



St. Louis

Health Care Industry Overview

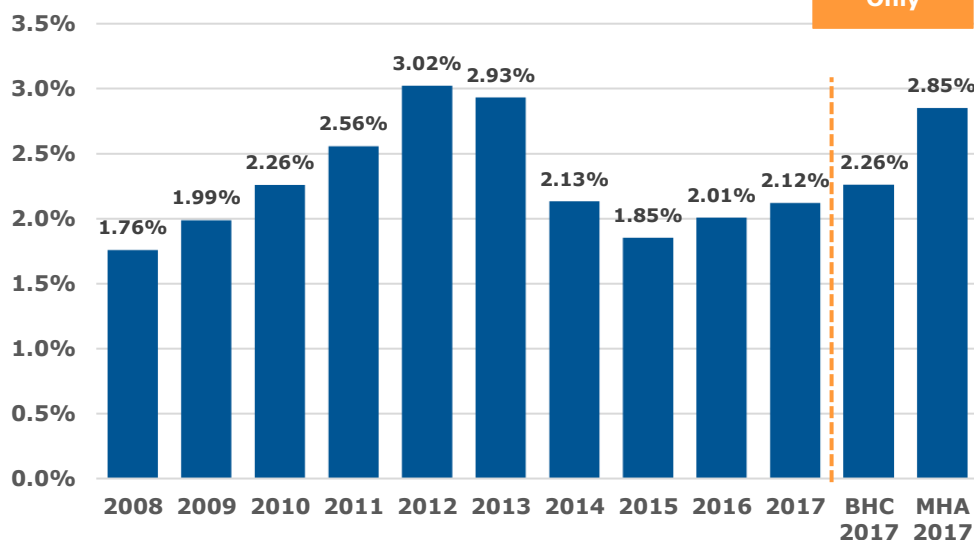
By the St. Louis Area Business Health Coalition

Cost of Health Care Drives Medical Debt, Charity Care Higher

Missouri ranks seventh in the nation for working-age adults with past-due medical debt, with nearly one-third falling into this category, compared to 25% nationally.¹

As costs grew for the region's patients, charity care expense rose to 2.8% of operating revenue in 2017 and varied widely among St. Louis hospitals (see Table 1). After two years of decline, bad debt grew to 2.2% of operating revenue.

Charity Care as a % of Operating Revenue St. Louis Area Hospitals, 2008–2017



Missouri
Hospitals
Only

St. Louis hospitals provided more than \$273 million in charity care in 2017.

Sounds like a lot, doesn't it? Yet, it was just 2.8% of their \$9.9 billion in operating revenue.

This is below 3% of operating revenue, the minimum percentage of charity care a tax-exempt hospital should provide, deemed by the BHC Board in 1998 and well before the current medical debt crisis experienced by many Missouri families.

Figure 1: Source: Missouri Hospital Association (MHA) Annual Licensing Surveys, Centers for Medicare and Medicaid Services Medicare Cost Reports, Audited Financial Statements, and MHA Focus on Hospitals website.

Non-profit hospitals are expected to provide charity care and community benefits in exchange for being exempt from paying local, state and federal taxes. In the past decade, charity care provided by St. Louis hospitals reached its highest point in 2012 and then decreased for three consecutive years as more people gained health coverage (see Figure 1). In 2017, charity care grew while the percentage of uninsured was unchanged.² **Insured people accounted for nearly 30% of charity care reported by local hospitals.**³ The inconsistency in charity care amounts reported by the BHC and the Missouri Hospital Association (MHA) is based on whether financial need is determined before care is delivered to a patient or after treatment when the patient receives the bill and is unable to pay.

In 2017, the BJC and SSM systems provided the highest percentage of charity care, both above 3% of operating revenue (see Table 1).⁴ Charity care and bad debt combined, referred to as uncompensated care, accounted for 5% of operating revenue and had no impact on profitability for most hospitals in St. Louis.

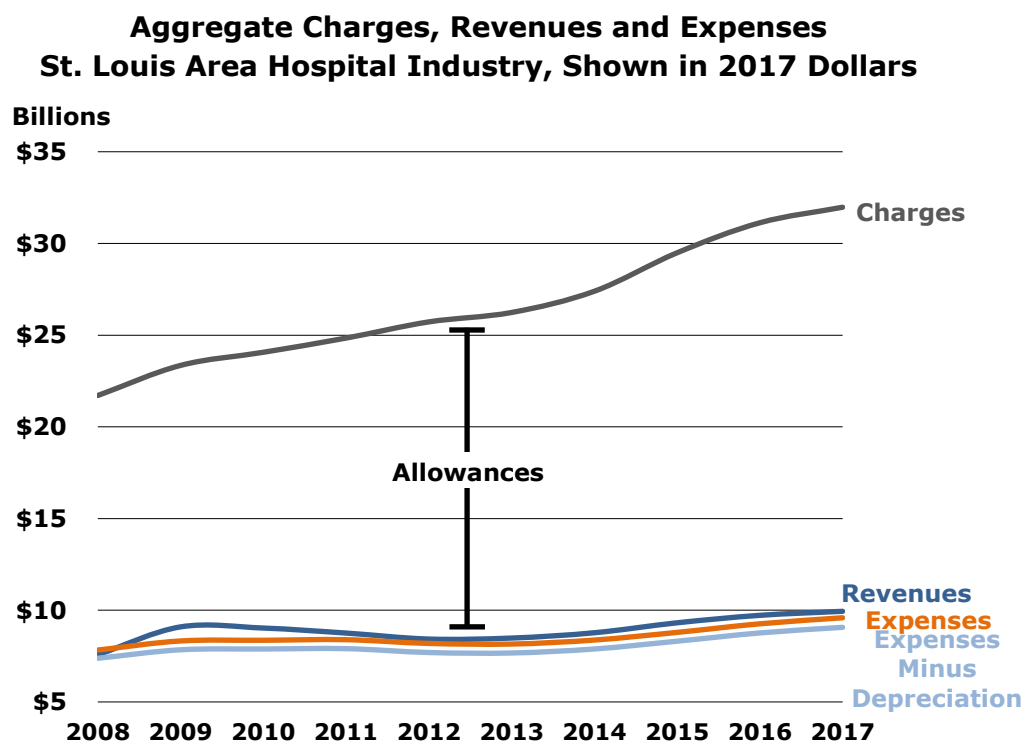
St. Louis Hospital System Name	Missouri Hospital Association (MHA) Charity Care as % of op. rev.	
	2016	2017
BJC HealthCare	2.4%	3.1%
SSM Health	2.7%	3.5%
Mercy	2.5%	1.9%
St. Luke's Hospital	1.3%	1.4%
Hosp. Sisters Health System	2.0%	2.5%
Missouri Non-Merged	1.1%	1.8%
Illinois Non-Merged	1.0%	2.2%
Total St. Louis Hospitals	2.3%	2.8%

