

## Division of Health Planning General Financial Definitions

The following definitions should be used as guidelines for responding to Division of Health Planning surveys. These definitions are used by the Division of Health Planning for purposes related to administration of the Certificate of Need (CON) program and for other purposes related to the mission and responsibilities of the Department of Community Health. Pursuant to O.C.G.A. § 31-6-70 the Department collects basic financial data. CON Rules and Regulations also require that CON applications be reviewed for financial accessibility and financial feasibility. See 111-2-2-.05(2)(d); 111-2-2-.09(1)(g); and 111-2-2-.09(1)(d). Each of the following may be requested by the Division of Health Planning on annual surveys and should reflect values for the CON-regulated facility as a whole or for specific CON-regulated services as defined by Division of Health Planning surveys.

**Indigent Care** – Report as indigent any unpaid charges for services to patients whose family income is less than or equal to 125% of the Federal Poverty Guidelines. See O.C.G.A. § 31-6-70(c). Do not include unpaid charges for patients who were eligible for Medicare, Medicaid, Third Party, or patients provided other free care.

**Charity Care** – Report as charity care any unpaid charges for services to patients whose family income is greater than 125% of the Federal Poverty Guidelines, and which were provided in accordance with the agency's formal written charity care policy, and which were written off to a formal charity account in the agency's accounting records. Charity care represents that portion of health care services that are provided but where payment is not expected. Charity care is provided to a patient with demonstrated inability to pay for some or all of the service. Only the portion of a patient's account that meets the organization's charity care criteria is recognized as charity.

**Facility Indigent and Charity Care Policy** – Each CON-regulated facility is expected to maintain a policy governing provision of services to patients who qualify as indigent or charity under the definitions provided above. Facilities have broad discretion in defining charity care provided that charity care patients are defined as having incomes exceeding 125% of FPG and specifically qualified under the facility policy.

**Indigent and Charity Care Write-Offs** -- Unpaid charges for indigent and charity care cases should be related only to the provision of services regulated by the Certificate of Need program rules and statute. Unpaid charges from other lines of business should generally NOT be included.

**Gross Patient Revenue** – Gross patient review includes charges generated by all patients at full-established rates before provisions for contractual and other adjustments are applied. Please include any revenue forgone for provision of care for indigent/charity patients at full-established rates.

**Total Gross Revenue** – Total Gross Revenue is the total revenue for the facility from all patient revenue and from other revenues or gains derived from services other than providing services to patients.

**Contractual Adjustments** – Contractual adjustments represent any charges that are not paid by third-party payers and cannot be billed to the patient pursuant to contractual agreements. Contractual adjustments for Medicare, Medicaid and other payers should be captured separately. Medicaid Contractual Adjustments may include adjustments for regular Medicaid, Medicaid Care Management Organizations, and PeachCare for Kids™.

**Bad Debt** – Bad Debt is an amount that a party has an obligation to pay but that is considered uncollectible. Bad debt represent the portion of a patient's account not expected to be collected from the patient or other responsible party (the patient's portion). The patient's portion of a bill should not be categorized as a bad debt for patients whose income is less than or equal to 125% of the federal poverty guidelines. Bad debt must be differentiated from charity services. Patient charges otherwise eligible for classification as charity care should only be treated as bad debt if all conditions of your facility's charity care definition are not met.

**Gross Indigent and Charity Care Patient Charges** – Gross indigent and charity charges are the total uncompensated charges for patients who qualify as indigent or charity under the definitions above.

**Total Indigent and Charity Compensation** – Funds provided by all public and private sources that are earmarked as compensation to offset uncompensated charges from indigent or charity care cases.

**Other Free Care** – Other uncompensated care provided as a result of employee discounts, administrative adjustments, courtesy discounts, small bill write-offs, or other similar write-offs not based on a patient's inability to pay. Should not include amounts properly classified as "contractual adjustments" as defined above.

**Other Revenue** - Other revenues or gains are derived from services other than providing services to patients. This may include revenues shared with the facility from another organizational entity (hospital, long term care facility, etc.)

**Total Expenses** - The sum of resources consumed in fulfillment of a facility's ongoing major or central operations. Expenses may result from current expenditures, incurring obligations to make future expenditures, or consuming resources obtained from previous expenditures. Expenses related to activities shared with entities other than the facility or program (such as a hospital) should be allocated between the entities. The expense component not allocated to the agency should be eliminated from the Survey. Appropriate matching of the revenues and expenses excluded from the Survey should be made. Do not include bad debt as a total expense, but as a deduction from revenue.

**Adjusted Gross Revenue** -- Adjusted Gross Revenue (AGR) is calculated by subtracting Medicaid (including PeachCare for Kids) and Medicare contractual adjustments *only* and bad debt from the facility's total gross revenues. AGR is used as the basis for determining an agency's level of uncompensated indigent and charity care services. Generally, these figures are presented as a percentage of the facility's AGR.

**Indigent and Charity Care Commitments** – Some facilities have commitments to provide a specified level of indigent and charity care as part of their Certificate of Need authorization. For those facilities that have a CON commitment to provide indigent and charity care, the commitment (expressed as a percentage) is multiplied by the facility's AGR to calculate the amount of uncompensated indigent and charity care provided. The scope of the facility's commitment is defined in the Certificate of Need.

**Indigent and Charity Care Patients** – The number of patients who were classified as indigent or charity care cases consistent with the definitions provided above. Should include only income-tested indigent and charity care patients who received services and who had indigent or charity care charges.

**Indigent and Charity Care Income-Testing** – Patients should be income-tested to establish income and indigency or charity levels if they do not present a method of payment. Generally, this should occur before discharge and should occur before billing for indigent care patients. Indigent care patients should not be billed. Facilities should maintain detailed logs associated with uncompensated indigent and charity care charges and be able to provide supporting documentation for indigent and charity care qualifications if requested.

**Calculated Financial Totals** – The following financial items may be calculated by the Division of Health Planning based on financial information from facility surveys. These financials and all survey data are considered public record and may be provided by DCH to anyone, upon request.

<i>Total Contractual Adjustments</i>	<i>Total Net Patient Revenue</i>
<i>Uncompensated (Net) Indigent Care Total</i>	<i>Total Net Revenue</i>
<i>Uncompensated (Net) Charity Care Total</i>	<i>Adjusted Gross Revenue (as defined by DCH)</i>
<i>Total Uncompensated Indigent and Charity Care</i>	<i>Percentage of AGR that is Uncompensated I/C Charges</i>
<i>Margin and Margin Percent</i>	