by Medicare Administrative Contractors (MAC). Medicare-certified institutional providers are required to submit an annual cost report to a MAC. This cost report is required to cover a 12-month period of operations based upon the provider's accounting year.

CMS maintains the Medicare Cost Report data in the HCRIS. The data in the tables below are taken from the HCRIS. The specific source of each item is noted using the line number from the Medicare Cost Report.

a. Levels of charity care provided

For calendar year 2011, CMS data from the HCRIS system show the following levels of charity care provided by taxable, private tax-exempt, and government-owned hospitals.¹

Table 1: Levels of Charity Care Provided			
Data Elements	Taxable	Private Tax-Exempt	Gov't-Owned
Cost of charity care ²	1,394,492	12,047,480	8,871,215
Total operating expenses ³	105,527,741	556,966,425	133,542,914
Total other expenses ⁴	679,625	8,408,371	1,605,487
Percent of hospitals' operating expenses ⁵	1.32	2.16	6.64
Percent of hospitals' total expenses ⁶	1.31	2.13	6.56
Note: Money amounts are in thousands of dollars.			

¹ CMS Provider Control Type Codes are used for this classification. For this report, Taxable includes "Proprietary, Individual, Corporation, Partnership and Other", Private Tax-Exempt includes "Voluntary Nonprofit, Church, and Other," and Government-Owned includes "Governmental, Federal, City-County, County, State, Hospital District, City, and Other."

² "Cost of charity care" is calculated by taking "Cost of initial obligation of patients approved for charity care" (Worksheet S-10, Line 21) and subtracting "Partial payment by patients approved for charity care" (Worksheet S-10, Line 22).

³ "Total operating expenses" is from Worksheet G-2, Part II, Line 43.

⁴ "Total other expenses" is from Worksheet G-3, Line 28.

⁵ Percent is "Cost of charity care" divided by "Total operating expenses."

⁶ Percent is "Cost of charity care" divided by the sum of "Total operating expenses" and "Total other expenses."



b. Bad debt expenses

For calendar year 2011, CMS data from the HCRIS system show the following levels of bad debt expenses provided by taxable, private tax-exempt, and government-owned hospitals.

Data Elements	Taxable	Private Tax-Exempt	Government- Owned
Cost of non-Medicare bad debt expense ⁷	1,923,495	8,730,772	4,626,060
Percent of hospitals' operating expenses	1.82	1.57	3.46
Percent of hospitals' total expenses	1.81	1.54	3.42

Note: Money amounts are in thousands of dollars.

c. Unreimbursed cost for services provided with respect to means-tested government programs

For calendar year 2011, CMS data from the HCRIS system show the following levels of unreimbursed costs for services provided with respect to means-tested government programs for taxable, private tax-exempt, and government-owned hospitals.

Data Elements	Taxable	Private Tax-Exempt	Government- Owned
Total unreimbursed costs for Medicaid, etc. ⁸	1,878,438	10,948,488	5,419,182
Percent of hospitals' operating expenses	1.78	1.97	4.06
Percent of hospitals' total expenses	1.77	1.94	4.01

Note: Money amounts are in thousands of dollars.

⁷ "Cost of non-Medicare bad debt expense" is from Worksheet S-10, Line 29.

⁸ "Total unreimbursed costs for Medicaid, SCHIP, and state and local indigent care programs" is from Worksheet S-10, Line 19.



d. Unreimbursed cost for services provided with respect to non-means-tested government programs

For calendar year 2011, CMS data from the HCRIS system show the following levels of unreimbursed costs for services provided with respect to non-means-tested government programs for taxable, private tax-exempt, and government-owned hospitals.

Data Elements	Taxable	Private Tax-Exempt	Government- Owned
Total unreimbursed costs for Medicare ⁹	6,448,405	6,852,898	2,257,259
Percent of hospitals' operating expenses	6.11	1.23	1.69
Percent of hospitals' total expenses	6.07	1.21	1.67

Note: Money amounts are in thousands of dollars.

⁹ Total unreimbursed costs for Medicare defined as total program inpatient costs (CMS 2552-10 Worksheet D-1 Line 49) LESS:
• Total payment for inpatient operating costs of Sole Community Hospitals and Medicare Dependent Hospitals (CMS 2552-10 Worksheet E-A Line 49)
• Payment for inpatient program capital (CMS 2552-10 Worksheet E-A Line 50)
• Exception payment for inpatient program capital (CMS 2552-10 Worksheet E-A Line 51)
• Adjusted reimbursable bad debts (CMS 2552-10 Worksheet E-A Line 65)
PLUS allowable bad debts (CMS 2552-10 Worksheet E-A Line 64).



II. Section 9007(e)(1)(B)

IRS Statistics of Income (SOI) Division collects the data required by Section 9007(e)(1)(B) from Schedule H, *Hospitals*, of the Form 990, *Return of Organization Exempt From Income Tax*. The latest year for which data are available is 2011.

For 2011, SOI data show the following costs reported for community benefit activities with respect to private tax-exempt hospitals.

Type of Community Benefit	Number of activities or programs	Number of persons served	Total community benefit expense	Direct offsetting revenue	Net community benefit expense	Percent of total expense ¹¹
	(1)	(2)	(3)	(4)	(5)	(6)
Total Community Benefits¹²	553,999	82,710,801	\$149,281,744	\$86,927,818	\$62,463,371	9.67
Total charity care and means-tested government programs¹³	399,099	15,747,656	104,046,778	69,186,996	35,054,051	5.42
Charity care at cost	25,575	3,159,408	17,415,426	2,500,841	15,011,379	2.32
Unreimbursed Medicaid	372,742	11,758,070	82,406,170	63,769,821	18,736,792	2.90
Unreimbursed costs—other means-tested government programs	782	830,178	4,225,182	2,916,334	1,305,880	0.20
Total other benefits¹⁴	154,900	66,963,145	45,234,966	7,740,822	27,409,320	4.24
Community health improvement services and community benefit operations	131,187	53,208,425	3,029,646	369,626	2,659,025	0.41
Health professions education	9,804	1,465,110	13,621,372	4,389,163	9,232,250	1.43
Subsidized health services	2,497	5,577,800	17,113,507	11,916,218	5,113,403	0.79
Research	1,405	130,351	9,435,570	1,022,817	8,412,686	1.30
Cash and in-kind contributions to community groups	10,007	6,581,459	2,034,871	42,998	1,991,957	0.31

Note: Money amounts are in thousands of dollars. Detail may not add to totals due to rounding.

¹⁰ Based on Schedule H, Part I, Line 7a-7k data from 2,469 hospital filers that are not “dual-status organizations.” Dual-status organizations are government entities that have also been recognized as tax-exempt 501(c)(3) organizations. Fifty-two hospitals were removed from the original data file (Hospital Filer Population N=2,521) because they were identified as dual-status organizations.

¹¹ This figure is calculated by taking the “Net community benefit expense” (Schedule H, Part I, Line 7, Column (e)) and dividing by the aggregate amount reported by the population on Form 990, Part IX, Line 25, Column (A), which is “Total functional expenses.”

¹² Sum of “Total charity care and means-tested government programs” and “Total other benefits.”

¹³ Sum of “Charity care at cost,” “Unreimbursed Medicaid,” and “Unreimbursed costs—other means-tested government programs.”

¹⁴ Sum of “Community health improvement services and community benefit operations,” “Health professions education,” “Subsidized health services,” “Research,” and “Cash and in-kind contributions to community groups.”



Future Reports

The IRS expects to issue the report required by Section 9007(e)(1) annually, after the most recent year of CMS and SOI data become available.