Analysis of 340B DSH Hospital Services Delivered to Vulnerable Patient Populations

Study Highlights

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Synopsis of Key Findings

The goal of the study was to determine the extent to which 340B disproportionate share (DSH) hospitals are targeting their services to vulnerable patient populations. Hospitals that treat high levels of low-income patients are often referred to as "safety-net" hospitals. There are a number of definitions that states, federal policymakers, and researchers have used over the years to characterize "safety-net" hospitals. Consistent with the literature, we compared DSH hospitals in the 340B program to comparable hospitals not in the 340B program on the following metrics: (1) low-income Medicaid/Medicare SSI patient caseload, (2) uncompensated care and unreimbursed costs, and (3) provision of specialized services.

Provision of Care to Medicaid/Medicare SSI Patients

We found that 340B hospitals provided a significantly higher proportion of Medicaid days overall (30.3 percent vs. 16.4 percent) or 14 percentage points (84.8 percent greater). In some quartiles, the difference was nearly twice as many Medicaid days provided by 340B hospitals as provided by comparable non-340B hospitals. See Exhibit 1.

Exhibit 1: Comparison of 340B DSH Hospitals to Comparable Hospitals Not in 340B Program on Medicaid Days as a Percent of Total Inpatient Days

Quartile	340B DSH Hospitals	Non-340B Hospitals
1st	31.3%	16.0%
2nd	29.6%	15.9%
3rd	27.6%	18.7%
4th	25.5%	19.6%
Total	30.3%	16.4%

Source: Dobson | DaVanzo analysis of 2012 Medicare Cost Reports, HRSA OPA FY2012 Covered Entity Daily Report, and FY2014 IPPS Impact File.

On the combined metric of **Medicaid days as a percent of total inpatient days** plus **Medicare and SSI days as a percent of Medicare days**, we found that 340B DSH hospitals provided a higher proportion of days as a percent of total days of inpatient care: 41.9 percent of 340B DSH hospital days were for Medicaid plus Medicare/SSI patients vs. 22.8 percent for non-340B hospitals. In short, we found that 340B hospitals delivered nearly twice as much care to Medicaid and Medicare/SSI recipients as non-340B hospitals. See Exhibit 2.

Exhibit 2: Comparison of Medicaid Inpatient Days as a Percent of Total Inpatient Days plus Medicare SSI Days as a Percent of Medicare Days for 340B DSH Hospitals to Non-340B Hospitals

Quartile	DSH 340B Hospitals	Non-340B Hospitals
1st	42.5%	21.6%
2nd	41.4%	22.3%
3rd	40.1%	27.5%
4th	38.1%	30.1%
Total	41.9%	22.8%

Source: Dobson | DaVanzo analysis of 2012 Medicare Cost Reports, HRSA OPA FY2012 Covered Entity Daily Report, and FY2014 IPPS Impact File.

Provision of Uncompensated Care /Unreimbursed Costs

We found that 340B DSH hospitals provide a disproprotionate amount of uncompensated care compared to non-340B hospitals. 340B DSH hospitals provided $24.6 billion in uncompensated care, whereas non-340B hospitals provided $17.5 billion. Although 340B hospitals accounted for only 35 percent of all hospitals in the analysis, 340B hospitals provided 58 percent of all uncompensated care.

In each quartile of hospitals, 340B hospital uncompensated care costs as a percent of total patient costs is significantly higher than the uncompensated care costs as a percent of patient care costs for non-340B hospitals. These results demonstrate that 340B DSH hospitals provide a disproportionate amount of uncompensated care. See Exhibit 3.

Exhibit 3: Comparison of Aggregate Uncompensated Care Costs for 340B to Non-340B DSH Hospitals

