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Division II
State of Washington
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No. 51317-0-II

IN THE COURT OF APPEALS OF THE STATE OF WASHINGTON,
DIVISION II

CITY OF TACOMA, a political subdivision of the State of Washington,

Appellant,

v.

CESAR BELTRAN-SERRANO, an incapacitated person, individually,
and BIANCA BELTRAN as guardian ad litem of the person and estate of
CESAR BELTRAN-SERRANO

Respondent.

BRIEF OF AMICUS CURIAE
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I. IDENTITY AND INTEREST OF AMICUS CURIAE

The Washington Defense Trial Lawyers Association (WDTL), established in 1962, includes more than 750 Washington attorneys engaged in civil defense litigation and trial work. The purpose of WDTL is to promote the highest professional and ethical standards for Washington civil defense attorneys and to serve our members through education, recognition, collegiality, professional development and advocacy. One important way in which WDTL represents its member is through *amicus curiae* submissions in cases that present issues of statewide concern to Washington civil defense attorneys and their clients.

The appeal in this case implicates significant concerns for WDTL, particularly regarding the issues of whether the amount billed for medical care can be challenged by the defense, or whether it will simply be accepted regardless of expert and other evidence tending to establish that the health care provider actually inflated the billed amount and accepted a discounted amount in full payment for the services rendered.

II. STATEMENT OF THE CASE

WDTL generally relies upon the facts set forth in the City of Tacoma's briefing.

III. INTRODUCTION

Dr. Wickizer's methodology and opinions are widely and universally accepted. Even the State of Washington, when performing the important task of evaluating the value of hospital charity care, rejects billed

hospital charges in favor of the “cost to charge” method used by Dr. Wickizer. Courts and other researchers similarly agree. Dr. Wickizer’s methods are more accurate at determining the “reasonable value” of medical services than the billed amounts. The trial court erred in depriving the jury of this fact question and ordering the jury to award the billed amounts when Plaintiff never suffered that loss. Plaintiff’s arguments that the Wickizer method and his opinions are “novel” or violate *Frye* should be rejected.

Similarly, the Court should reject Plaintiff claims that Wickizer should be excluded for public policy reasons and because the collateral source rule is implicated. There is no evidence that Mr. Beltran paid for any of his medical treatment, and certainly no evidence that he paid the “billed” amounts. Despite the absence of facts showing how much his medical care actually cost, Mr. Beltran wants the freedom to lie to the jury, implying that he is an uninsured cash paying customer and that Tacoma General Hospital is continuing to pursue him for the unpaid amount billed for his medical care. Permitting a plaintiff to argue for an amount of medical expenses that is higher than his treatment actually cost unjustifiably allows a plaintiff to pursue a windfall. The Court should adopt the California rule announced in *Howell v. Hamilton Meats & Provisions, Inc.*, 52 Cal. 4th 541, 257 P.3d 1130, 129 Cal. Rptr. 3d 325 (2011), that a plaintiff may never seek more in medical bill damages than were actually paid to the provider for her treatment, but at the very least, should allow the defense the opportunity to prove the reasonable value of the medical care that was provided.

IV. ARGUMENT

A. **Dr. Wickizer’s Methodology and Opinions Are Supported by Law, Literature and Even the State of Washington: Plaintiff’s Arguments go to Weight.**

Dr. Wickizer does not use any insurance records or Medicaid reimbursement records. Thus, the collateral source rule is never implicated. Instead, Dr. Wickizer uses publicly available data to determine the cost of each medical procedure. He then uses a reasonable profit margin to form an opinion as to the reasonable value of the medical services. This is the standard by which the jury is instructed to use to assess damages. WPI 30.07.01 (Jury to award the “reasonable value of necessary medical care...”). The methods used by Dr. Wickizer to reach his opinion on “reasonable value” are the same methods used by the State of Washington, by Courts, and by researchers. All agree his method is sound and produces reliable results.

