



## Fact Sheet

# New York State Requirements Relating to Community Benefits and Free Care

### What community benefits requirements are placed on hospitals in New York State?

New York State law requires non-profit hospitals to adopt a mission statement that, at a minimum, identifies the communities and populations they serve and describes the hospital's commitment to meeting the health care needs of communities.

**Every year**, hospitals must

- File their mission statements.
- Submit an implementation report on their performance meeting the health care needs of the communities, providing charity care services, and improving access to health services for the underserved.

**Every three years**, the hospital's board must

- Review and modify the mission statement as necessary
- Seek the views of the communities regarding issues such as the hospital's performance and service priorities
- Demonstrate the hospital's commitment (including financial) to charity care services and to improved access for the underserved
- Prepare a statement showing the hospital's resources and what portion were devoted to free or reduced price services or efforts to increase access

These reports must be submitted to the NY Commissioner of Health and must be made available to the public.

### Do New York hospitals get reimbursed for any of the free care they provide?

**Yes.** New York is one of a handful of states that operate a free care/bad debt pool aimed at reimbursing hospitals for free care they provide as well as for bad debt.

**How are funds for the pool raised?** Hospitals and other health agencies, as well as Medicaid and insurers, pay a percentage of their revenues to the "master pool"; a portion of these funds is allocated for free care/bad debt.

**How is each hospital's share of the fund determined?** Hospitals are reimbursed from the pool through a complex formula based in part on the level of unreimbursed care they provided compared to other hospitals and the proportion of unreimbursed care to their total costs. Some funds are reserved for "high need hospitals," those that provide greater proportions of unreimbursed care.

**What are Community Benefits?** The unreimbursed goods, services, and resources provided by healthcare institutions that address community-identified health needs and concerns, particularly those of people who are uninsured and underserved

**Free Care:** Free services hospitals provide to patients who show that they cannot afford to pay for their care. Hospitals do not expect to be paid by the patient for these services.

**Bad Debt:** Services hospitals provide for which they expect payment, but never receive it. Bad debt usually arises from insurance companies or individuals not paying bills.



**Are there any requirements of hospitals receiving distributions from the free care/bad debt pool?** In order to qualify for distributions from the pool, hospitals must:

- implement minimum debt collection procedures;
- participate in a prenatal care program for needy patients (if they deliver obstetrical care);
- comply with the bad debt and free care reporting requirements described below.

New York has not established standards to assure that pool funds are used equitably (such as income eligibility, public notice of the availability of free care, uniform application procedures, etc.).

**What are the reporting requirements for hospitals applying for a distribution from the pool?** Hospitals must submit several reports to the Department of Health:

- **Every month**, a report containing discharge information and information about assessable revenue, as well as their monthly payment to the pool.
- **Every year**, the “Institutional Cost Report (ICR)” which specifies (a) the hospital’s costs related to free care and bad debt of the uninsured and (b) the hospital’s costs representing deductibles and coinsurance for patients with insurance.

**Do hospitals have to bill patients prior to applying for a distribution through the pool?** As noted above, hospitals must implement minimum debt collection policies and procedures. This does not mean that hospitals must bill and initiate collection for all charges to patients. Free care may be provided in accordance to a hospital’s individual policy.

**Do hospitals have any obligations to provide free care if they have received Hill-Burton funds?**

**What is Hill-Burton?** Hill-Burton refers to a law passed by Congress in 1946 providing construction and modernization funds to hospitals. In exchange, facilities agreed to provide a reasonable volume of services to people unable to pay and to serve all people residing in the facility’s area. These agreements are in effect for a period of 20 years or until the hospital's Hill-Burton deficit is paid off.

**What services are covered under the Hill-Burton program?** Each year, each hospital must file an “Allocation Plan” (published in a local newspaper) specifying the services which are covered by its free care policy and the amount of free care provided. When their allocation of free care funds has been used, hospitals are under no further requirement to provide free care.

**How are people notified of the availability of free care?** Hill-Burton facilities must post a sign that says “NOTICE – Medical Care for Those who Cannot Afford to Pay” in the admissions office, business office and emergency room. In addition, every individual patient must be provided a copy of the allocation plan.

**Uncompensated Care:** Services that hospitals provide but for which they do not receive full payment. This includes free care and bad debt. It may also include the difference between Medicare or Medicaid payments and payments usually received from private insurers.

**Do any hospitals in Nassau or Suffolk County still have Hill-Burton obligations?** Winthrop University Hospital, Southside Hospital and Southampton Hospital are Hill-Burton facilities which still have obligations.