

**Fiscal Year 2001 San Francisco Hospital
Charity Care Report Summary**

Prepared by
the San Francisco Department of Public Health

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- Attachment 2: San Francisco Charity Care Policy, Reporting And Notice Requirement Regulations
- Attachment 3: Summary of Reporting Hospitals' Charity Care Policies

Fiscal Year 2001 San Francisco Hospital Charity Care Report Summary

I. BACKGROUND

An estimated 156,000 San Franciscans are uninsured (20% of the total population). Many of them rely on charity care provided by hospitals to access needed primary and acute care services. Most uninsured residents seek care at San Francisco General Hospital, which is the county public hospital and one of the two safety net hospitals in the City. The uninsured are working adults and parents, children and youth, the indigent and homeless persons.

In order to enable the City and County of San Francisco to evaluate the need for charity care in the community and to plan for the continued fulfillment of the City's responsibility to provide care to indigents, the Board of Supervisors passed Ordinance Number 163-01, the Charity Care Policy Reporting and Notice Requirement (the "Ordinance"). The Ordinance, which was signed by the Mayor on July 20, 2001, requires hospitals to report the amount of charity care they provide. In addition, the Ordinance requires hospitals to submit copies of their charity care policies and to notify patients of those policies. (A copy of the Ordinance is attached hereto as Attachment 1.)

II. ORDINANCE PROVISIONS

A. *Definition of Charity Care*

The Ordinance defines charity care as:

“. . . emergency, inpatient or outpatient medical care, including ancillary services, provided to those who cannot afford to pay and without expectation of reimbursement and that qualifies for inclusion in the line item "Charity-Other" in the [annual reports to the Office of Statewide Health Planning and Development]."

Because charity care is defined as the provision of services without the expectation of reimbursement, bad debt is excluded from this definition. Additionally, under-reimbursement by public and private health insurance programs are excluded as these payments are made as payment in full for services rendered. This definition also excludes hospitals providing charity care pursuant to the requirements of the Hill-Burton program. Under the Hill-Burton program, charity care is provided by hospitals in exchange for low interest rate financing. Hill-Burton charity care is not included in the definition of charity care because the relationship between the benefit of the program and the obligation under the program are clearly linked.

B. *Qualifying Hospitals*

The Ordinance pertains to all hospitals in San Francisco except:

“hospitals owned and operated by a nonprofit system that does not provide a significant level of service on a fee-for-service basis and whose annual financial statement is consolidated with a nonprofit health maintenance organization, filed with the California Department of Managed Health Care.”

This provision, therefore, excludes San Francisco General Hospital Medical Center, Laguna Honda Hospital and Rehabilitation Center, the University of California, San Francisco, and Kaiser Permanente from the requirements of the Ordinance. The remaining hospitals that are subject to the Ordinance, then, are as follows:

- Saint Francis Memorial Hospital
- St. Mary’s Medical Center
- St. Luke’s Hospital
- California Pacific Medical Center (CPMC)
- Chinese Hospital

Though San Francisco General Hospital (SFGH) is exempt, it has voluntarily complied with the Ordinance.

C. *Charity Care Reporting*

The Ordinance requires that hospitals:

- Submit to the Department of Public Health (the “Department”) annual reports that include the following information:
 - The dollar amount of charity care provided during the prior year, after adjustment by the cost-to-charge ratio and excluding bad debt;
 - A calculation of the hospital’s cost-to-charge ratio;
 - The total number of applications, patient and third party requests for charity care;
 - The total number of hospital acceptances and denials for charity care received and decided;
 - The zip code of each patient’s residence on such acceptance or denial;
 - The number of individuals seeking, applying, or otherwise eligible for charity care who were referred to other medical facilities, along with the identification of the facility to which those individuals were referred;
 - The total number of patients who received hospitals services reported as charity care and whether those services were for emergency, inpatient or outpatient medical care, or for ancillary services.
 - All charity care policies;
 - Any application or eligibility forms used;
 - The hospital locations and hours at which the information may be obtained by the general public; and
 - Any other information the Department shall require.

The Ordinance also requires the Department to report annually to the Health Commission on the information obtained pursuant to the Ordinance.

D. Notification of Charity Care Policies

Hospitals must whenever practicable during the admission process provide patients with verbal notification of the hospital's charity care policies, including the process necessary to apply for charity care. In addition, hospitals are required to post multilingual notices as to the hospital's charity care policies in specific areas of the hospital. At a minimum, notices are required to be posted in English, Spanish and Chinese.

III. IMPLEMENTATION

On December 17, 2001, the Department issued regulations implementing the Ordinance. (A copy of the regulations is attached hereto as Attachment 2.) In finalizing these regulations, the Department received and considered comments from a number of organizations, including the Hospital Council of Northern and Central California, the Service Employees' International Union, and Consumers' Union.

The Department's regulations remained as close as possible to the specific requirements contained in the Ordinance. The one exception is the compliance plan. A provision for a compliance plan was included in the regulations in recognition of the possibility that hospitals may need time to fully comply with the Ordinance and regulations. In these instances, the compliance plan affords hospitals the opportunity to advise the Department of the anticipated date of compliance and avoid the penalties for noncompliance that are included in the Ordinance. For hospitals submitting a compliance plan, the regulations require that the compliance plan must:

- Identify the required information that cannot currently be provided;
- Provide an explanation of why that information cannot be provided;
- Identify each step the hospital will take to bring it into compliance; and
- Specify the date on which the hospital will be in compliance.

Pursuant to the regulations, the Department created a standardized Annual Report form to assist hospitals in reporting the required information. The first Annual Report was due on June 1, 2002 for the fiscal year ending 2001. Reports for fiscal year 2002 and for subsequent fiscal years are due within 150 days after the close of that fiscal year.

IV. FIRST ANNUAL CHARITY CARE REPORTS

A. Hospitals Reporting Pursuant to the Ordinance

Table 1, below, summarizes the information submitted by hospitals in response to the Ordinance.

