



Annual Charity Care Report of 2024

**Tennessee Health Facilities Commission
Logan Grant, Executive Director**

January 15, 2024



State of Tennessee
Health Facilities Commission

502 Deaderick Street, 9th Floor, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364

January 15, 2024

The Honorable Randy McNally
Lt. Governor and Speaker of the Senate

The Honorable Cameron Sexton
Speaker of the House of Representatives

The Honorable Rusty Crowe, Senate Health and Welfare Committee Chairman
The Honorable Bryan Terry, House Health Committee Chairman

Members of the 113th General Assembly
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243

Members of the General Assembly:

The *Annual Charity Care Report of 2024* is submitted herewith in accordance with Tennessee Code Annotated Section 68-11-1606.

The Executive Director of the Health Facilities Commission is required to submit an annual report that includes a comparison of the actual payer mix and uncompensated care provided by Certificate of Need holders with the projections the holders submitted in the holder's Certificate of Need application.

The Health Facilities Commission is committed to protecting patients and promoting quality in healthcare facilities.

Sincerely,
Logan Grant

Executive Director
Health Facilities Commission

TABLE OF CONTENTS

Executive Summary.....	4
Introduction and Methodology.....	5
Ambulatory Surgical Treatment Centers (ASTCs).....	6
Hospitals.....	8
Home Health Agencies.....	10
Hospices.....	12
Outpatient Diagnostic Centers (ODCs).....	14
Cost to Charge Ratio.....	16

EXECUTIVE SUMMARY

The *Annual Charity Care Report of 2024* provides an analysis of total uncompensated care and payor mix data reported to the Joint Annual Report by health providers in the state of Tennessee. The American Hospital Association defines uncompensated care as an overall measure of hospital care provided for which no payment was received from the patient or insurer. Charity care is care for which providers never expected to be reimbursed. A provider incurs bad debt when it cannot obtain reimbursement for care provided. Uncompensated care excludes other unfunded costs of care, such as underpayment from Medicaid and Medicare. Total uncompensated care is bad debt and charity care.

The healthcare institutions, based on definitions from §68-11-1602, analyzed in this report include seventeen ambulatory surgical treatment centers, twenty-five hospitals, nine home health agencies, two hospices, and three outpatient diagnostic centers. Only applications that were approved for a CON between 2017 and 2022 were analyzed due to the charity care reporting requirement that was integrated into the CON application in 2017.

The Health Facilities Commission reports the following findings:

- In CON applications approved from 2017 to 2022, healthcare institutions projected a total annual amount of \$332,689,544 (\$332 million) of charity care to be provided. In 2022, these facilities reported a total amount of \$2,532,779,630 (\$2.5 billion) of charity care provided in the Joint Annual Report.
- ASTCs projected \$2,873,619 of charity care to be provided. In 2022, these ASTCs reported a total amount of \$240,235 of charity care provided in the Joint Annual Report.
- Hospitals projected \$328,951,107 of charity care to be provided. In 2022, these hospitals reported a total amount of \$2,532,102,033 of charity care provided in the Joint Annual Report.
- Home Health Agencies projected \$1,010 of charity care to be provided. In 2022, these home health agencies reported a total amount of \$85,435 of charity care provided in the Joint Annual Report.
- Hospices projected \$24,214 of charity care to be provided. In 2022, these hospice agencies reported a total amount of \$33,102 of charity care provided in the Joint Annual Report.
- Outpatient Diagnostic Centers projected \$140,993 of charity care to be provided. In 2022, these ODCs reported a total amount of \$318,825 of charity care provided in the Joint Annual Report.

INTRODUCTION AND METHODOLOGY

This report analyzes the data submitted by six distinct healthcare institution types to the 2022 Joint Annual Report (JAR) – these healthcare institutions are ambulatory surgical treatment centers (ASTCs), hospitals, home health agencies, hospices, and outpatient diagnostic centers (ODCs). This analysis includes the reported versus projected charity care provided and the actual payor mix reported by these healthcare provider types.

