

COST OF UNCOMPENSATED CARE CALCULATION

$$\begin{array}{rcccl} \text{Cost of} & & \text{Uncompensated Care Charges} & & \\ \text{Uncompensated} & = & \text{less partial payments} & & \\ \text{Care} & & \hline & & \text{Total Charges} & \times & \text{Operating} \\ & & & & \text{Expenses} \end{array}$$

Uncompensated Care Charges are standard charges for health care services where the provider has not received any payment or where the provider has received partial payment for health care provided to the patient.

Uncompensated Care Charges do not include charges for any services covered by the programs described in §171.1011(n)(1), services performed for a contracted rate from a private health care plan, or services performed for an agreed upon rate from an individual.

Standard Charges for uncompensated care must be relatively comparable to the charges applied to services provided to all patients of the health care provider.

Total Charges are amounts for all health care services, including uncompensated care.

Operating Expenses are the Total Deductions from Line 21 of Internal Revenue Service Form 1065 or 1120S, less any items that have already been subtracted from total revenue (e.g., bad debts).

Partial Payment is an amount that has been received toward uncompensated care charges that does not cover the cost of the services rendered.

Records that clearly identify each patient, the procedure performed, and the standard charge for such service, as well as payments received from each patient must be maintained by the health care provider for all uncompensated care.

A **Corresponding Adjustment** must be made to reduce the compensation deduction by multiplying the compensation amounts (salaries, wages, guaranteed payments, officer compensation capped at \$300,000 per person per 12-month period and benefits) included in operating expenses by the uncompensated care ratio.

Uncompensated Care Ratio is uncompensated care charges less partial payments divided by total charges.