**Table 1.
Summary of Charity Care Information Submitted by Reporting Hospitals Pursuant to the
Charity Care Ordinance for Fiscal Year 2001**

Required Information	Saint Francis	St. Mary's	St. Luke's	CPMC	Chinese	SFGH
Fiscal Year	07/01/00 - 06/30/01	07/01/00 - 06/30/01	07/01/00 - 06/30/01	01/01/01 - 12/31/01	01/01/01 - 12/31/01	07/01/00 - 06/30/01
Cost-to-Charge Ratio						
• Cost-to-Charge Ratio Worksheet	X	X	X	X	X	X
Charity Care Provided						
• value of charity care provided	X	X	X	X	N/A	X
Applications/Requests for Charity Care						
• Total # of applications/requests			X	X	N/A	X
• # accepted	X	X	X	X	N/A	X
• # denied			X	X	N/A	X
• zip codes of charity care applicants who were granted charity care	X	X		X	N/A	X
• zip codes of charity care applicants who were denied charity care					N/A	N/A
• facilities to which charity care applicants were referred					N/A	N/A
Individuals Who Received Charity Care						
• # of individuals who received charity care	X	X	X	X	N/A	X
• # of charity care recipients who received emergency services, including ancillary services	X	X	X	X	N/A	X
• # of charity care recipients who received inpatient medical care, including ancillary services	X	X	X	X	N/A	X
• # of charity care recipients who received outpatient medical care, including ancillary services	X	X	X	X	N/A	X
Charity Care Policies						
• Copies of all charity care policies	X	X	X	X	N/A	X
• Copies of posted notices and location of postings			X	X	N/A	X
Compliance Plan						
• Information that cannot be provided	X	X	X	X	N/A	N/A
• Explanation of why information cannot be provided	X	X	X	X	N/A	N/A
• Steps the hospital will take to bring it into compliance	X	X	X	X	N/A	N/A
• Date on which the hospital will be in compliance	X	X	X	X	N/A	N/A

B. Chinese Hospital

It is important to note that Chinese Hospital participates in the Hill-Burton program. As noted above, charity care provided under the Hill-Burton program is excluded from the definition of charity care and from this analysis because the provision of charity care is required under the Hill-Burton program in exchange for the direct benefit of low interest rate financing. In effect, charity care is provided in partial payment of the hospitals' Hill-Burton debt and all charity care provided by the hospital is assigned to the Hill-Burton program.

While Chinese Hospital did not provide charity care as defined by the Ordinance, it did provide a substantial amount of the requested information for its Hill-Burton charity care. In fiscal year 2001, Chinese Hospital provided \$177,370 in Hill-Burton charity care to 139 patients.

C. *Applications/Requests for Charity Care*

1. Applications Accepted and Denied

Altogether, hospitals reported accepting 142,620 requests for charity care in fiscal year 2001. Each hospital was able to report the number of accepted charity care requests, but with the exception of CPMC, hospitals appeared to have a less accurate tracking system for denied requests. According to Saint Francis and St. Mary’s, staff interviews indicated that less than five individuals at each facility were denied charity care because their income level was too high. Both SFGH and St. Luke’s report that they have no records indicating that individuals who met financial eligibility criteria were denied necessary care. Table 2 shows the total number of requests for charity care that were accepted and denied.

**Table 2.
Accepted and Denied Requests for Charity Care in Fiscal Year 2001**

Hospital	Accepted	Denied	Total Number of Requests
Saint Francis	1,211	<5	1,211 – 1,216
St. Mary’s	6,749	<5	6,749 – 6,754
St. Luke’s	6,722	0	6,722
CPMC	638	113	751
Chinese Hospital	0	0	0
SFGH ¹	127,300	0	127,300
Total	142,620	113 - 123	142,733 – 142,783

2. Unduplicated Patients Who Received Charity Care

Hospitals were asked to report the unduplicated number of patients who received charity care in fiscal year 2001. However, based upon the reports hospitals submitted, it appears that it has been difficult for hospitals either to report unduplicated charity care patients or to report accepted charity care applications. St. Luke’s reported that it is unable to determine whether any individual had more than one charity care service in the reporting period. In reports from Saint Francis, St. Mary’s, and CPMC, the number of applications or requests that were accepted is the same as the total unduplicated number of patients who received charity care. As it is unlikely that every charity care patient served by these hospitals applied and was accepted for charity care just one time during the fiscal year, either the number of applications for charity care was underreported by these hospitals or the number of individuals who received charity care services

¹ Charity care applications at SFGH are valid for three months. Therefore, if a charity care patient presents at the hospital for services within three months of a previously approved application, no new application is required. As a result, the number of approved applications for charity care is less than the number of approved requests for charity care. In fiscal year 2001, SFGH approved 255,821 requests for charity care.

was overreported. Given these limitations, the number of unduplicated patients reported by hospitals is provided in Table 3.

**Table 3.
Estimated Number of Unduplicated Patients Who Received Charity Care
in Fiscal Year 2001**

Hospital	Unduplicated Charity Care Patients	% of Total
Saint Francis	1,211	1.8%
St. Mary's	6,749	10.2%
St. Luke's	6,722	10.2%
CPMC	638	1.0%
Chinese Hospital	0	0%
SFGH	50,784	76.8%
Total	66,104	100%