1. Dr. Wickizer’s Methodology is Recognized by the State of Washington.

First, Dr. Wickizer’s theory and methodology are accepted by the State of Washington, Department of Health (“DOH”). By law, the DOH is required to examine the billing and charging practices of Washington hospitals, so that the public “can be better consumers...in making health care choices and negotiating payments.” RCW 70.170.101(1). The legislature specifically found that “rising health care costs...are of vital concern to the people of this state.” *Id.* (2). The legislature also found that

“reliable statistical information about the delivery of charity care is a particular concern.” *Id.* (4).

This last item – charity care – caused the legislature to specifically direct all hospitals in Washington to produce information about those charity care programs, including the costs of treatment. RCW 70.170.060(3), (6) & (7). It also required the DOH to deliver an annual report on charity care in Washington.

The DOH recognized the same economic reality underlying the Wickizer report and methodology. “Since the charity care data in this report are based on billed charges, not the actual payment expected by the hospital, calculating the approximate cost of providing charity care can be estimated by applying a cost-to-charge ratio.” *See DOH 2014 Charity Care in Washington Hospitals* (Jan. 2016) (hereafter “DOH 2014,” attached as Appendix 1). This is the identical “cost to charge ratio” or “CCR” that underpins the Wickizer analysis. *See, Respondent’s Brief* at 7.

The DOH found that the amounts hospitals charged “is significantly higher than the amount the hospital expects to be paid.” DOH 2014 at 3. Because hospitals were reporting charity care at “charged” amounts, “hospitals overestimate the true cost of providing charity care to indigent patients.” *Id.*

The DOH found that in order to accurately report the value of charity care, it would use the CCR methodology used by Dr. Wickizer. “One way to estimate the cost of providing charity care is to use a cost-to-charge ratio.” *Id.* at 8. This methodology is more accurate because charges/billed

amounts are “significantly higher than the expected payment.” *Id.* Using the more accurate CCR methodology, the DOH found that Harborview Medical Center provided charity care worth \$71 million, when the charged amount was \$167 million. *Id.* Thus, the DOH, when pursuing its legislatively mandated duty of reporting on and evaluating the amount and the value of hospital charity care, rejects the billed amounts in favor of the CCR methodology used by Dr. Wickizer.

B. Courts and Case Law Approve Dr. Wickizer’s Methodology.

1. Courts Recognize that Billed Amounts Are Not Accurate.

Plaintiff’s experts used the billed amounts, which they declared reasonable. No one else examining the current health care market agrees. There is a clear “discrepancy in recent decades between the amount patients are typically billed by health care providers and the lower amounts usually paid in satisfaction of the charges (whether by a health insurer or otherwise)....” *Bermudez v. Ciolek*, 237 Cal. App. 4th 1311, 1328, 188 Cal. Rptr. 3d 820, 833 (2015), *as modified on denial of reh’g* (July 20, 2015). Citing published studies, the California Supreme Court acknowledged the same facts as set forth by Dr. Wickizer: “[A] medical care provider’s billed price for particular services is not necessarily representative of either the cost of providing those services or their market value.” *Howell v. Hamilton Meats & Provisions, Inc.*, 52 Cal. 4th 541, 564, 257 P.3d 1130, 1144, 129 Cal. Rptr. 3d 325, 342 (2011). That same court recognized that

[d]isparities between charges and costs [have] been growing over time as many existing charges were set before hospitals had a good idea of their costs and/or were set in response to budgetary and competitive considerations rather than resource consumption. Hospital charges are set within the context of hospitals' broader communities, including their competitors, payers, regulators, and customers... These competing influences and hospitals' efforts to address them often produce charges which may not relate systematically to costs.