Table 1: Source: Medicare Cost Reports, audited financial statements, and MHA Focus on Hospitals website.

Hospital Charges, Revenue and Expenses Increase

In St. Louis, patients, employers, Medicare and Medicaid paid more for hospital care in 2017, despite using fewer services compared to the prior year.^{5,6} Revenues rose to \$9.9 billion. In Figure 2, “Charges” refer to the list prices of hospital services. “Revenues” are the amounts paid after “Allowances” are taken, including discounts negotiated by insurers, Medicare and Medicaid.

Hospitals often claim “charges” are irrelevant, however this is misleading. These high list prices are sometimes charged to patients for out-of-network care; to auto, casualty, and workers’ compensation insurers for medical claims; and to some uninsured patients. In addition, charges form the starting point of insurers’ negotiations with hospitals, exerting upward pressure on revenues, increasing the cost burden for workers and families.



- Charges hit nearly \$32 billion in 2017, a 2.7% increase.
- Revenue reached \$9.9 billion, up 2.2% or about half the rate of the prior year.
- Expenses grew faster than revenues at 3.5%. For the second year, capital spending for acquisitions and building projects drove costs higher. Depreciation took a bigger bite of expenses in 2017.

Figure 2: Source: Centers for Medicare and Medicaid Services Medicare Cost Reports and audited financial statements. Inflation adjustments are based on the St. Louis area CPI (including medical component) provided by the U.S. Labor Department.

Communities forgo significant tax revenue from non-profit hospitals’ tax-exemptions. In return, hospitals provide jobs and other community benefit. Examples of St. Louis hospitals’ community benefit include charity care, free health screenings, donations, staff education, and shortfalls in Medicaid payments.⁷ Since non-profit hospitals do not serve the interests of shareholders, it is natural for them to want to invest profits in things thought to be good for the organization. The problem is there is a competition issue in health care where the market does not give the right signals and innovations often result in higher costs. **Yet, in the face of Missouri workers’ significant medical debt, is this really what communities want and need?**

Economist Fiona Scott Morton of Yale University posed this question during a Justice Department investigation focused on the prices of Boston’s Partners HealthCare system. She notes that providers with market power have the ability to extract significant revenue from their client base and use the funds for any research or investment that they feel is pro-mission. While this may help people to some degree, it is likely not the use patients would choose. Lower fees translate to lower premiums, leaving more money in consumers’ pockets and the potential for less stress and a better quality of life.⁸ Surpluses could be used to temper future price increases or invest in process improvements that enhance safety and care quality and lower overall cost – investments that patients, communities, and our nation could truly value.

Source Notes

¹ M Karpman, K Caswell, "Past-Due Medical Debt among Nonelderly Adults, 2012-2015," *Urban Institute*, March 2017.

² Health Insurance Coverage of Adults, 19-64, 2008-2017, *Henry J. Kaiser Family Foundation*.

³ Centers for Medicare and Medicaid Services Medicare Cost Reports, St. Louis Area Hospitals.

⁴ St. Louis Health Care Industry Overview Chart Book: Charity Care & Disproportionate Share Payment by Network (2016-2017). <https://stlbhc.site-ym.com/page/HCIOHospitalCareCharts>.

⁵ K Roth, "St. Louis Hospital Revenue Grows Faster than Workers' Wages," *St. Louis Area Business Coalition*, Issue Brief No. 1, July 2019.

⁶ St. Louis Health Care Industry Overview Chart Book: Excess Capacity by System (2017) and Utilization Trends (2008-2017). <https://stlbhc.site-ym.com/page/HCIOHospitalCareCharts>.

⁷ Internal Revenue Service, Form 990, Schedule H (2017), St. Louis Area Non-Profit Hospitals.

⁸ F Morton, T Lee, "We Can't Spend All Our Money on Health Care," *NEJM Catalyst*, April 13, 2018.

Data Limitation and Cautions

BHC has made every effort to provide accurate information. Each hospital was given the opportunity to verify its financial and utilization data. As with any analysis of hospital industry data, a note of caution is recommended. BHC depends upon the accuracy of the data sources and cannot guarantee the complete accuracy of all data in this report. For example, Medicare Cost Report data may contain a level of error. In this case, data inaccuracies that may remain for individual hospitals would have minimal impact on weighted average values and virtually no impact on the overall conclusions regarding St. Louis hospital performance. Please read the technical discussion while reviewing or interpreting the data detailed in this report.

BHC would like to acknowledge hospital representatives and their staff who provided information and worked extensively to verify the accuracy of the data which was invaluable to the project's success.

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