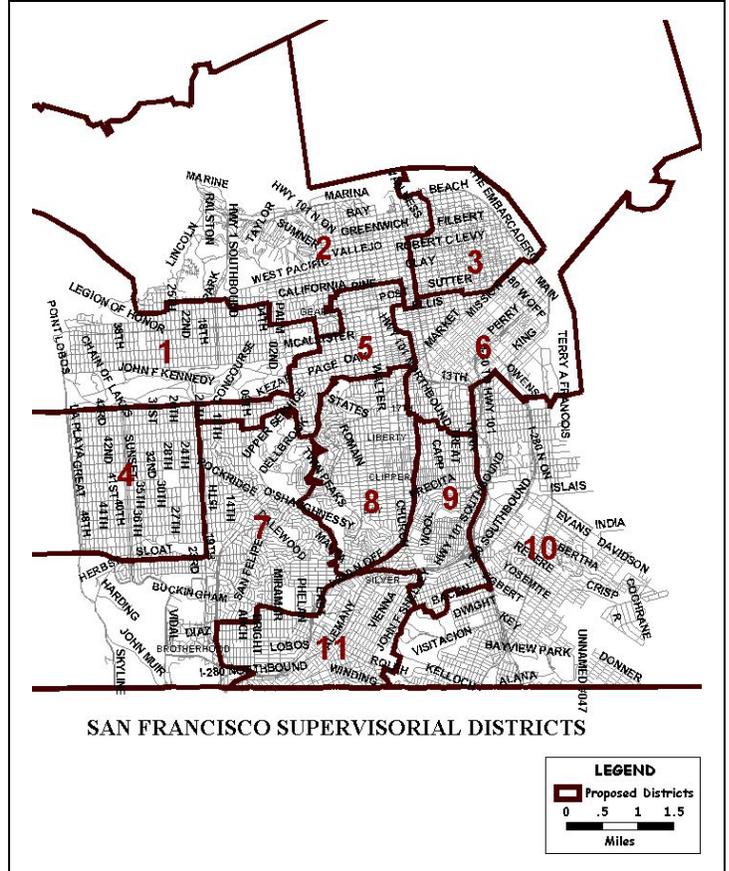
3. *Applications By Zip Code*

Pursuant to the Ordinance, hospitals were required to report the residence zip codes of charity care applicants who were provided and denied services. As noted above, only CPMC was able to report the number of denied applications. However, they were unable to provide the zip codes of the denied applicants. St. Luke's Hospital was unable to report zip code data at this time.

Hospitals reported providing charity care services to 48,363 residents of San Francisco. Non-residents received 2,881 services. Homeless patients accounted for 8,138 charity care services. Residents of District 6, which includes the Tenderloin and Civic Center districts, received more charity care services than residents of other supervisorial districts. Looking at charity care services by residency, after District 6, homeless patients were the next highest group of charity care recipients. Table 4 shows all charity care provided by supervisorial district.

**Table 4.
Charity Care Recipients by Supervisorial District²**

Supervisorial District	Accepted Charity Care Service Applications	%
District 1	2,189	3.7%
District 2	2,969	5.0%
District 3	2,862	4.8%
District 4	2,407	4.1%
District 5	4,344	7.3%
District 6	10,604	17.9%
District 7	3,366	5.7%
District 8	2,413	4.1%
District 9	7,270	12.2%
District 10	6,088	10.3%
District 11	3,703	6.2%
Other SF Zip Codes	130	0.2%
Non-SF Zip Codes	2,881	4.9%
Homeless	8,138	13.7%
Total	59,364	100%



D. Charity Care Services Provided

1. By Hospital

Hospitals reported providing 83,349 charity care services (emergency services, inpatient services, and outpatient medical care) in fiscal year 2001. However, it is unclear if this is the true number of charity care services actually provided. For Saint Francis, St. Mary’s, and St. Luke’s, the total number of charity care services provided is equal to the number of unduplicated charity care patients. It is unlikely that every charity care patient seen in these hospitals received only one type of service during their visit. For example, an emergency patient who was admitted would at least have received both emergency services and inpatient services. These hospitals may have categorized their charity care services by the first service the patient received, thereby undercounting the number of services provided. Alternatively, these hospitals may have overreported the number of patients who received charity care by counting more than once a

² Excludes 6,722 charity care services provided by St. Luke’s Hospital, as zip code data were not provided by St. Luke’s.

patient who received two or more modes of service in one visit. Because, as stated above, unduplicated numbers of patients served is difficult to report, it is impossible to determine if either of these presumptions is true.

Additionally, hospitals were required to report the number of individuals who received emergency, inpatient or outpatient services, not the total number of charity care emergency, inpatient or outpatient services provided. This further limited the number of services reported. SFGH, for example, reported providing 16,785 emergency services for 9,735 individuals, 142,610 outpatient services for 30,221 individuals and 96,426 inpatient services for 28,008 individuals.

Based on the reported figures, however, SFGH provided the majority of charity care services in the reporting period, providing 67,964 services, representing 82 percent of all charity care services. Given these limitations, Table 5 shows the charity care services provided by each hospital in fiscal year 2001.

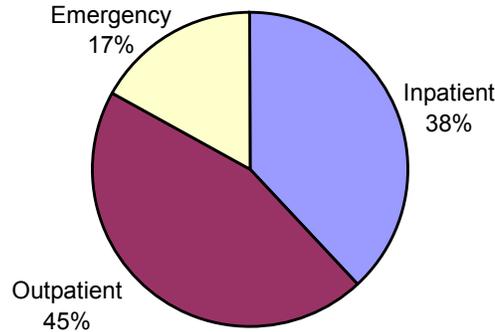
**Table 5.
Charity Care Services Provided by Each Reporting Hospital
in Fiscal Year 2001**

Hospital	Total Charity Care Services Provided	
Saint Frances	1,211	1.5%
St. Mary's	6,749	8.1%
St. Luke's	6,722	4.5%
CPMC	703	0.8%
Chinese Hospital	0	0%
SFGH	67,964	81.5%
TOTAL	83,349	100%

2. By Service

Hospitals categorized the levels of charity care provided in three service areas: emergency services, inpatient services and outpatient services. Chart 1 shows the proportion of charity care service types provided by reporting hospitals.

**Chart 1.
Charity Care Services Provided by Type in Fiscal year 2001**

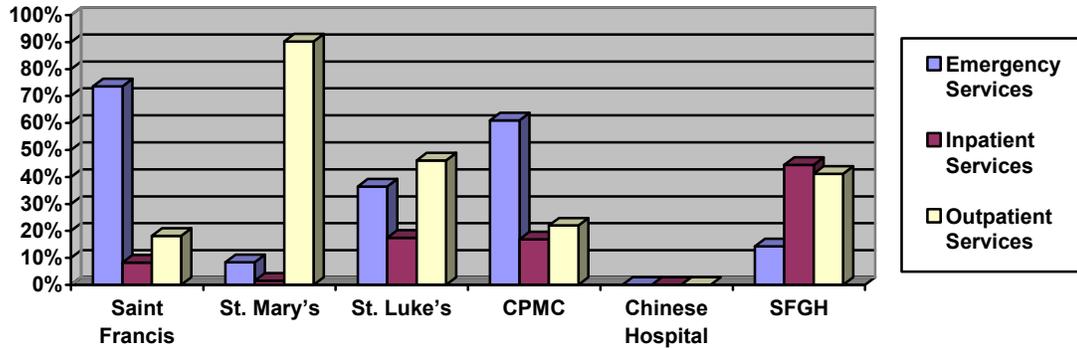


The distribution of charity care visits among the three different types of services was different for each hospital. Saint Francis and CPMC provided the majority of their charity care services in the emergency department. St. Mary's, however, provided the vast majority of its charity care in outpatient settings. Table 6 and Chart 2 show the quantity of charity care services provided by each hospital in each service area, as well as the percentage those services represent of each hospital's total charity care.