Id. at 560, 257 P.3d at 1141, 129 Cal. Rptr.3d at 338; *see also Patchett v. Lee*, 60 N.E.3d 1025, 1032 (Ind. 2016) (determination of the reasonable value of medical services permits evidence of *both* the amount billed *and* discounted amounts accepted by health care providers); *Stayton v. Del. Health Corp.*, 117 A.3d 521, 533 (Del. 2015) (“[W]e believe the better course is to treat the amount paid by Medicare as dispositive of the reasonable value of healthcare provider services.”); *Haygood v. De Escabedo*, 356 S.W.3d 390, 399 (Tex. 2011) (“[O]nly evidence of recoverable medical expenses is admissible at trial.”); *Martinez v. Milburn Enters.*, 290 Kan. 572, 612, 233 P.3d 205, 229 (2010) (ruling after comprehensive analysis that evidence of billed amounts as well as discounted amounts accepted are admissible on question of reasonable value of medical services).

2. Courts Recognize the Validity of the CCR Methodology.

The CCR methodology is based on federal law which requires hospitals to report CCR data regularly. Once the CCR data is published, federal agencies, state agencies and experts like Dr. Wickizer rely upon the CCR data. “Under the Medicare program, the federal government

reimburses health care providers for medical services provided to the elderly and disabled.” *Banner Health v. Price*, 867 F.3d 1323, 1328 (D.C. Cir. 2017), *cert. denied sub nom. Banner Health v. Azar*, 138 S. Ct. 1318 (2018). Initially, Medicare reimbursed hospitals for the “reasonable cost” of care provided. *See* 42 U.S.C. § 1395(b)(1). This system, however, bred “little incentive for hospitals to keep costs down because the more they spent, the more they were reimbursed.” *Tucson Med. Ctr. v. Sullivan*, 947 F.2d 971, 974 (D.C. Cir. 1991). To address these problems, Congress revised the Medicare reimbursement system to have “new ceilings [which] would be based on estimates of the costs necessary in the efficient delivery of needed health services.” *Id.* The Federal Government presently “calculate(s) the hospital’s ‘cost-to-charge ratio,’ which represents the amount the hospital on average incurs in costs for every dollar that it bills. 42 C.F.R. § 412.84(i)(2). The [Government] then multiplies the total amount billed by the cost-to-charge ratio to determine the hospital’s actual costs. *Id.* § 412.84(g).” *Clarian Health W., LLC v. Hargan*, 878 F.3d 346, 350 (D.C. Cir. 2017).

Using the CCR data the “total of charges for all covered services is then compared to the auditor-determined total actual costs for these covered services, and, using long division, a cost-to-charge ratio is determined. *See* 42 C.F.R. §§ 413.60, 413.64. Thus, a cost-to-charge ratio of 33 percent means that, on average, the cost of services is just one third of what the hospital seeks to bill for its services.” *El Paso Healthcare Sys., LTD v.*

Molina Healthcare of New Mexico, Inc., 683 F. Supp. 2d 454, 477 (W.D. Tex. 2010).

There is nothing unique in the Wickizer methodology. For instance, cost to charge ratio evidence has been used to support claims that billed amounts were unreasonable and constitute an unfair and deceptive trade practice. *Colomar v. Mercy Hosp., Inc.*, 461 F. Supp. 2d 1265, 1270 (S.D. Fla. 2006) (hospitals billed amount was four times higher than its cost for the treatment). Cost to charge ratio evidence was used to support a RICO complaint against a Florida health system. *State of Fla., Office of Atty. Gen., Dep't of Legal Affairs v. Tenet Healthcare Corp.*, 420 F. Supp. 2d 1288, 1295 (S.D. Fla. 2005). The CCR methodology recognizes two concepts that are facts and recognized by case law. First is that the amounts “billed” by hospitals are not representative of the amount they receive or the amount that is reasonable. Second, the use of a CCR more accurately reflects the true value of a medical service.

