

## UNM HSC Definitions of terms for Uncompensated Care:

- 1) **Uncompensated Care:** Uncompensated care is an overall measure of hospital care provided for which no payment was received from the patient or insurer. It is the sum of a hospital's "bad debt" and the charity care it provides. A hospital incurs bad debt when it cannot obtain reimbursement for care provided; this happens when patients are unable to pay their bills, or do not apply for charity care, or are unwilling to pay their bills. Uncompensated care can be stated at billed charges or cost. UNM HSC states uncompensated care at *cost*.
- 2) **Charity Care:** charity care (also called Indigent care) is the care that is provided to patients that have qualified for the financial assistance programs. Qualification for the financial assistance programs is based on a patient making an application, verifying financial situation and meeting eligibility criteria. Financial assistance eligibility is based on the following:
  - Residency Requirement – The patient must be living in New Mexico and demonstrate an intention to remain in the state.
  - Financial Requirements - Patient's income is less than or equal to 300% of the federal poverty guidelines; and patient's assets need to be less than \$15,000, excluding primary residence, vehicles and retirement funds.Charity care can be stated at cost or billed charges. UNM HSC states charity care at *cost*.
- 3) **Uninsured Care:** Uninsured care is the care provided for patients that are classified as self pay and do not/cannot pay some or all their bill. The amount of the unpaid bill for Uninsured care is written off to bad debt expense. The write off for UNM HSC is recorded when the unpaid bill is sent to a collection agency. Uninsured care can be stated a cost or charges. UNM HSC states Uninsured care at *cost*.
- 4) **Gross Billings or Gross Charges:** Under Medicare regulations all services provided at a cost reporting hospital must be recorded at a uniform set of rates. This means that hospitals can not differentiate between the charges to Medicare patients and to other payers. For example the room rate charged must be the same rate for a Medicare, Medicaid, Insurance or Charity Care patient. If the standard room rate is \$1,000 a day, then all patient bills must reflect this rate.
- 5) **Total Cost of Care:** *Cost* of care for UNM HSC is the actual cost of providing care – salary, benefits, supplies, drugs, blood, organs, utilities, depreciation, contracts, services.
- 6) **Cost to Charge ratio:** The cost to charge ratio is calculated by dividing total costs by the amount of gross billings. For example, \$400 million of cost is divided by \$800 million in gross billings to get a cost to charge ratio of 50%. This ratio can be applied to gross uncompensated billed charges, individual patient gross billings, or for groups of patients to determine the cost of care.