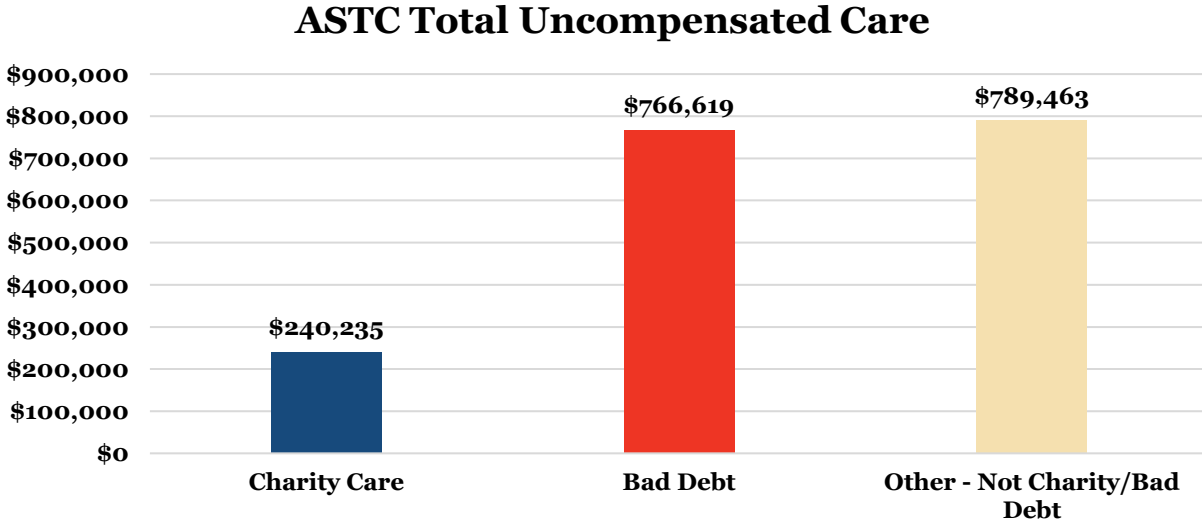
The intent of this report is to promote accountability of Certificate of Need (CON) holders to the charity care they intended to provide during the CON application process. When considering a CON application, the Health Facilities Commission members evaluate the charity care projected to be provided by a project as a component of its potential advantage to consumers in that proposed service area.

Please Note: Data compiled from the Department of Health’s Joint Annual Report has its limitations. This data is self-reported from providers and can be inconsistent. Charity care is not a revenue source, so it cannot be used in formulas directly to find it as a percentage of gross revenue. However, this data is most readily available to the Health Facilities Commission staff. CON applicants query data from the Department of Health’s Joint Annual Report during the application process.

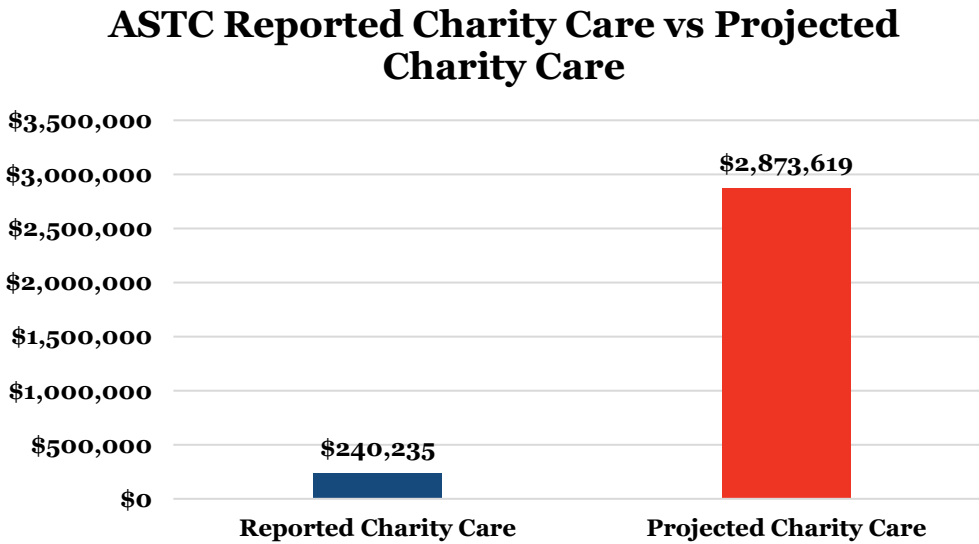
Legislation passed by the Tennessee General Assembly in 2016 required CON applicants to begin projecting charity care provided. Because of this, only providers who applied, received approval, and initiated a CON project between the years 2017 and 2022 have been included in the report’s data analysis. Furthermore, some of the projected charity care amounts found within the CON Database are based on the CON project rather than the facility, particularly for hospital projects that involved adding a service as opposed to establishing an entire institution.