3. Dr. Wickizer’s Methodology Is Recognized in the Literature.

“Hospital executives confess that ‘the vast majority of [charges] have no relation to anything, and certainly not to cost.’” Hall & Schneider, *Patients as Consumers: Courts, Contracts, and the New Medical Marketplace*, 106 Mich. L.Rev. 643, 665 (2008) (hereafter “*Patients as Consumers*”). Researchers used the CCR method to determine the 50 most expensive hospitals in the nation. Bai & Anderson, 34 Health Affairs, No. 6 (2015). Researchers used the CCR method to analyze why hospital

charges were changing over time. Ho, Vivian, Dugan, Jerome and Ku-Goto, Meei-Hsiang, “Why are Hospital Prices Rising?” *Health Management, Policy and Innovation*, 1 (4): 1-16 (2013). Researchers used the CCR method to adjust hospital charges to examine the effects of nurse staffing on hospital costs. Petsunee Thungjaroenkul, RN, MS (APPLIED STATISTICS); Greta G. Cummings, PhD, RN; Amanda Embleton, BNSc, RN, *Nurs Econ.*, 25(5):255-265 (2007).

The foregoing research both demonstrates that the amounts billed by hospitals are not reliable measures of the reasonable value of medical services provided, and that the CCR method is routinely relied upon by researchers in the health care industry to assess the actual cost of health care.

Plaintiff’s arguments that Wickizer’s opinions are “novel” or would not be helpful to a jury are simply wrong. The academic literature in the field of health care economics demonstrates that billed amounts are not relevant. Instead, the relevant starting point for determining the value of medical services is the cost of those services. Dr. Wickizer gathered and analyzed that information, using methods that are accepted by his peers in order to produce an opinion that the jury was entitled to weigh. It was error to take this issue away from the jury.

C. There is No Market for Dr. Wickizer to Study.

Plaintiff argues that Dr. Wickizer’s opinion would be admissible if he had “experience as to what specific consumers pay for medical services.” *Respondent’s Brief* at 24. Plaintiff speculates that there is information about

“amounts that medical consumers pay for health care services.” *Id.* Neither of the Plaintiff’s expert undertook such a study, however, and for good reason, because no such information exists. “Patients can rarely amass enough information about services and prices to make good decisions about hiring doctors and buying care.” *Patients as Consumers* at 645 Patients are typically not well-informed consumers of health care services, typically having no input or influence over what they are charged. “[D]octors and hospitals insist that patients accept their standard charges, and patients learn what they bought and what it cost only on receiving a bill.” *Id.*

1. If the Jury Is Only Allowed to Consider the Billed Amounts When Assessing the Reasonable Value of Medical Services, the Plaintiff Will Recover A Windfall.

If the purpose of damages is to make a plaintiff whole, a plaintiff should not be permitted to recover more than was actually paid for his medical treatment. In *Howell v. Hamilton Meats & Provisions, Inc.*, 52 Cal. 4th 541, 257 P.3d 1130, 129 Cal. Rptr. 3d 325 (2011), the California Supreme Court had to decide whether the Plaintiff there could ask a jury to award the billed amounts for medical care, when the amounts accepted as payment for those services were a fraction of what was billed. The court ruled that billed amounts were irrelevant because Plaintiff “did not suffer any economic loss in that amount.” *Id.* at 548, 257 P.3d at 1133, 129 Cal. Rptr. 3d at 329. It also ruled that the “collateral source rule ...does not expand the scope of economic damages to include expenses the plaintiff never incurred.” *Id.*

Here, the trial judge's resolution of the damages controversy would require the jury to award over \$756,000 in damages. There is no evidence that Mr. Beltran actually paid this amount. If the Plaintiff has his way, and the trial court's summary judgment ruling is upheld, the jury will, in effect, be ordered to award a sum of money that was not an "economic loss" to Plaintiff and that would constitute a windfall to him. The better approach would be to adopt the California rule: a Plaintiff can only recover the amounts actually paid for a plaintiff's health care services. In the absence of such a common-sense approach, depriving the jury of admissible expert testimony on the question of the reasonable value of the health care services received by the plaintiff is reversible error.

V. CONCLUSION

In light of the acknowledged practice of health care providers inflating their bills in the expectation that they will have to later accept discounted amounts – particularly in Medicare cases – WDTL urges this court to adopt a rule that prohibits recovery by plaintiffs of amounts greater than the discounted amount accepted by a health care provider for medical services. At the very least, the billed amount should not be the only evidence the jury is permitted to consider; the defense should be allowed to offer evidence to demonstrate that the reasonable value of medical care is less than was "billed."