**Table 6.
Distribution of Each Hospitals' Charity Care Services
by Type of Service Provided**

Type of Service	Saint Francis		St. Mary's		St. Luke's		CPMC		Chinese Hospital		SFGH		Total	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Emergency Services	891	73.6%	564	8.4%	2,449	36.4%	429	61.0%	0	0%	9,735	14.3%	14,068	16.9%
Inpatient Services	100	8.3%	99	1.5%	1,174	17.5%	119	16.9%	0	0%	30,221	44.5%	31,713	38.0%
Outpatient Services	220	18.2%	6,086	90.2%	3,099	46.1%	155	22.0%	0	0%	28,008	41.2%	37,568	45.1%
TOTAL	1,211	100%	6,749	100%	6,722	100%	703	100%	0	0%	67,964	100%	83,349	100%

**Chart 2.
Distribution of Each Hospitals' Charity Care Services
by Type of Service Provided**

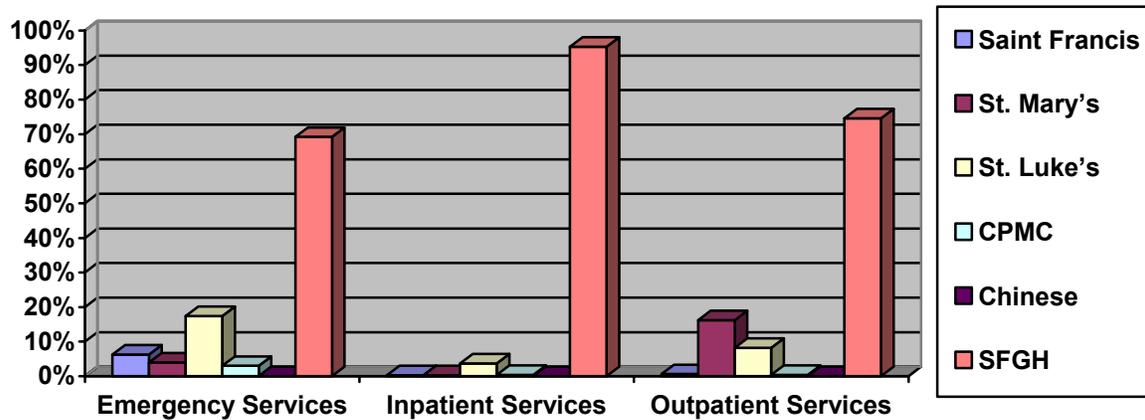


Within each type of service provided, SFGH consistently provided the majority of charity care services. In addition, St. Luke's provided a significant percentage of the emergency charity care services and St. Mary's provided a significant percentage of outpatient charity care services. For inpatient services, SFGH provided more than 95 percent of all the inpatient charity care provided by the reporting hospitals. Table 7 and Chart 3 show the types of services provided by each types of services provided by each hospital and the percentage those services represent of the total of each type of service provided by all hospitals.

**Table 7.
Each Hospitals' Percentage of Total Emergency, Inpatient and Outpatient
Charity Care Services Provided by Reporting Hospitals in Fiscal Year 2001**

Hospital	Emergency Services		Inpatient Services		Outpatient Services		Total Charity Care Services Provided	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Saint Frances	891	6.3%	100	0.3%	220	0.6%	1,211	1.5%
St. Mary's	564	4.0%	99	0.3%	6,086	16.2%	6,749	8.1%
St. Luke's	2,449	17.4%	1,174	3.7%	3,099	8.2%	6,722	8.1%
CPMC	429	3.0%	119	0.4%	155	0.4%	703	0.8%
Chinese Hospital	0	0	0	0	0	0	0	0%
SFGH	9,735	69.2%	30,221	95.3%	28,008	74.6%	67,964	81.6%
TOTAL	14,068	100%	31,713	100%	37,568	100%	83,349	100%

**Chart 3.
Each Hospitals' Percentage of Total Emergency, Inpatient and Outpatient
Charity Care Services Provided by Reporting Hospitals in Fiscal Year 2001**



E. Charity Care Expenditures

1. Cost to Charge Ratio

Charity care is reported annually to the Office of Statewide Health Planning and Development (OSHDP) as the value of hospital charges. However, hospital charges for care are not equal to hospitals costs for care – charges are always higher than costs. The cost of care is the actual level of expenditures. Charges reflect the fee that hospitals hope to receive in payment for providing the service. As a result, calculating charity care based on charges inflates the level of charity care actually provided since it does not equal the amount of money actually spent by the hospital on the provision of charity care. Analyzing the information based on costs provides a truer measure of the actual expense incurred by hospitals to provide charity care.

It is difficult to obtain information about the actual cost of delivering care in a particular hospital. However, there is a generally accepted cost to charge ratio formula that can be used to estimate the relationship between the hospitals charges and its costs. This formula yields an estimation of the percentage of a hospital's charges that are actual costs and is expressed as: $(\text{Total Operating Expenses} - \text{Total Other Operating Revenue}) / \text{Gross Patient Revenue} \times 100$. Table 8 shows the cost to charge ratios for each of the hospitals reporting pursuant to the Ordinance.

**Table 8.
Hospitals' Cost to Charge Ratios**

Hospital	Cost to Charge Ratio
Saint Francis	28.36%
St. Mary's	29.77%
St. Luke's	38.6%
CPMC	28%
Chinese Hospital	56.7%
SFGH	74%

2. Charity Care Expenditures

Hospitals were required to report the value of charity care provided in accordance with the definition provided by OSHPD. That is, hospitals reported charity care in terms of charges rather than costs. As explained above, it is important to apply the hospitals' cost to charge ratio to the value of charity care reported in order to determine the hospital's actual cost of providing that care. Therefore, in Table 9, the data on charity care provided is multiplied by the cost to charge ratio to arrive at the cost of charity care provided in San Francisco.