AMBULATORY SURGICAL TREATMENT CENTERS (ASTCs)

According to the Joint Annual Report of 2022, the seventeen ASTCs analyzed in this report provided \$1,796,317 in total uncompensated care.

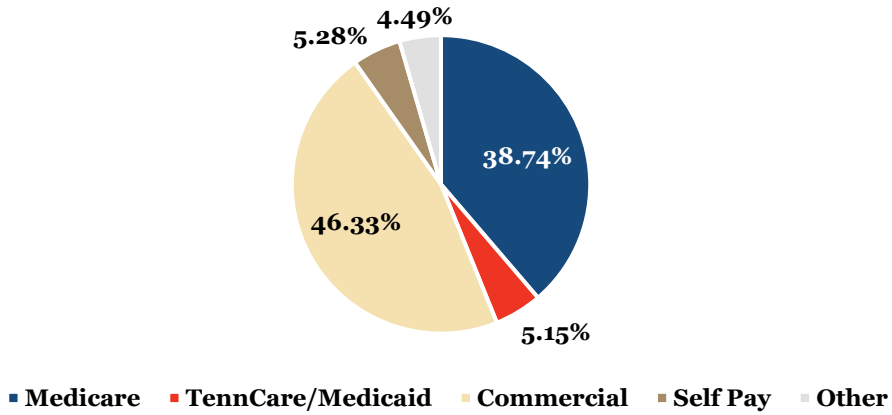


The seventeen ASTCs reported providing \$2,633,384 less of charity care than projected on their CON applications.



Examining the seventeen ASTCs payor source distribution, commercial insurance accounts for 46.33%, whereas government payors account for 43.89%. The following chart shows the payor source distribution:

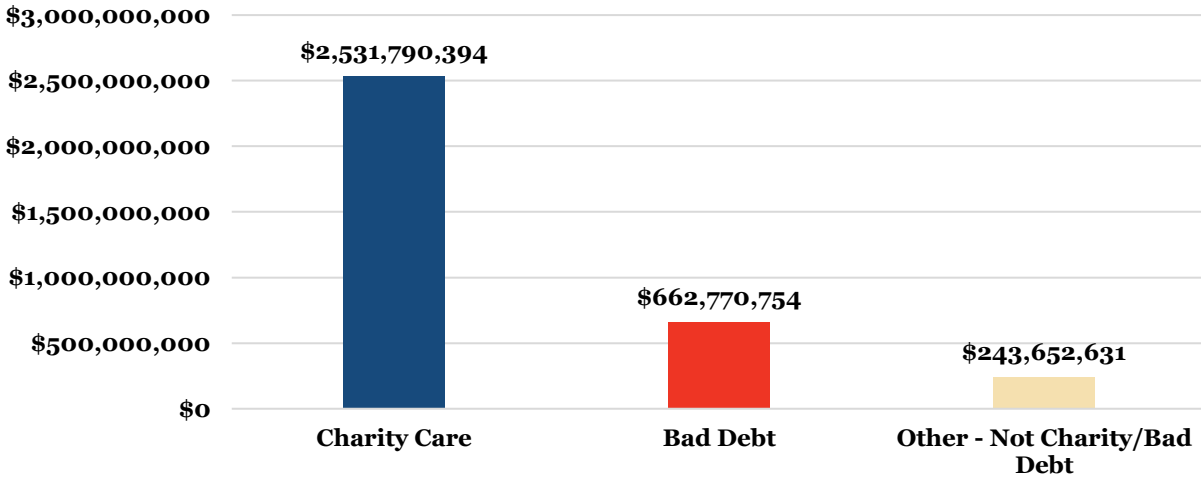
Ambulatory Surgical Treatment Centers Payor Source



