Collecting payments from patients remains a top priority for healthcare providers. The increased cost burden placed on many patients from high-deductible insurance plans could make payments more difficult to collect in full. To offer some performance benchmarks related to patient accounts, this brief analysis examines bad debt expense in acute care hospitals.

The information analyzed for this study was drawn from all available Medicare cost reports filed for cost-report periods ending during the

## Bad Debt Expense in Acute Care Hospitals

<table>
<thead>
<tr>
<th>Type of Facility</th>
<th>Facilities</th>
<th>Bad Debt Expense</th>
<th>Gross Patient Revenue</th>
<th>Bad Debt as % of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Total</td>
<td>4,391</td>
<td>55,856,204,686</td>
<td>2,770,394,397,540</td>
<td>2.02%</td>
</tr>
<tr>
<td>Teaching</td>
<td>N</td>
<td>3,329</td>
<td>25,870,323,672</td>
<td>1073,617,721,097</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>1,062</td>
<td>299,858,810,044</td>
<td>1,696,776,676,443</td>
</tr>
<tr>
<td>System</td>
<td>N</td>
<td>1,774</td>
<td>12,846,194,262</td>
<td>478,921,405,805</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>2,617</td>
<td>43,010,010,424</td>
<td>2,291,472,991,735</td>
</tr>
<tr>
<td>Type of Control</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>For Profit</td>
<td>826</td>
<td>10,258,481,055</td>
<td>490,059,491,634</td>
</tr>
<tr>
<td></td>
<td>Governmental</td>
<td>1,043</td>
<td>15,049,843,210</td>
<td>407,027,694,842</td>
</tr>
<tr>
<td></td>
<td>Not for Profit</td>
<td>2,522</td>
<td>30,547,880,421</td>
<td>1,873,307,210,064</td>
</tr>
<tr>
<td>Low-Volume Hospital</td>
<td>N</td>
<td>3,787</td>
<td>52,789,140,936</td>
<td>2,689,214,888,601</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>604</td>
<td>3,067,063,750</td>
<td>811,795,089,398</td>
</tr>
<tr>
<td>Medicare Dependent Hospital</td>
<td>N</td>
<td>4,227</td>
<td>55,099,220,110</td>
<td>2,744,989,928,371</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>164</td>
<td>756,984,576</td>
<td>25,404,469,169</td>
</tr>
<tr>
<td>Rural Referral Center</td>
<td>N</td>
<td>4,089</td>
<td>50,631,618,924</td>
<td>2,565,101,378,032</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>302</td>
<td>5,224,585,762</td>
<td>205,293,019,508</td>
</tr>
<tr>
<td>Sole Community Hospital</td>
<td>N</td>
<td>4,156</td>
<td>54,327,177,253</td>
<td>2,718,479,595,338</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>235</td>
<td>1,529,087,433</td>
<td>51,914,802,202</td>
</tr>
<tr>
<td>Total Facility Beds</td>
<td>Critical Access</td>
<td>1,268</td>
<td>2,103,820,971</td>
<td>61,154,708,489</td>
</tr>
<tr>
<td></td>
<td>50 or fewer</td>
<td>498</td>
<td>1,744,944,093</td>
<td>57,951,378,241</td>
</tr>
<tr>
<td></td>
<td>51-100</td>
<td>499</td>
<td>3,451,065,043</td>
<td>116,985,582,136</td>
</tr>
<tr>
<td></td>
<td>101-200</td>
<td>853</td>
<td>9,615,883,227</td>
<td>420,539,583,764</td>
</tr>
<tr>
<td></td>
<td>201-500</td>
<td>999</td>
<td>22,410,991,434</td>
<td>1,191,336,916,931</td>
</tr>
<tr>
<td></td>
<td>501 or more</td>
<td>274</td>
<td>16,529,499,918</td>
<td>922,426,227,979</td>
</tr>
</tbody>
</table>

Source: American Hospital Directory
2015 calendar year submitted by short-term acute care and critical access hospitals. Specifically, worksheet S-10 collects the amount of bad debts written off for balances owed by patients. This figure represents the entire hospital complex during the reporting period with the exception of physician and other professional services. For the period studied, the amount of bad debt expense reported nationally represents more than $55 billion.

Hospitals are categorized into several groups to facilitate access to comparative statistics for a variety of operational profiles. The findings take into account facility characteristics such as whether the hospital is part of a health system, type of control, whether the facility operates a teaching program, number of staffed beds, and Medicare policy adjustment program eligibility. Bad debt amounts are divided by total patient revenue for comparison among groups.

Although most classifications do not stray far from the national average, smaller facilities and those operating as Medicare low-volume hospitals seem to struggle by comparison to avoid writing off bad debt.

Operators should find these figures useful for examining their own performance on a broad scale and evaluating how well they are managing their own bad debt.

This analysis was performed by American Hospital Directory, Inc., Louisville, Ky. For more information, contact William Shoemaker at wshoemaker@ahd.com.