

Uncompensated Care

Uncompensated care is care provided by New Mexico hospitals for which no payment is received from the patient or insurer. It is the sum of a hospital's "bad debt" and the charity care it provides. Charity care is care for which hospitals never expected to be reimbursed. A hospital incurs bad debt when it cannot obtain reimbursement for care provided; this happens when patients are unable to pay their bills, but do not apply for charity care, or are unwilling to pay their bills. Uncompensated care excludes other unfunded costs of care, such as underpayment from Medicaid and Medicare.

Bad Debt and Charity Care

Hospitals combine bad debt and charity care costs to arrive at the hospital's total costs of unreimbursed care provided to medically indigent and underinsured patients. In terms of accounting, **bad debt** consists of services for which hospitals anticipated but did not receive payment. **Charity care**, in contrast, consists of services for which hospitals neither received, nor expected to receive, payment because they had determined, with the assistance of the patient, the patient's inability to pay. In practice, however, hospitals often have difficulty in distinguishing bad debt from charity care.

New Mexico hospitals provide direct patient care to those who cannot afford it. New Mexico hospitals administer countless health, education and transportation programs to address the specific needs of local communities across the state to improve quality of life. These services are provided free of charge, as they are essential to the well-being of the community and an integral part of nonprofit hospitals' tax-exempt purpose.

New Mexico's not-for-profit health care organizations demonstrate their commitment to community service through organized and sustainable **community benefit** programs providing:

- ❖ Free and discounted care to those unable to afford health care.
- ❖ Care to low-income beneficiaries of Medicaid and other indigent care programs.
- ❖ Services designed to improve community health and increase access to health care.
- ❖ In the last fiscal year, New Mexico not-for-profit member hospitals contributed millions in services identified as community benefit.

The Challenge of Uncompensated Care in New Mexico