HOSPITALS

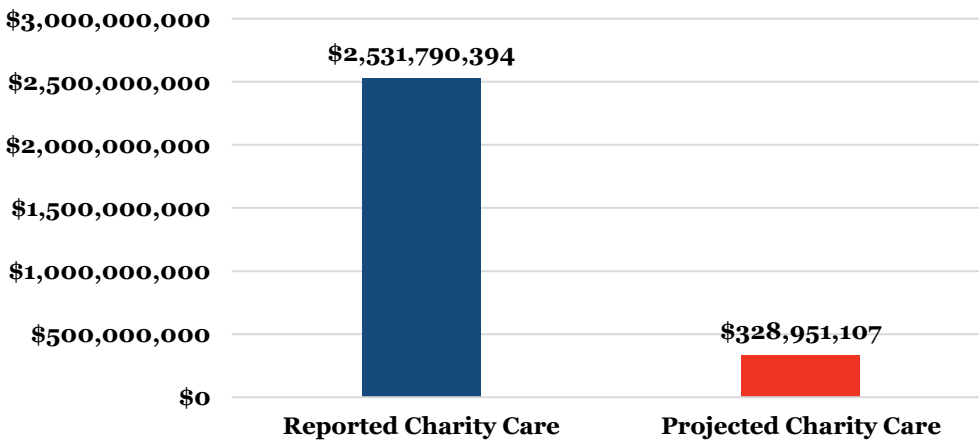
According to the Joint Annual Report of 2022, the twenty-five hospitals analyzed in this report provided \$3,438,213,779 in total uncompensated care.

Hospitals Total Uncompensated Care



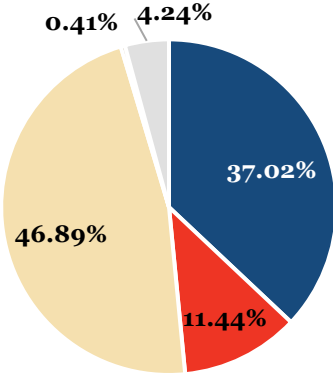
The twenty-five hospitals reported providing \$2,202,839,287 more charity care than projected on their CON applications.

Hospitals Reported Charity Care vs Projected Charity Care



Examining the twenty-five hospitals payor source distribution, commercial insurance accounts for 46.89%, whereas government payors account for 48.46%. The following chart shows the payor source distribution:

