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A Preliminary Analysis on  
Employers and the  
Massachusetts  
Uncompensated Care Pool

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# ***A Preliminary Analysis on Employers and the Massachusetts Uncompensated Care Pool***

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## **Introduction**

In April 2005, the Office of the Inspector General initiated a preliminary analysis on users of the Uncompensated Care Pool who reported an employer to the hospital at the point of service but who did not have health insurance or had inadequate coverage. Due to shortcomings with this self-reported data which are discussed below, the Inspector General decided to acquire an accurate snapshot of the Uncompensated Care Pool's relationship with employed users by submitting personal identifying data collected by the Division of Health Care Finance and Policy on Uncompensated Care Pool users to the Department of Revenue to be checked against the department's Quarterly Wage Reporting database. The Inspector General entered into an agreement with the Department of Revenue to further investigate these people who reported social security numbers or taxpayer identification numbers to hospitals and found that the Division of Health Care Finance and Policy's data on Uncompensated Care Pool users who report employment drastically undercounts the number of people who are actually employed and therefore, the free care payments attributed to employed people is far greater than previously speculated (see Table 1).

The Inspector General was authorized by Chapter 240 of the Acts of 2004 to form an Uncompensated Care Pool Audit Unit charged with overseeing and examining the practices surrounding the care of the uninsured in all Massachusetts' hospitals and this preliminary analysis is the result of the overall mandate to pursue any instances of waste, fraud, or abuse within the Uncompensated Care Pool.

**TABLE 1**

<b>Total Uncompensated Care Pool Users</b>		<b>Number Who Were Employed</b>		<b>Estimated Free Care Payments Associated</b>	
		<b>Reported to DHCFP</b>	<b>Reported to DOR</b>	<b>DHCFP</b>	<b>DOR</b>
FY03	268,712	53,000	N/A	\$99,800,000	N/A
FY04	317,827	63,500	102,883	\$133,700,000	\$307,333,175

## **Findings**

### **Employers Reported to the Division of Health Care Finance and Policy**

Analysis of hospital Uncompensated Care Pool data, as reported to DHCFP, revealed that approximately 20 percent of Uncompensated Care Pool users reported an employer in both hospital fiscal year 2003 and hospital fiscal year 2004 out of a total of 268,712 users in hospital fiscal year 2003 and 317,827 total users in hospital fiscal year 2004. Total free care charges resulting from these patients who reported employment totaled approximately \$153.5 million in hospital fiscal year 2003 and \$205.7 million in hospital fiscal year 2004.

For the purposes of this analysis, the Inspector General assumed that the Uncompensated Care Pool pays, on average, 65 percent of charges. Under this assumption, these charges translate to \$99.8 million in free care payments for patients who were reportedly employed in hospital fiscal year 2003 and \$133.7 million in payments in hospital fiscal year 2004.

The top category for reported employers was the “Self Employed” designation, claiming an average of \$11 million in free care payments per year.

The top five employers on the list include Dunkin Donuts at an average of \$1.2 million in payments per year, Stop and Stop at \$1.1 million, Wal-Mart at \$800,000, Unicco at \$700,000, and McDonald’s at \$670,000 (See Chart 1). Other notable employers reported by free care patients include Shaw’s Supermarket, Boston Medical Center, Filene’s, Burger King, CVS Pharmacy, the Boston Public Schools, the city of Boston, the commonwealth of Massachusetts, Boston Cab, Walgreen’s, Bertucci’s, Fleet Bank, FitzInn Parking, and The Boston Globe. In total, over 35,000 different employers were reported in hospital fiscal year 2003 and over 40,000 in hospital fiscal year 2004. These findings were based on Uncompensated Care Pool user responses to hospital administrators when presenting for treatment at the facility.

### **Employers Reported to the Department Of Revenue**

During hospital fiscal year 2004, 307,160 people with either a social security number or a taxpayer identification number accounted for 1,852,329 claims or \$1.11 billion

charged to the Uncompensated Care Pool (\$722.4 million in payments). These people used the Uncompensated Care Pool either by completing a free care application or by ending up as emergency room bad debt as defined by applicable Uncompensated Care Pool regulations and their resulting charges were written off during hospital fiscal year 2004.

Out of this population, 198,489 people applied for free care by completing a free care application. The claims associated with these people amounted to \$916.7 million in charges to the Uncompensated Care Pool or \$595.8 million in payments.

Since the DOR Quarterly Wage Reporting Database only maintained data as far back as the second quarter of 2002, approximately 15,000 people did not appear in the DOR database because although the hospitals charged these claims to the Uncompensated Care Pool in 2004, these people were determined eligible for Uncompensated Care before April 1, 2002 (the database's earliest entry).

For each of the 183,559 people submitted, quarterly wage information was returned for the four quarters prior to the determination date. Initial analysis indicated that out of the 183,559 people, 102,883 people or 56 percent were employed during one or more of the four quarters prior to their Uncompensated Care Pool eligibility determination date. These 102,883 people worked for 39,743 different employers and the claims associated with these people accounted for \$472.8 million in charges or \$307.3 million in payments from the Uncompensated Care Pool (see Chart 2).

## **Methods**

This section describes the methods used by the Inspector General, working with information provided by the Division of Health Care Finance and Policy and the Department of Revenue, in approaching the analysis for the purposes of this document.

### **Time Period**

The information in this report uses the following time periods for data analysis: hospital fiscal year 2003, October 1, 2002 to September 30, 2003 and hospital fiscal year 2004, October 1, 2003 to September 30, 2004 for self-reported employer information from DHCFP, and hospital fiscal year 2004 only for the DOR analysis.