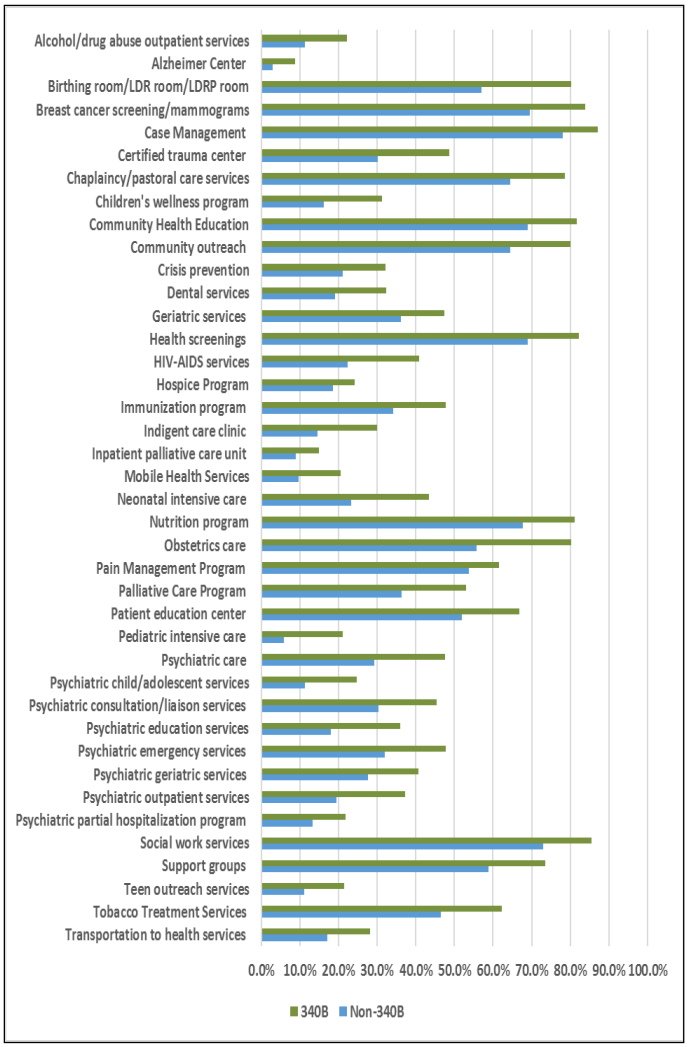
	Number of Hospitals	Aggregate Charity Care, Public Payer Shortfalls and Bad Debt Costs
340B DSH Hospitals	939	$24,615,596,359
Non-340B Hospitals	1,745	$17,481,887,791

Source: Dobson | DaVanzo analysis of 2012 Medicare Cost Reports, HRSA OPA FY2012 Covered Entity Daily Report, and FY2014 IPPS Impact File.

Provision of Public Health and Specialized Services

We analyzed the 2013 AHA survey to determine the extent to which 340B DSH hospitals delivered public health and/or specialty services and compared this service provision to that of non-340B hospitals.[1] Exhibit 4 contains this sample of public health and specialized services that are described as being dedicated to the "common good" but are often financially unprofitable to deliver. In all cases, a higher percent of 340B DSH hospitals provided the service than the percent of non-340B hospitals.

Exhibit 4: Comparison of Specialized Services Provided by 340B DSH and Non-340B Hospitals



Source: Dobson | DaVanzo analysis of the 2013 AHA Annual Survey

About the Study

340B Health commissioned Dobson DaVanzo & Associates, LLC to conduct a study using most recent (2012) Medicare Cost Reports, American Hospital Association (AHA) 2013 surveys, and other pertinent data to determine the extent to which 340B disproportionate share (DSH) hospitals are targeting their services to vulnerable patient populations.

The focus of this analysis is on DSH hospitals, which to participate in the 340B program are required to have a DSH adjustment percentage greater than 11.75 percent as an indicator of their provision of care to low income populations.[2] The eligibility criteria Congress set for DSH hospitals make clear that the program is limited to hospitals serving high volumes of low-income patients for whom the cost of care would not be fully compensated.

We stratified hospitals into quartiles based on total patient care costs as a way to compare 340B DSH hospitals to non-340B hospitals that are similar in size and scope of operations.

We found that the DSH hospitals in the 340B program are targeting their services to low-income, vulnerable patients more than hospitals that are not in the 340B program.

- On the metric of percent Medicaid and Medicare/SSI days, we found consistent results in that the 939 DSH 340B hospitals provided significantly more Medicaid and Medicare/SSI days than comparable hospitals not in the 340B program.
- Whether uncompensated care is defined narrowly (i.e., charity care) or defined broadly (i.e., charity care plus bad debt plus public payer shortfalls), we found that DSH 340B hospitals provided more uncompensated care than comparable hospitals not in the 340B. Our analysis focuses on the broad definition, because we found comparable results across uncompensated care definitions and this definition is the most accurate picture of hospital uncompensated care burden.
- As part of their charge, more 340B DSH hospitals are providing specialized services (such as emergency trauma care, care to persons with HIV/AIDS, crisis prevention, neonatal ICU, etc.) than non-340B hospitals.

[1] We used the same sample of 939 DSH 340B hospitals as was used for the analyses of uncompensated care and Medicaid days using the Medicare Cost Report.

[2] An adjustment applied to hospitals that treat a high percentage of low-income patients. This adjustment results in an additional payment to these hospitals. Factors included in this adjustment are: the sum of the ratios of Medicare Part A Supplemental Security Income (SSI) patient days to total Medicare patient days and Medicaid patient days to total patient days in the hospital. 340B covered entity hospitals must meet a certain threshold for disproportionate share adjustment percentage; i.e., >11.75% for DSH