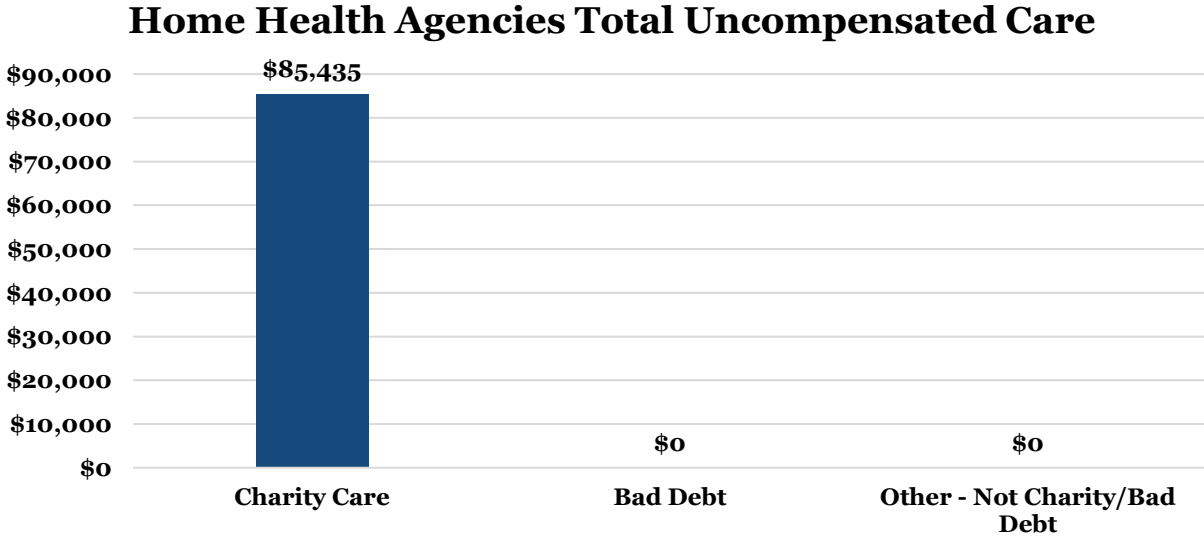
Hospitals Payor Source



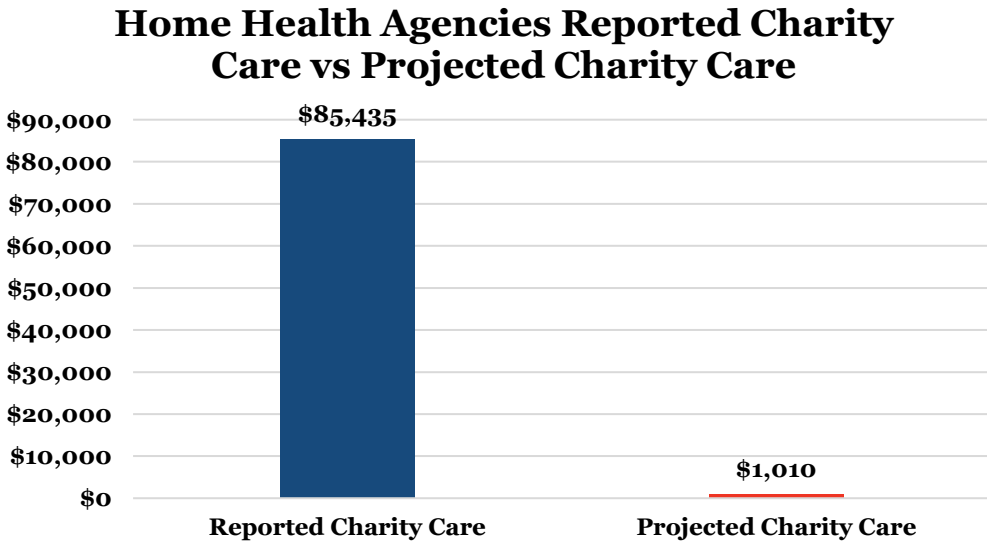
- Medicare
- TennCare/Medicaid
- Commercial
- Self Pay
- Other

HOME HEALTH AGENCIES

According to the Joint Annual Report of 2022, the nine home health agencies analyzed in this report provided \$85,435 of total uncompensated care.

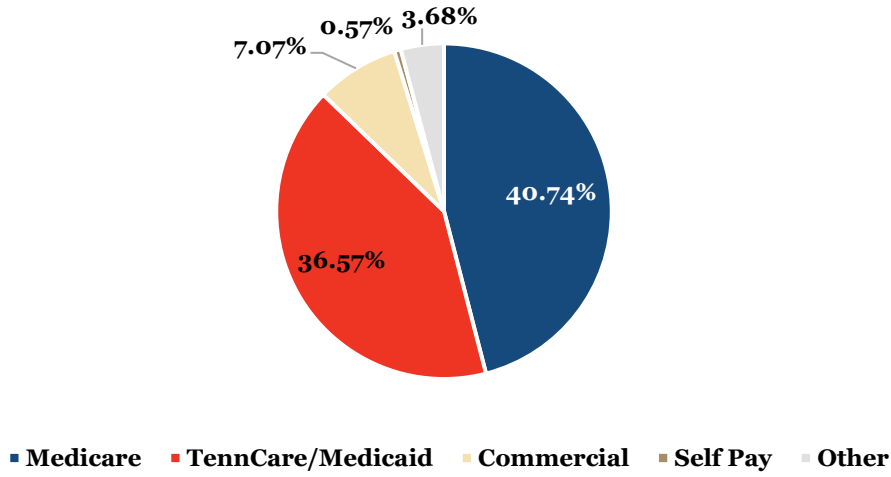


The nine home health agencies reported providing \$84,425 more charity care than projected on their CON applications.