**Table 9.
Cost of Charity Care Provided in Fiscal Year 2000-2001**

Hospital	Charity Care Reported	Cost to Charge Ratio	Cost of Charity Care Provided (Charity Care Reported*Cost to Charge Ratio)
Saint Francis	\$3,198,579	28.36%	\$907,117
St. Mary's	\$6,010,222	29.77%	\$1,789,243
St. Luke's	\$10,052,404	38.6%	\$3,880,228
CPMC	\$5,382,502	28%	\$1,507,101
Chinese Hospital	\$0	56.7%	\$0
SFGH ³	\$76,012,979	74%	\$56,249,604
TOTAL	\$100,656,686	N/A	\$64,333,293

F. Charity Care Policies

Of the reporting hospitals, all hospitals submitted charity care policies. There are considerable differences in the detail of hospital charity care policies. As Saint Francis and St. Mary's are part of Catholic Healthcare West, their charity care policies are identical. Though St. Luke's and CPMC are both Sutter Health System hospitals, their charity care policies are widely different. As mentioned previously, as Chinese Hospital does not provide charity care as it is defined here, they submitted only a Hill-Burton Assistance Program Charity Care Policy.

³ SFGH reported that it provided an additional \$16,097,619 in charity care charges (\$11,912,238 in costs) in fiscal year 2001 that was not reported in this figure because detailed data on these patients were unavailable. Patients receiving these charity care services were Medi-Cal eligible patients whose services were denied by the Medi-Cal program.

No charity care policy except SFGH’s included an appeals process or provided copies of multi-language notification signage. A summary of some of the key components of hospitals’ charity care policies is attached as Attachment 3. In some instances, the attachment notes that a key policy area is not included in the charity care policy. It is important to note that it is possible that these activities may occur in the hospital (verbal notification of charity care availability, for example), but may just not be reflected in the hospital’s charity care policy.

G. Compliance Plans

Hospitals were largely compliant with the Ordinance and the Regulations. The data that were difficult to produce were generally consistent among hospitals. As noted above, for example, no hospital was able to provide zip codes of patients denied charity care. Following is information on each hospital’s compliance plan.

**Table 10.
Reporting Hospitals’ Charity Care Ordinance Compliance Plans**

Hospital	Missing Information	Timeline for Compliance
Saint Francis	<ul style="list-style-type: none"> Denied charity care applications 	<ul style="list-style-type: none"> Partial data for FY03
	<ul style="list-style-type: none"> Medical facilities to which charity care applicants are referred 	<ul style="list-style-type: none"> Partial data for FY03
	<ul style="list-style-type: none"> Posted charity care notices in Spanish and Chinese and locations of posting 	<ul style="list-style-type: none"> Not provided
St. Mary’s	<ul style="list-style-type: none"> Denied charity care applications 	<ul style="list-style-type: none"> Partial data for FY03
	<ul style="list-style-type: none"> Medical facilities to which charity care applicants are referred 	<ul style="list-style-type: none"> Partial data for FY03
	<ul style="list-style-type: none"> Posted charity care notices in Spanish and Chinese and locations of posting 	<ul style="list-style-type: none"> Not provided
St. Luke’s	<ul style="list-style-type: none"> Zip codes of patients accepted and denied charity care 	<ul style="list-style-type: none"> December 2002
	<ul style="list-style-type: none"> Medical facilities to which charity care applicants are referred 	<ul style="list-style-type: none"> December 2002
	<ul style="list-style-type: none"> Posted charity care notices in Spanish and Chinese and locations of posting 	<ul style="list-style-type: none"> Not provided
CPMC	<ul style="list-style-type: none"> Medical facilities to which charity care applicants are referred 	<ul style="list-style-type: none"> Not able to comply
	<ul style="list-style-type: none"> Posted charity care notices in Spanish and Chinese and locations of posting 	<ul style="list-style-type: none"> Not provided
Chinese Hospital	<ul style="list-style-type: none"> N/A – As Chinese Hospital currently provides only Hill-Burton Charity Care, it has no charity care to report under the Ordinance 	<ul style="list-style-type: none"> N/A
SFGH	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A

V. ANALYSIS

A. Expenditures Per Unduplicated Patient

The range of hospital expenditures per accepted charity care application varied greatly among reporting hospitals. In fiscal year 2001, reporting hospitals spent between \$265 and \$2,362 per unduplicated patient served. These great differences may be explainable by looking at the types of charity care services each hospital provided. St. Mary's, which had the lowest per patient expenditure, provided 90 percent of its charity care services as outpatient services. CPMC, which had the highest per patient cost provided 61 percent of its charity care in the emergency room. Table 11 shows the average expenditure per unduplicated patient served.

Table 11.
Average Charity Care Expenditure Per Unduplicated Patient Served

Hospital	Charity Care Expenditures	Unduplicated Patients	Average Expenditure Per Accepted Charity Care Application
Saint Francis	\$907,117	1,211	\$ 749
St. Mary's	\$1,789,243	6,749	\$ 265
St. Luke's	\$3,880,228	6,722	\$ 577
CPMC	\$1,507,101	638	\$2,362
Chinese Hospital	\$0	0	\$0
SFGH	\$56,249,604	50,784	\$1,108
TOTAL	\$64,333,293	66,104	\$ 973

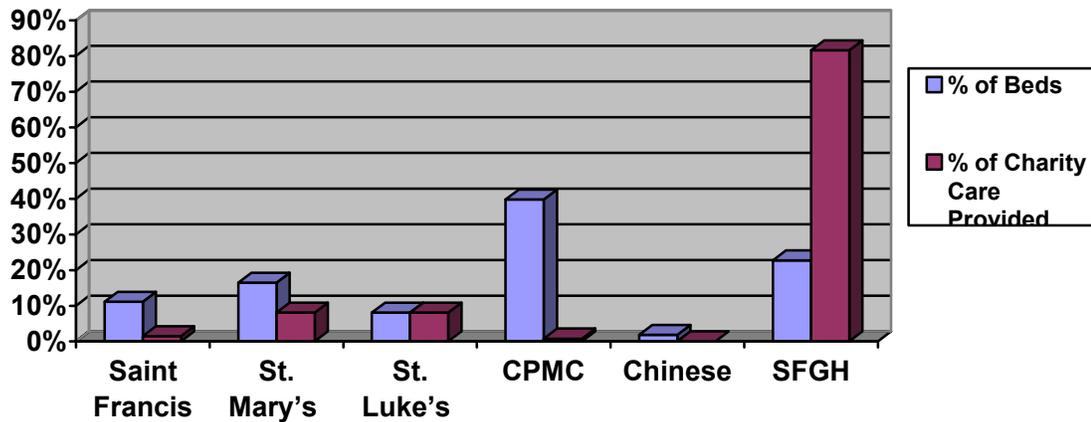
B. Ratio of Hospital Beds to Charity Care Services Provided

