

# COVID-19 Affected Rural and Urban Hospital Uncompensated Care



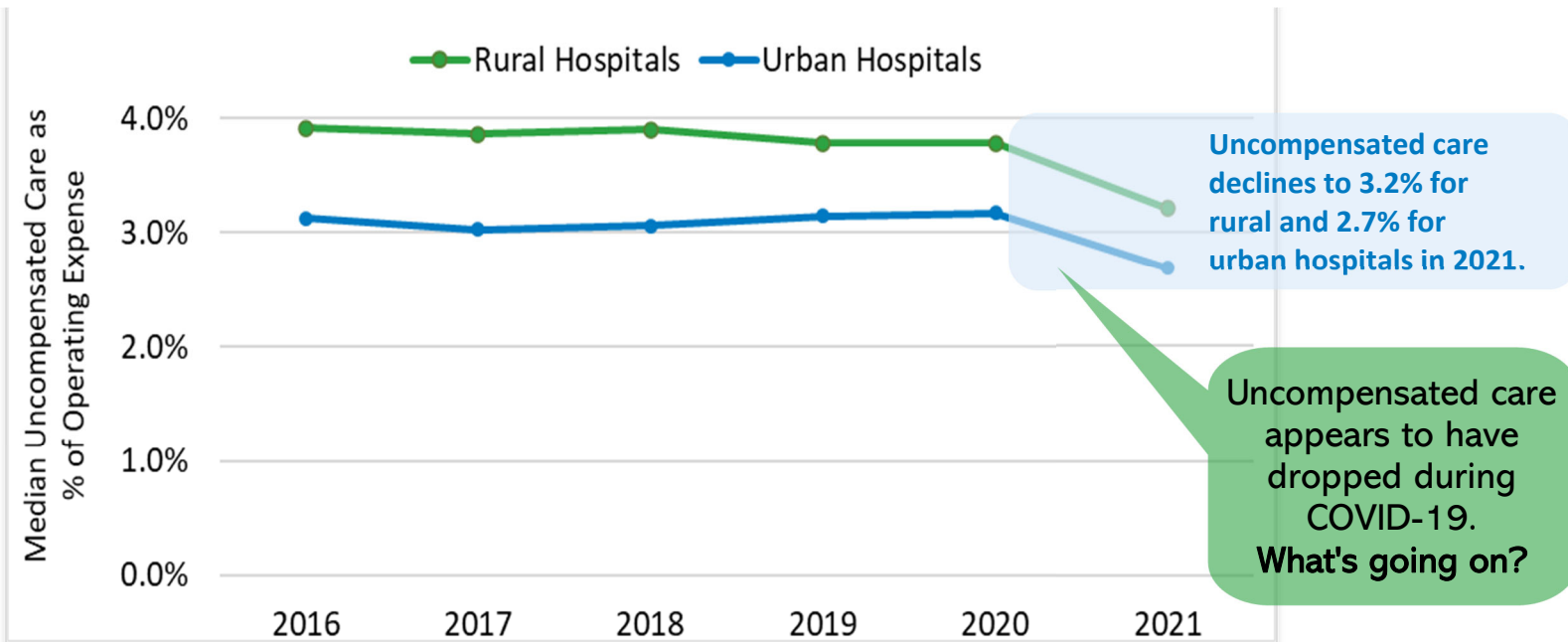
THE CECIL G. SHEPS CENTER FOR HEALTH SERVICES RESEARCH

Emmaline Keese, BS

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Uncompensated care has been consistently higher among rural hospitals than urban hospitals.<sup>1</sup>



\*Uncompensated care as a percentage of operating expense is defined as: (Bad debt + charity care) / operating expense

## Before COVID-19

- ▲ Rural and urban uncompensated care as a percent of operating expense was relatively constant from 2016 to 2019.
- ▲ Uncompensated care may be higher in rural hospitals because rural residents are less likely than urban residents to have health care coverage through their employer, are more likely to be low-income, and are often unable to afford coverage on their own.<sup>2</sup>

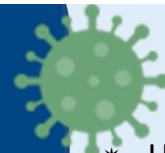


## Higher Uncompensated Care



Increases Financial Risk

Each year, U.S. hospitals spend billions of dollars providing uncompensated care. Uncompensated care is hospital care provided for which no payment is received from the patient or insurer. It is the sum of a hospital's bad debt and the financial assistance the hospital provides.<sup>3</sup> If uncompensated care makes up a large percentage of operating expenses (expenses incurred for patient care), then hospitals are more likely to be unprofitable and at risk of financial distress and closure.



## During COVID-19

- \* Uncompensated care may have been affected by financial support to hospitals provided by the federal government, including the Provider Relief Funds and Paycheck Protection Program. These funds compensated hospitals for revenue loss and higher costs associated with the pandemic.<sup>4</sup>
- \* However, rural hospitals reported greater difficulty responding to the COVID-19 pandemic and that longstanding financial challenges worsened.<sup>5</sup>

# During COVID-19, rural hospitals had a smaller drop in uncompensated care and a larger increase in operating expenses.

	Rural Hospitals			Urban Hospitals		
	2020	2021	% Change	2020	2021	% Change
<b>Median Uncompensated Care per Hospital</b> (Million U.S. dollars)	\$1.44	\$1.33	<b>-8.08</b>	\$8.95	\$8.05	<b>-8.27</b>
<b>Median Operating Expense per Hospital</b> (Million U.S. dollars)	\$32.18	\$34.62	<b>7.46</b>	\$260.33	\$277.27	<b>7.19</b>

## Rural hospitals had smaller reductions in uncompensated care during COVID-19.

Rural residents are more likely to be uninsured, and COVID-19 increased the financial burden to patients because of higher out-of-pocket payments for treatments and medications.<sup>6</sup>

## Rural hospitals had a larger increase in operating expenses during COVID-19.

Rural hospitals faced greater costs of staffing, personal protective equipment, and other COVID-19 related expenses. In addition, they often had less opportunity to share patient load with other providers.<sup>5</sup>

## Methods & Limitations

We analyzed Medicare Cost Report data for all acute care hospitals from the Healthcare Cost Report Information System (excluding Indian Health Services hospitals for which data are unavailable). We include a balanced panel of hospitals with cost reports for fiscal periods ending on or before 12/31/2021 (n=3,274). Hospitals were excluded if they had less than 360 days of data, uncompensated care was less than or equal to zero or missing, if uncompensated care as a percentage of operating expense was greater than 100%, or if operating expense was negative. Timing differences in hospital recognition of revenue versus expenses on Medicare cost reports could also distort reported operating expenses in 2020 and 2021.<sup>4</sup> Therefore, study results should be interpreted with caution.

## References

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3. Fact Sheet: Uncompensated Hospital Care Cost. American Hospital Association, February 2022. <https://www.aha.org/fact-sheets/2020-01-06-fact-sheet-uncompensated-hospital-care-cost>.
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