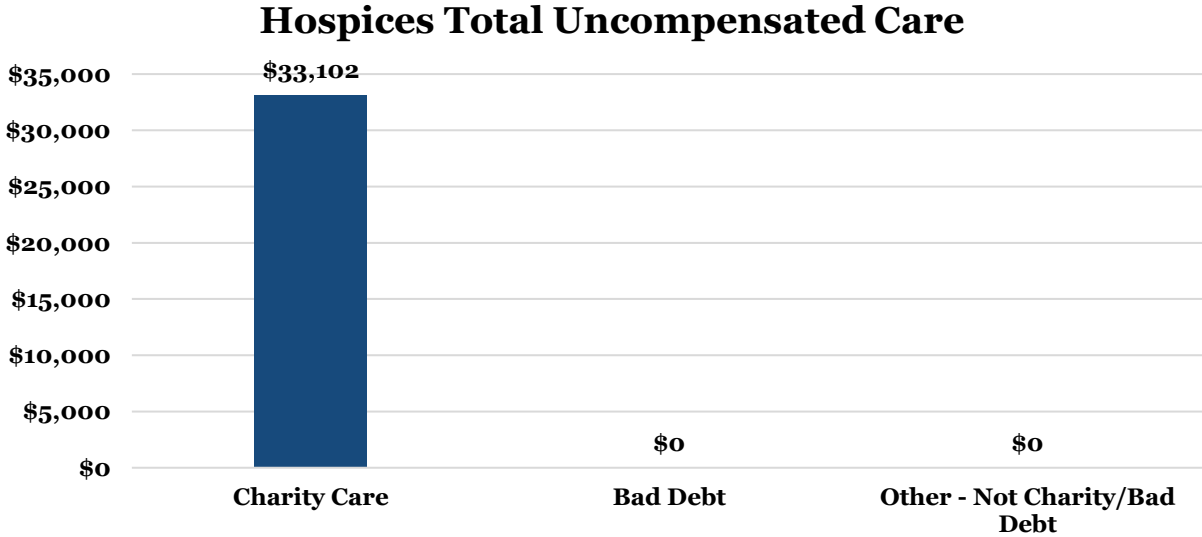
Examining the nine home health agencies payor source distribution, commercial insurance accounts for 7.07%, whereas government payors account for 77.31%. The following chart shows the payor source distribution:

Home Health Agencies Payor Source

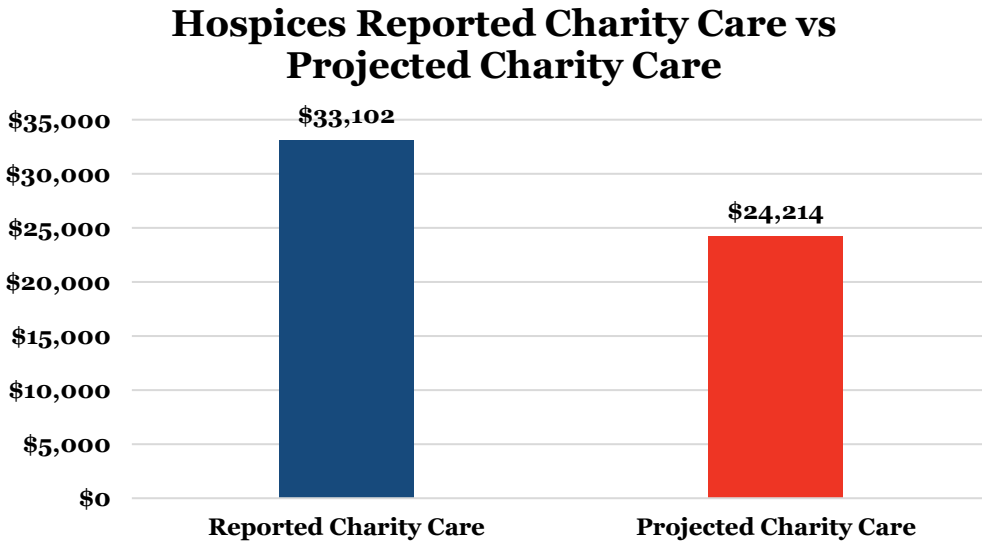


HOSPICES

According to the Joint Annual Report of 2022, the two hospices analyzed in this report provided \$33,102 of total uncompensated care.

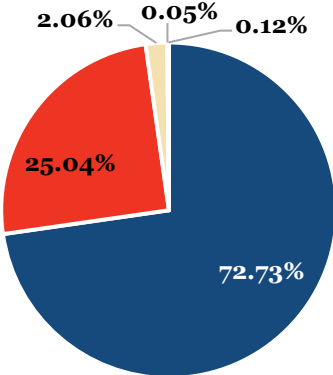


The two hospices reported providing \$8,888 more charity care than projected on their CON applications.