Hospitals reporting under the Ordinance have a total of 3,214 licensed beds between them. CPMC has the largest number of licensed beds, representing nearly 40 percent of reporting hospitals' licensed beds. SFGH has the next largest number of licensed beds, representing nearly 23 percent. When comparing the percentage of all licensed beds to the percentage of charity care provided, SFGH provided a disproportionate amount of charity care services. Though SFGH accounts for 23 percent of the reporting hospitals' beds, it accounts for nearly 82 percent of all charity care provided. Conversely, CPMC has 40 percent of the licensed bed capacity but provided .8 percent of charity care services. Table 12 and Chart 4 provide this comparison for each reporting hospital.

Table 12.
Comparison of Percentage of Licensed Beds to Percentage of Charity Care Services Provided by Reporting Hospitals for Fiscal Year 2001

Hospital	Licensed Beds ⁴		% of Charity Care Services Provided
	No.	%	
Saint Francis	356	11.1%	1.5%
St. Mary's	531	16.5%	8.1%
St. Luke's	260	8.1%	8.1%
CPMC	1,279	39.8%	0.8%
Chinese Hospital	59	1.8%	0%
SFGH	729	22.7%	81.6%
TOTAL	3,214	100%	100%

Chart 4.
Comparison of Percentage of Licensed Beds to Percentage of Charity Care Services Provided by Reporting Hospitals for Fiscal Year 2001



C. Charity Care Expenditures as a Percentage of All Hospital Expenditures

Another way to analyze hospitals' charity care expenditures is by comparing the cost of charity care provided with each hospital's total operating expenses. Table 13 below shows this comparison for each reporting hospital. The data show that SFGH spends a larger portion of its expenses on charity care than other reporting hospitals. Charity care expenditures range from .3 percent of total operating expenses, at CPMC, to 16 percent at SFGH.

⁴ OSHPD. Licensed bed figures were obtained from the OSHPD for fiscal years ending June 30, 2001 for all hospitals except CPMC and Chinese. For CPMC and Chinese Hospital, information on fiscal years ending December 31, 2000 is reported here as it was the most recent published data for these hospitals.

**Table 13.
Comparison of Charity Care to Total Operating Expenses**

Hospital	Total Operating Expenses	Charity Care Expenditures	% of Charity Care to Total Operating Expenses
Saint Francis	\$92,321,346	\$907,117	1.0%
St. Mary's	\$122,518,731	\$1,789,243	1.5%
St. Luke's	\$84,795,487	\$3,880,228	4.6%
CPMC	\$477,000,000	\$1,507,101	0.3%
Chinese Hospital	\$36,847,723	\$0	0.0%
SFGH	\$353,869,318	\$56,249,604	15.9%

D. Selected Income Indicators by Supervisorial District

The level of charity care provided by any hospital is somewhat dependent upon the socio-economic status of the community or neighborhood in which the hospital is located. This assumes that all things being equal, individuals will seek care from providers who are geographically close to them. This would be particularly true for uninsured residents who do not have ready access to transportation. As a result, a hospital located in a relatively affluent community will have fewer uninsured patients needing charity care because most residents will have health care coverage. Conversely, those in lower income areas will witness a higher level of charity care demand. Table 14 provides hospital and charity care information along with selected income indicators for the City's supervisorial districts. For purposes of this comparison, data on charity care provided for non-SF residents and for homeless individuals was excluded.

As Table 14 notes, Districts 6 (Tenderloin, Civic Center), 9 (Mission), and 10 (Bayview/Hunters' Point, Potrero Hill) have the largest proportion of residents in poverty, the greatest percentage of households on public assistance, and among the lowest per capita incomes. Not surprisingly, these are also the districts where most of the patients receiving charity care reside.

Table 14.
Selected Income Indicators by Supervisorial District from the 2000 Census

District	% of District Residents Receiving Charity Care	% of Persons in Poverty	% of Households w/ Public Assist.	Average Per Capita Income	Reporting Hospital(s) in the District
District 1	3.2%	7.6%	3.9%	\$32,222	None
District 2	4.1%	5.9%	1.5%	\$72,539	CPMC (California and Pacific)
District 3	4.4%	13.6%	4.3%	\$36,832	Chinese, Saint Francis
District 4	3.4%	7.6%	3.5%	\$26,334	None
District 5	5.8%	13.3%	3.3%	\$36,482	St. Mary's
District 6	14.8%	23.7%	7.0%	\$24,796	None
District 7	4.9%	6.8%	1.5%	\$39,797	None
District 8	3.8%	6.8%	1.2%	\$51,342	CPMC (Davies)
District 9	11.9%	14.6%	4.8%	\$22,811	St. Luke's, SFGH
District 10	7.8%	16.2%	9.0%	\$20,717	None
District 11	4.6%	8.3%	5.2%	\$19,261	None

E. County Charity Care Patients in Other Hospital Zip Codes

An analysis of the zip code data for SFGH charity care patients indicates that many uninsured San Francisco residents who reside near a non-profit hospital nonetheless travel to SFGH to receive services in another area. As Table 15 shows, SFGH consistently provided significantly more charity care services in zip codes where non-profit hospitals are located than did those hospitals located in those zip codes.

