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April 18, 2013
FOR IMMEDIATE RELEASE

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South Carolina Department of Health and Human Services Discloses Financial Performance of South Carolina Hospitals

Columbia, SC - In preparation for the budget presentation to the South Carolina Senate Finance Committee on April 23, the South Carolina Department of Health and Human Services (SCDHHS) posted, today, to the transparency section of its website spreadsheets of hospital financial performance for 60 South Carolina acute care hospitals. These spreadsheets contain various hospital data for the years 2008-2011, such as total patient days, occupancy rates and hospital profits. Now, for the first time, the public can review this information in a clear, understandable format.

According to the 2009 Kaiser Family Foundation Distribution of Health Care by Service by State of Residence report, hospital care accounts for 36.3 percent of every health dollar spent nationally and 40.4 percent of health care expenditures in South Carolina. "Given how much money taxpayers spend on hospitals through Medicaid and the State Employee Health Plan, we think it is important that the legislature, business community and general public better understand hospital financing," said Anthony Keck, director of SCDHHS. "And since much of the argument for Medicaid expansion is based on hospital CEOs' concerns about hospital financial performance, we want to make sure that the public has access to the same information we use to set our policies."

Overall, the data shows that while total patient days for all payors declined over the four years, 2008-2011, hospitals recorded over \$2.5 billion cumulative profit (expressed as revenue over expenses for hospitals classified as not-for-profit). This profit is after accounting for depreciation and the cost of serving the uninsured.

The amount of profits varies among hospitals. The 12 largest hospitals in terms of total 2011 inpatient days booked \$1.4 billion profit, while the state's 18 small rural hospitals recorded losses of \$24.3 million. Governor Nikki Haley recently announced that beginning October of 2013 these 18 small rural hospitals are eligible for an additional \$20 million annually in payments for uncompensated care.

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In addition to patient days and profits, the spreadsheets include information on the percentage of patient days where Medicaid is the primary payor, as well as two different calculations for the amount of uncompensated care provided by each hospital - one as a percentage of total hospital net patient revenues and one as a percentage of total hospital inpatient and outpatient expenditures. Again, the numbers vary widely among hospitals. The amount of uncompensated care delivered as a percent of total hospital system net patient revenues ranges from a low of 0.56 percent to a high of 21.73 percent.

Hospital financial information is provided to SCDHHS each year through standardized cost reports required by the federal government. The department traditionally uses this information to provide cost settlements to hospitals, make payments for uncompensated care and ensure that hospitals are not overpaid according to federal limits. In conjunction with other available information, including hospital tax filings, annual reports and bond ratings, this information is also used to evaluate the financial health of the state's hospitals and adjust reimbursement rates accordingly.

In the proposed 2014 SCDHHS budget, House Proviso 33.34 requires additional financial and quality reporting on hospitals and other health care providers. Lack of transparency in prices, quality and cost is considered an important contributor to excess health care spending in the United States. SCDHHS expects to significantly expand its transparency initiatives over the next two years.

About the South Carolina Department of Health and Human Services

The South Carolina Department of Health and Human Services provides health care benefits to more than 1.1 million South Carolinians. Its mission is to purchase the most health for our citizens in need at the least possible cost to the taxpayer.

The hospital financial spreadsheets may be accessed at <https://www.scdhhs.gov/site-page/transparency-reporting-medicaid>.

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