Examining the two hospices payor source distribution, commercial insurance accounts for 2.06%, whereas government payors account for 97.77%. The following chart shows the payor source distribution:

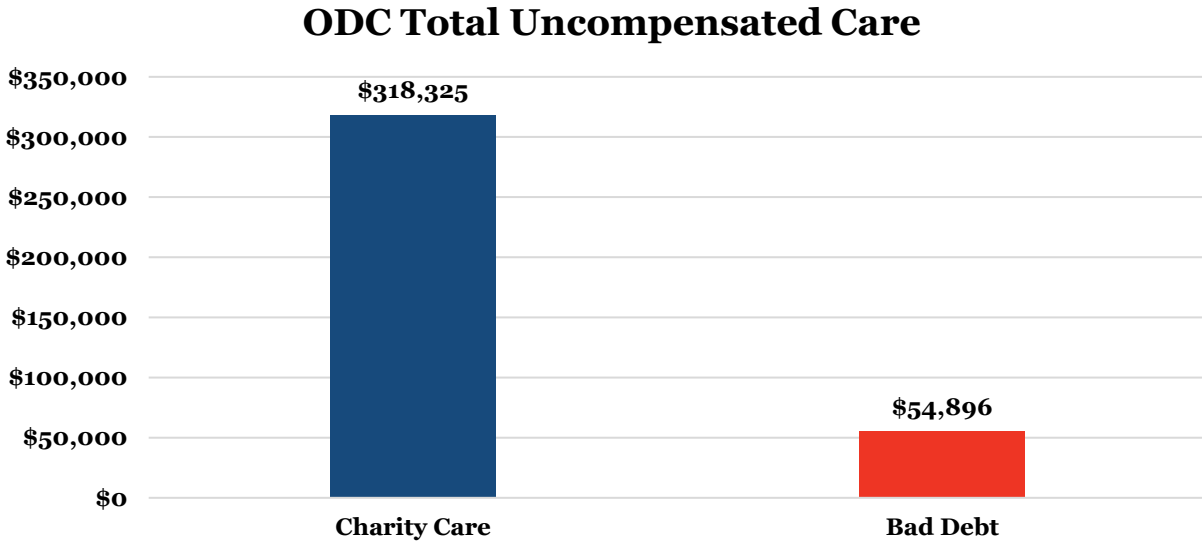
Hospices Payor Source



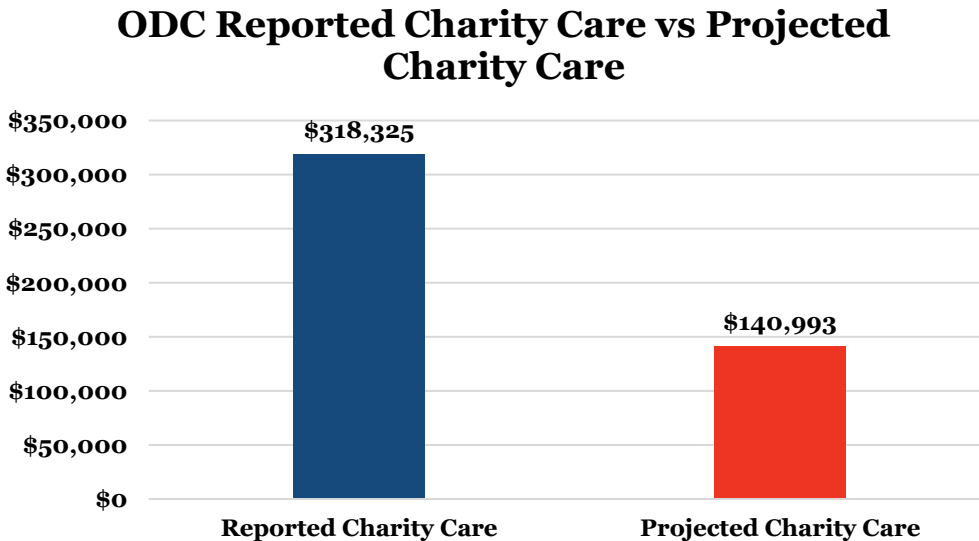
- Medicare
- TennCare/Medicaid
- Commercial
- Self Pay
- Other

OUTPATIENT DIAGNOSTIC CENTERS (ODCs)

According to the Joint Annual Report of 2022, the three outpatient diagnostic centers analyzed in this report provided \$373,221 of total uncompensated care.

