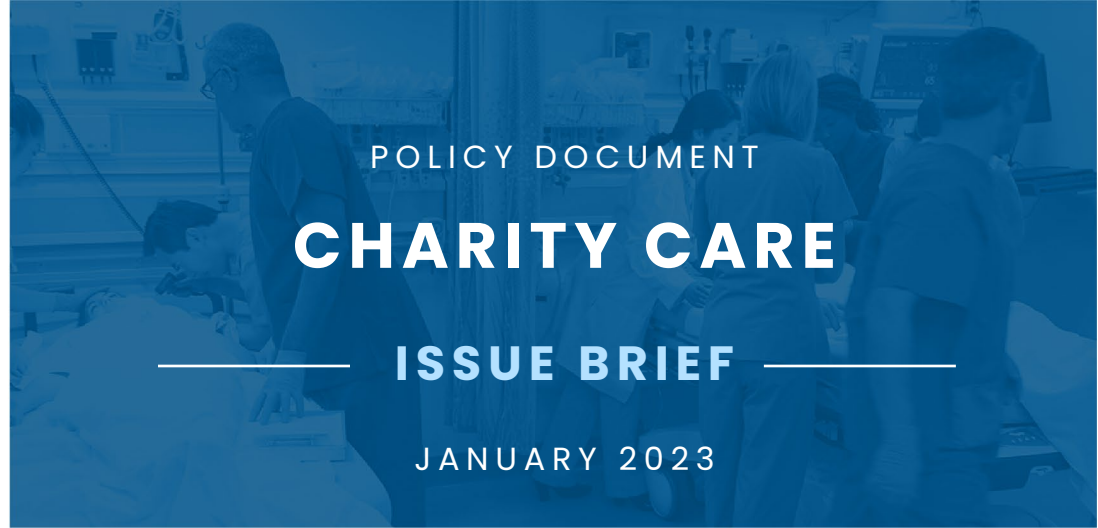


FLORIDA HOSPITAL ASSOCIATION



POLICY DOCUMENT

CHARITY CARE

ISSUE BRIEF

JANUARY 2023

Florida hospitals and health systems are entrusted to provide access to quality health care for their patients and communities. Hospitals also offer charity care to patients that cannot afford treatment and contribute to the overall community benefit. Hospitals provide varying levels of charity care, which must be budgeted for and financed by the hospital depending on the hospital's mission, financial condition, geographic location, and other factors¹. Charity care is defined as "free" or "discounted" medically necessary care that hospitals offer to uninsured and insured patients that cannot afford to pay for their care. It includes both inpatient and emergency room services.

Charity care is one component of Florida hospitals' total community benefit, which also includes education and training of health care professionals and community health activities and partnerships. **Florida hospitals provided \$1.8 billion in charity care in FY 2021-22**, according to the most recent data from the Agency for Health Care Administration.²

The federal Affordable Care Act (ACA) requires nonprofit hospitals to offer charity care in order to maintain their tax-exempt status with the Internal Revenue Service (IRS). Hospitals are not required to provide a certain amount of charity care. The IRS allows hospitals to set individualized rules regarding who qualifies for charity care and how much they will cover.

All hospitals are federally required under the Emergency Medical Treatment and Labor Act (EMTALA) to provide emergency care to any individual that seeks care in a hospital emergency department, regardless of their ability to pay.

Hospitals and other health care providers receive some funding to offset charity care costs. The state's low-income pool (LIP) provides Medicaid supplemental payments to qualifying providers. Total funding for all providers, including hospitals, for 2022-2023 is \$2.2 billion.

Statutory Definitions

Under state law,³ "charity care" is defined as a portion of hospital charges for care provided to a patient whose family income for the 12 months preceding the determination is equal to or less than 150% of the current federal nonfarm poverty guideline or the number of hospital charges due from the patient which exceeds 25% of the annual family income and for which there is no compensation. Charity care does not include administrative or courtesy discounts; contractual allowances to third-party payors; or failure.

¹ AHA Hospital Care Cost Fact Sheet

² Charity Care Cost for Florida Hospitals

³ Section 394.4787(3), Florida Statutes

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State law⁴ also defines “uncompensated charity care” as a portion of hospital charges reported to the Agency for Health Care Administration (AHCA or the Agency) for which there is no compensation other than restricted or unrestricted revenues provided to a hospital by local governments or tax districts regardless of the method of payment, for care provided to a patient whose family income for the 12 months preceding the determination is less than or equal to 200% of the federal poverty level, unless the amount of hospital charges due from the patient exceeds 25% of the annual family income.

However, in no case shall the hospital charges for a patient whose family income exceeds four times the federal poverty level for a family of four to be considered charity.