## **DHCFP Employer Information Methodology**

DHCFP, through its Uncompensated Care Pool claims process, requests information on each user's employer. Since the data filed is not a required field, only about 20 percent of Uncompensated Care Pool claims include a reported employer.

The data included numerous spellings of what were obviously the same employers. The Inspector General grouped together employers that appeared to be the same.

Many Uncompensated Care Pool users reported being employed and reported their employer as babysitter, at home, student, retired, etc. These "employers" were considered invalid for purposes of this particular analysis and were not included.

## **DOR Employer Information Methodology**

As part of the preliminary analysis, the Inspector General established an Interagency Service Agreement with DOR and submitted the social security number or taxpayer identification number of people whose hospital claims were charged to the Uncompensated Care Pool during hospital fiscal year 2004. These names were then checked against the DOR Quarterly Wage Reporting database which contains quarterly reportings from employers on all employees. The Inspector General is still in the process of cross checking the people who reported employment to DHCFP against the DOR Quarterly Wage Reporting database. Currently, each analysis described in this document is complete and separate and most likely captures some of the same people.

## **Costs of Care**

Costs for Pool users were calculated by multiplying the dollars each provider charged to the Uncompensated Care Pool by the average payout of 65 cents on the dollar for most providers. Data was not analyzed by individual provider but rather by reported employers and therefore, the individual cost-to-charge ratio for each provider as calculated by DHCFP was not applied.

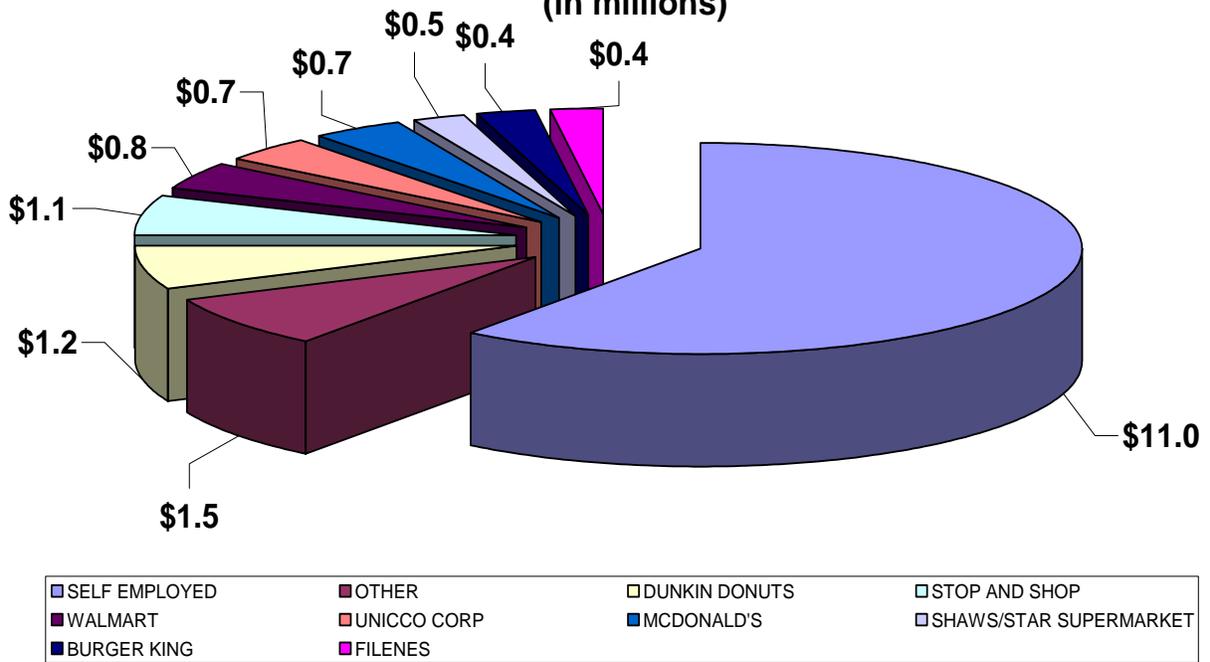
## **Limitations**

There are a number of limitations with this analysis, one of which being that the DHCFP employer data is self-reported by the patient at the point of service. Due to inconsistency among hospital data collection policies, this data is reported in a number

of varying forms. Also, DHCFP data does not differentiate between part-time and full-time employment nor does it account for small businesses with under 50 employees. The Inspector General reported chain stores that are franchises, such as Dunkin Donuts stores and some fast food restaurants together as one employer even though many of the individual “stores” are independently owned. The Inspector General is in the process of determining whether decisions regarding the provision of health insurance and other benefits are made at the local franchise level or at a corporate level.

The initial analysis done using the DOR Quarterly Wage Reporting Database does not account for size of the employer or part or full-time employees either although further analysis of wages could shed some light on work status. It also does not take into account people who were employed at some point during the four quarters prior to their Uncompensated Care Pool eligibility determination date but were actually unemployed at the time they completed the Free Care application.

**Chart 1**  
**Top 10 Employers Reported to DHCFP in HFY03 and HFY04**  
**By Estimated Average Uncompensated Care Pool Payments**  
**Per Year Incurred by Employees**  
**(in millions)**



**Chart 2**  
**HFY 2004 Employment Status of Pool Users with SSNs or TAXIDs who**  
**Completed a Free Care Application**  
**Total Population: 198,489 People**

