Attachment A
Summary of San Francisco’s Charity Care Ordinance

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 may be viewed at http://www.dph.sf.ca.us/Reports/CharityCare/CharCareOrdinance102004.pdf.)

1. 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 for covered services is excluded as these payments are made as payment in full for services rendered. It is important to distinguish under-reimbursement from non-payment for services provided to publicly- or privately-insured individuals. When an insurer does not cover a particular service for a beneficiary, the cost of this service may be provided as charity care by the hospital if the patient meets the hospital’s charity care guidelines.

The Ordinance’s 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 linked. In San Francisco, only Chinese Hospital participates in the Hill-Burton program.

2. Qualifying Hospitals

The Ordinance pertains to all hospitals in San Francisco except public hospitals and hospitals that are part of health maintenance organizations regulated by the Department of Managed Health Care. Thus, excluded from the requirements of the Charity Care Ordinance are: San Francisco General Hospital Medical Center, the University of California, San Francisco, the San Francisco VA Medical Center, and Kaiser Permanente. The remaining hospitals that are subject to the Ordinance are as follows:
California Pacific Medical Center (CPMC)  
Chinese Hospital  
Saint Francis Memorial Hospital  
St. Luke’s Hospital  
St. Mary’s Medical Center

Though San Francisco General Hospital (SFGH) is exempt from reporting, it has voluntarily complied with the Ordinance for each of the years that reporting has been required. In November 2002, when the Health Commission heard a report on the first Annual Charity Care report, it encouraged both Kaiser Permanente (Kaiser) and the University of California, San Francisco (UCSF) to voluntarily comply with the Ordinance. Kaiser complied with the reporting provisions of the Ordinance beginning in fiscal year 2002 and UCSF has indicated that it intends to comply for fiscal year 2003.

a) Kaiser

With its charity care report submission, Kaiser noted that its hospital is uniquely distinct from the other acute care hospitals reporting pursuant to the ordinance. It is an integrated prepaid health care delivery system that combines the financing and delivery of health care services. It is not simply a hospital, nor a health maintenance organization, nor a medical group because it incorporates all these elements into one delivery system. Kaiser Foundation Hospital – San Francisco is financed almost entirely through prepaid revenue received from the dues of the members of the health plan, in contrast to a fee-for-service hospital that relies on revenues received from billing for specific services rendered.

Because Kaiser does not allocate revenues to its hospital based upon charges and because it does not track the cost of providing care to an individual patient, it is impossible for Kaiser to devise a cost to charge ratio or to determine the cost of providing care to non-members as charity care. Therefore, to determine charity care provided requires an estimate of the value of care based on what the facility might normally charge. As a result, the value of charity care reported by Kaiser was derived from the average of all non-member visit charges.

b) Chinese Hospital

Chinese Hospital provides charity care as part of the Hill-Burton program. As noted above, charity care provided under the Hill-Burton program is excluded from the definition of charity care. 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 submit a charity care report with information related to the provision of its Hill-Burton charity care. Therefore, for purposes of this report and to enable the Health Commission to have the full picture of charity care provided in San Francisco, Chinese Hospital’s Hill-Burton charity care is included in the data summaries and analyses in this report.

3. Charity Care Reporting

The Ordinance requires that qualifying 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 hospital 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.

4. 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.

5. Implementation

On December 17, 2001, the Department issued regulations implementing the Ordinance. (The regulations may be viewed at http://www.dph.sf.ca.us/Reports/CharityCare/CharCareRegs102004.pdf.) 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.