Table 15.
Charity Care Services Provided at SFGH by Residential Zip Code

Zip Code	Hospital(s) in Zip Code	SFGH Charity Care Patients in the Zip Code	Charity Care Provided by the Hospital in the Zip Code
94109	Saint Francis	3,145	132
94117	St. Mary's	2,939	612
94110	St. Luke's	Not available	Not available
	SFGH	7,401	7,401
94118	CPMC (California)	1,612	5
94114	CPMC (Davies)	1,243	25
94115	CPMC (Pacific)	1,564	16
94133	Chinese Hospital	918	Not available

As the data indicate, some SFGH patients (approximately 11,421 excluding those in 94110 where SFGH is located) are traveling a distance to obtain needed services on a charity care basis from SFGH. For unknown reasons, these uninsured residents are not using the health care providers and hospitals that are geographically close to their homes. While additional analysis is

still needed to determine the reasons why this occurs, it does suggest that one of the following may be a factor:

- residents in the area are not aware that the hospital in their zip code provides charity care;
- the non-profit hospital has not informed the public and residents within its neighborhood that they provide charity care and/or
- residents prefer to go to SFGH even though another hospital is closer.

F. Benefits of Non-Profit Hospital Status

As a result of their charitable status, non-profit hospitals pledge to serve their communities by providing services to all who seek care regardless of their ability to pay. In exchange, communities support them through private donations, tax exemptions, low-cost financing and other mechanisms. One key financial benefit resulting from non-profit status is exemption from local, state and federal taxes. This benefit includes exemption from local property taxes, as well as state and federal corporate income taxes.

1. Property Tax Exemptions

The non-profit hospitals subject to the Ordinance received a total of \$5,233,162 in property tax savings in fiscal year 2001. The annual value of the local property tax exemption is quantifiable by taking the value of tax-exempt property and multiplying it by the applicable property tax rate. The estimated value of the property tax exemptions is noted for each hospital in Table 16. For fiscal year 2001, the City property tax rate was 1.136% for each \$100,000 in property value.

**Table 16.
Annual Assessed Value of Exempt Properties for Fiscal Year 2001⁵**

Hospital	Value of Exempt Property	Annual City & County Tax Property Savings
Saint Francis	\$71,107,637	\$807,783
St. Mary's	\$119,082,279	\$1,352,775
St. Luke's	\$34,097,382	\$387,346
CPMC	\$220,239,498	\$2,501,921
Chinese Hospital	\$16,138,787	\$183,337
SFGH	N/A	N/A
Total	\$460,665,583	\$5,233,162

2. Corporate Income Tax Exemptions

The annual value of State and federal corporate income tax exemptions can be estimated by taking the net income and multiplying it by the applicable state and federal income tax rates. For fiscal year 2001, the State corporate income tax rate was 8.84 percent, and the federal corporate income tax rate was between 15 and 39 percent, depending on net income. The net income reported to OSHPD by each hospital and the value of the income tax exemption is noted in Table

⁵ City and County Assessor's and Recorder's Offices. The Assessor's Office does not estimate the value of State and County owned property. Therefore, no values are available for SFGH.

17. While this is the most efficient way to estimate the value of corporate income tax exemption, it must be noted that net income as reported to OSHPD may include items that would not be subject to corporate income tax. For SFGH, this is particularly true since a significant portion of the hospital's income is derived from local general funds.

Table 17.
Annual Hospital Income⁶ and Estimated Annual Value of Income Tax Exemption

Hospital	Annual Net Income	Estimated Annual Value of State Income Tax Exemption	Estimated Annual Value of Federal Income Tax Exemption	Total Estimated Annual Value of Income Tax Exemption
Saint Francis	\$ 17,511,271	\$1,547,996	\$6,654,283	\$8,202,279
St. Mary's	(\$11,302,128)	\$0	\$0	\$0
St. Luke's	\$ 894,554	\$79,079	\$304,148	\$383,227
CPMC	\$ 33,833,399	\$2,990,872	\$11,841,690	\$14,832,562
Chinese Hospital	\$ 1,475,713	\$130,453	\$501,742	\$632,195
SFGH ⁷	\$ 3,478,530	\$0	\$0	\$0
Total	\$ 45,891,339	\$4,748,400	\$ 19,301,863	\$24,050,263

3. Total Estimated Income Tax and Property Tax Benefits

The reporting hospitals received corporate and property tax benefits valued at approximately \$28,079,200 in fiscal year 2001. Table 18 shows that two of the five non-public hospitals that are subject to the Ordinance provided charity care at a level that exceeded their local property tax and income tax benefit.

Table 18.
Charity Care Expenditures Compared to Estimated Tax Benefits

Hospital	Total Estimated Value of Income Tax Exemption	City & County Property Tax Savings	Charity Care Expenditures	Charity Care Provided in Excess of Local Property Tax Benefit
Saint Frances	\$8,202,279	\$807,783	\$907,117	(\$8,102,945)
St. Mary's	\$0	\$1,352,775	\$1,789,243	\$436,468
St. Luke's	\$383,227	\$387,346	\$3,880,228	\$3,109,655
CPMC	\$14,832,562	\$2,501,921	\$1,507,101	(\$15,827,382)
Chinese Hospital	\$632,195	\$183,337	\$0	(\$815,532)
SFGH	\$0	N/A	\$56,249,604	\$56,249,604
Total	\$24,050,263	\$5,233,162	\$64,333,293	\$35,049,868

⁶ OSHPD. Net income figures were obtained from the OSHPD for fiscal years ending June 30, 2001 for all hospitals except CPMC and Chinese. For CPMC and Chinese Hospital, information on fiscal years ending December 31, 2000 is reported here as it was the most recent published data for these hospitals.

⁷ Net income data includes local general fund contributions, which would not be subject to taxation. Because the local general fund contribution exceeds the reported net income, the value of the state income tax exemption is reported here as \$0.

As noted above, non-profit hospitals also derive other benefits as a result of their non-profit status. These benefits, which include exemption from state and federal corporate income taxes, and low-cost financing, would also have to be considered in order to obtain an accurate picture of the full financial benefits that accrue from tax-exempt status. This analysis does not provide information on the level of these income tax savings, but anticipates that they may be significant.

VI. LOOKING FORWARD

A. Charity Care at the State Level

1. SB 1394

In 2002, State Senator Deborah Ortiz introduced Senate Bill 1394 (SB 1394), which would have:

- required acute care hospitals to develop charity care policies;
- required hospitals to notify patients of charity care policies;
- required that specific information related to charity care be reported to OSHPD;
- precluded local jurisdictions from enacting charity care ordinances that differ from the requirements of this bill.