Charity Care Eligibility

Hospitals have the flexibility to set their own eligibility policies for charity care, which is typically based on [Federal Poverty Guidelines](#). Each hospital’s financial counselors can explain their facility’s eligibility policy, requirements, and the process of applying for their charity care program. Due to the variations in charity care policies across hospitals, there is no statewide estimate of the share of costs covered for each patient.

2022 Poverty Guidelines for the 48 Contiguous States and the District of Columbia

Persons in family/household	Poverty guideline
1	\$13,590
2	\$18,310
3	\$23,030
4	\$27,750
5	\$32,470
6	\$37,190
7	\$41,910
8	\$46,630

Source: <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>

Florida Low-Income Pool

Florida has federal approval for a Medicaid 1115 research and demonstration waiver to operate a low-income pool (LIP) to offset some of hospitals and other providers’ costs stemming from care for uninsured. Effective July 2006, hospitals, medical school physician practices, behavioral health providers, and federally qualified health centers may qualify for funds.

In Section XIV LIP provides government support for safety net providers for the costs of uncompensated charity care for low-income individuals who are uninsured. Uncompensated care (UC) includes charity care for the uninsured but does not include UC for insured individuals, “bad debt,” or Medicaid and CHIP shortfall. LIP payments are not associated with particular individuals and are not a form of health coverage

⁴ Section 394.4787(3), Florida Statutes

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or any other benefit inuring to individuals. The resulting total computable (TC) dollar limit is enumerated in STC 62(a).

Participating hospitals are required to have at least 1% Medicaid utilization to be eligible for LIP payments. LIP pays providers based on their charity care costs. Hospitals are ranked based on the ratio of charity care costs to commercial costs as well as statutory designations and ownership status.

Providers are divided into tiers (see table below) based on the proportion of charity care costs to commercial costs and are paid a prescribed percentage of their charity care cost.

Hospital charity care costs are calculated using 2020 Healthcare Provider Cost Reporting Information System data from worksheet S-10 (Hospital Uncompensated and Indigent Care).

Tier 1	Private hospitals with an uncompensated care ratio > 17% and < 51.5%
Tier 2	All public hospitals, all children’s hospitals, RPICC hospitals, statutory teaching hospitals with a UC ratio > 6.5%, and private hospitals with a UC ratio > 51.5%
Tier 3	High UCC statutory teaching hospitals with UCC > 6.5% and not in tiers 1 or 2
Tier 4	Low UCC statutory teaching hospitals with UCC 6.5% or less
Tier 5	All remaining hospitals with a minimum Medicaid utilization of 1%

As a Medicaid payment, LIP payments are contingent on the provision of a non-federal, or state, share of payment. That payment is then used to draw down federal Medicaid funds. AHCA contracts with local intergovernmental entities (e.g., Counties, Taxing Districts, and Hospital Taxing Districts) to fund the non-federal share of LIP payments, then draws down the federal Medicaid match to pay hospitals.

LIP payments are capped based on federally approved pool amounts annually and are contingent on the provision of non-federal payments from local intergovernmental entities.

In 2021-2022, the LIP pool was capped at \$1.8 billion. Hospitals received payments of \$1.056 billion, of which \$346 million was the non-federal share provided by IGTs and \$710 million was federal Medicaid dollars. The chart below displays hospitals’ LIP payments from the fiscal years 2016-2022.

The LIP pool is \$2.2 billion a year for state fiscal years 2022-23 through 2026-27.

State Fiscal Year	Total LIP Payments
2021-22	\$1,056,100,122
2020-21	\$885,028,626
2019-20	\$835,377,557
2018-19	\$ 708,268,904
2017-18	\$ 655,716,559
2016-17	\$576,755,884

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Hospitals' Community Benefit: More Than Charity Care

Charity care is only one element of hospitals' contributions to their communities. Florida hospitals go well beyond the provision of direct health care and providing free or discounted care to make their communities healthier places to live and work.

Hospitals regularly conduct community health needs assessments to identify gaps and opportunities for addressing not only the health needs of a community but also the environmental and social factors that impact health. These assessments ensure the development of hyper-local, community-driven, impactful programs.

From children and the elderly to veterans and people with disabilities, community benefit partnerships and programs serve all Floridians.

Community benefit partnership programs include:

- Mobile food pantries.
- Free back-to-school physicals and cancer screenings.
- Youth athlete sports injury prevention.
- Smoking cessation and diabetes management education.
- Opioid overdose treatment.
- Homeless services case management.
- Mental health first aid.

Resources

[Community Catalyst Hospital Accountability Project, Florida](#)

[American Hospital Association Uncompensated Hospital Care Cost Fact Sheet EY Analysis: Tax Exempt Hospitals' Community Benefits](#)

[Economic Contributions of Florida Hospitals and Affiliated Healthcare Businesses LIP Model- Charity Care Cost](#)

[CMS Waiver Authorities](#)

[AHA Hospital Care Cost Fact Sheet](#)