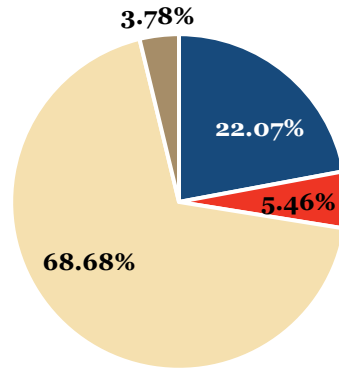


The three ODCs reported providing \$177,332 more charity care than projected on their CON applications.



Examining the three ODCs' payor source distribution, commercial insurance accounts for 68.68%, whereas government payors account for 27.53%. The following chart shows the payor source distribution:

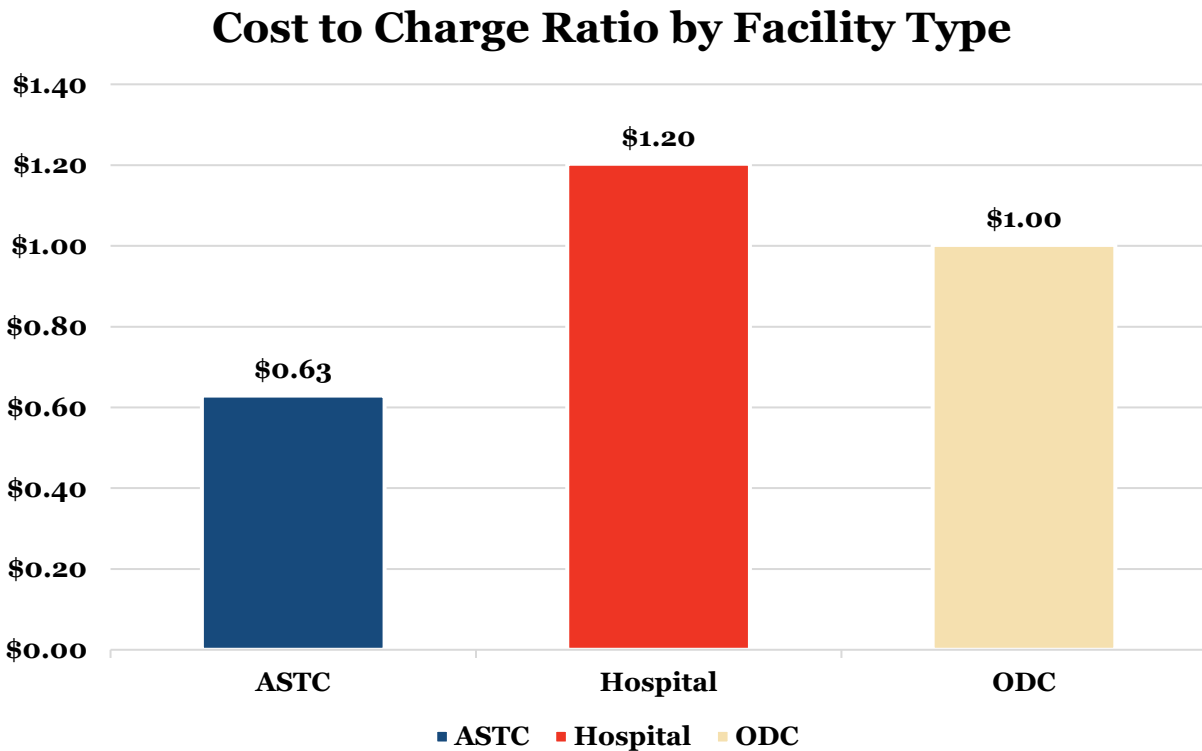
ODC Payor Source



■ Medicare ■ TennCare/Medicaid ■ Commercial ■ Self Pay

COST-TO-CHARGE RATIO

The cost-to-charge ratio is the ratio between a health provider's expenses and what they charge. The closer the cost-to-charge ratio is to 1, the less difference there is between the actual costs incurred and the provider's charges. Government payors set the reimbursement rate, so health providers accepting larger amounts of Medicare and Medicaid have less flexibility in rates to offset costs.



To calculate the Cost-To-Charge ratio, the only source of available data was from the Joint Annual Report. However, not all healthcare institutions' Joint Annual Reports contain the necessary data to make such calculations. Thus, only ASTCs, hospitals, and ODCs had data available.

The formula used was:

$$\text{Total Net Revenue} / \text{Total Expenses} = \text{Cost To Charge Ratio}$$