This bill, sponsored by Consumers' Union, was opposed by the California Healthcare Association, which represents California's hospitals. Opponents argued that SB 1394 would represent a fundamental shift in caring for uninsured Californians from government to hospitals. They further contended that SB 1394 would result in an increased number of uninsured Californians, a "new entitlement" program without sufficient funding, higher health care premiums for the insured, reduced access to care and reduced charity care and community benefit efforts. They asserted that by providing a subsidized rate to uninsured patients, SB 1394 would encourage relatively healthy Californians to drop health insurance coverage. Lastly, opponents argued that by mandating a subsidized rate, requiring that hospitals establish and advertise a charity care program, and expanding hospital charity care reporting duties, SB 1394 would result in significant added costs to hospitals.

At the Department's recommendation, the City issued a support if amended position on the bill. The City offered its support if the bill were to be amended to remove the local pre-emption language. Ultimately, SB 1394 died in the Senate. It is possible that similar legislation will be introduced in the upcoming legislative session.

2. State Charity Care Guideline Changes

OSHPD recently released its "Proposed Changes to the *Accounting and Reporting Manual for California Hospitals*." According to the August 2, 2002 communication, the manual is being revised to, among other things, clarify accounting and reporting requirements related to charity care and to add data items related to hospitals' charity care guidelines. The manual makes clarifications on charity care determinations and requires hospitals to report additional information related particularly to the hospitals' charity care policies. The public comment period closes on Friday, September 20, 2002. The Department's Finance and Policy staff are working together to prepare a comment letter on these proposed changes.

B. Interest from Nassau County, New York

A staff member to Roger Corbin, a Nassau County, New York legislator contacted the Department to obtain additional information on San Francisco’s unique charity care ordinance. Nassau County is working with the Long Island Coalition for a National Health Plan and with Suffolk County to explore the possibility of introducing legislation similar to San Francisco’s ordinance. They expect that their legislation will be introduced in September 2002. The Department looks forward to continuing to work with Nassau County to assist them with their policy research.

C. Fiscal Year 2002 Charity Care Reports

Pursuant to the Regulations, annual charity care reports for fiscal year 2002 are due within 150 days of the close of the hospital’s fiscal year. Table 19 shows the hospitals’ fiscal years and the due dates for the fiscal year 2001-02 charity care reports.

**Table 19.
Due Dates for FY 2001-02 Annual Charity Care Report**

Hospital	2001-02 Fiscal Year	Report Due
Saint Francis	07/01/01 – 06/30/02	11/27/02
St. Mary’s	07/01/01 – 06/30/02	11/27/02
St. Luke’s	07/01/01 – 06/30/02	11/27/02
CPMC	01/01/02 – 12/31/02	05/30/03
Chinese Hospital	01/01/02 – 12/31/02	05/30/03
SFGH	07/01/01 – 06/30/02	11/27/02

VII. CONCLUSION

Overall, San Francisco residents and visitors received 83,284 charity care services for a cost of \$64 million in fiscal year 2001. The information provided by reporting hospitals confirms that SFGH provides by far the largest amount of charity care in the City, providing 81 percent of all charity care services. Though charity care services are provided to residents throughout the City, the largest proportions of charity care services were provided for patients who reside in the Tenderloin, the Mission, Bayview/Hunters’ Point, and Potrero Hill neighborhoods. Not surprisingly, these are also the areas within the City that have the largest percentage of households on public assistance and the greatest percentage of the population living in poverty.

The types and amounts of charity care provided by the reporting hospitals varied greatly. There was very little in common among reporting hospitals in terms of the types of charity care services provided, the amount of charity care provided, or charity care expenditures. Half of the reporting hospitals provided charity care in an amount that exceeded the estimated income and property tax exemptions they receive as non-profit corporations.

The Department will continue to provide the Commission with presentations on the hospitals’ annual charity care reports. As additional reports are submitted, the Department will be able to track trends in the provision of charity care over time and provide the Commission with valuable data that will help the Commission continue to plan for the provision of health services in San Francisco.

**Attachment 3
Summary of Reporting Hospitals' Charity Care Policies**

Hospital	Copy of Policy Provided	Application	Necessary Documentation	Eligibility Criteria	Internal tracking/handling policies	Posted notices	Locations of Posted Notices	Verbal / Written notice	Appeals Process
Saint Francis	Yes	Yes	<ul style="list-style-type: none"> Prior year tax return 13 weeks of current pay stubs Public benefits award letter Medicaid Decision/Denial Notice 	<ul style="list-style-type: none"> 200% of the federal poverty level (FPL) Sliding fee schedule available One car, one home, liquid assets up to Medicaid guideline 	Yes	Yes (English provided)	Emergency and Main Admitting Departments	Unknown	No
St. Mary's	Yes	Yes	<ul style="list-style-type: none"> Prior year tax return 13 weeks of current pay stubs public benefits award letter Medicaid Decision/Denial Notice 	<ul style="list-style-type: none"> 200% FPL Sliding fee schedule available One car, one home, liquid assets up to Medicaid guideline 	Yes	Yes (English provided)	Emergency and Main Admitting Departments	Unknown	No
St. Luke's	Yes	Yes	<ul style="list-style-type: none"> Proof of income and/or assets 	<ul style="list-style-type: none"> Baseline economic guidelines a multiple of FPL 	Yes	Yes (English provided)	Unknown	Unknown	No
CPMC	Yes	Yes	<ul style="list-style-type: none"> Prior year tax return Current pay stub Verification of employment Rent verification Prior month's bank statement 	<ul style="list-style-type: none"> 250% FPL Sliding fee schedule available Consideration of assets owned Consideration of employment income and future earning capacity Consideration of living expenses and other reasonable and necessary expenses Homeless automatically qualify for charity care Medi-Cal eligibles not approved for stay on the basis of medical necessity automatically qualify for charity care 	Yes	Yes (English provided)	Unknown	Unknown	No
Chinese Hospital	<ul style="list-style-type: none"> No (Hill-Burton Policy provided) 								
SFGH	Yes	Yes	<ul style="list-style-type: none"> Identification Verification of SF residence Verification of prior gross monthly income 	<ul style="list-style-type: none"> Sliding fee scale up to 500% FPL 100% of FPL eligible for free care Assets within Medi-Cal guidelines Charity care application valid for 3 months 	Yes	Yes	Emergency and Main Admitting Departments, Waiting Rooms	Yes	Yes