Respectfully submitted this 26th day of November, 2018.

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Respondent.

No. 51317-0-II

DECLARATION OF
SERVICE

I, Tia Uy, declare that I am over the age of 18 and am a legal assistant at the law office of Keating, Bucklin & McCormack, Inc. P.S. I further hereby certify that on November 26, 2018, I electronically filed the foregoing with the Court of Appeals, Division II using the electronic upload system which will send notification of such filing to the following counsel of record:

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APPENDIX A

2014 Washington State

Charity Care in Washington Hospitals

January 2016



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Secretary of Health

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Executive Summary

By law, hospitals in Washington cannot deny patients access to care based on an inability to pay. To this end, hospitals are required to develop a charity care policy and submit financial data on the charity care they provide to the Department of Health (department). This report summarizes the charity care data received from Washington hospitals for fiscal years (FY) ending in 2014.

Overall, Washington hospitals reported \$942 million in charity care charges in FY 2014 or approximately \$323 million in actual expenses based on a cost to charge formula. These total charity care charges reflect a decrease of 34 percent from that reported in FY 2013. Charity care declined for the first time since the department began collecting these data in 1989. The decrease is a result of the federal Affordable Care Act (ACA) implementation. The percentage of uninsured dropped dramatically compared to previous years as more Washingtonians are now covered by health insurance, either by expanded Medicaid or private insurance plans.

The hospital with the highest dollar amount of charity care in FY 2014 was Harborview Medical Center, which alone accounted for 18 percent of the statewide total charity care charges. Wide variation was seen in charity care charges among hospitals, ranging from \$0 to \$167 million. The median amount of charity care per hospital was \$2.7 million; however, the average was much higher at \$10.8 million because several hospitals provided significant amounts of charity care.

Since the charity care data in this report are based on billed charges, not the actual payment expected by the hospital, calculating the approximate cost of providing charity care can be estimated by applying a cost-to-charge ratio. Multiplying the charity care dollars by the cost-to-charge ratio results in an approximate cost of what hospitals actually spent providing charity care to patients. The statewide cost-to-charge ratio is 0.34. Based on the \$942 million reported in charity care charges in FY 2014, the overall cost of providing charity care statewide was approximately \$323 million.

More information on FY 2014 charity care, including detailed reports by hospital, is available on the our webpage at

<http://www.doh.wa.gov/DataandStatisticalReports/HealthcareinWashington/HospitalandPatientData/HospitalPatientInformationandCharityCare>

About this Report

The department has issued an annual report since 1990 as directed by Chapter 70.170 of the Revised Code of Washington (RCW). Your feedback is important to us. Submit your comments by email at charitycare@doh.wa.gov to help us continue to improve the charity care report.

Background on Charity Care in Washington

What is Charity Care and how is it Reported?

Charity care is defined in Chapter 70.170 RCW as the “necessary inpatient and outpatient hospital health care rendered to indigent persons.” A person is considered indigent under Washington Administrative Code (WAC) 246-453-040 if family income is at or below 200 percent of the federal poverty level. Chapter 70.170 RCW prohibits any Washington hospital from denying patients access to care based on inability to pay or adopting admission policies that significantly reduce charity care.

Services eligible for charity care are defined as appropriate hospital-based medical services in WAC 246-453-010. Hospitals are required by the law and rules to submit charity care policies for review to the department at least 30 days prior to adoption. Hospitals are also required to submit an annual budget and year-end financial reports to the department within 180 days of the close of the hospital’s fiscal year. Hospitals report this information using a uniform system of accounting. The department uses the financial reports submitted by hospitals to report charity care data and trends for the state each year.

What are Hospitals Required to Report and When?

Hospitals are required to report total patient services revenue, also called billed charges, and the amount of patient services revenue written-off as charity care to the department within 180 days of the close of the hospital’s fiscal year. Fiscal years vary among hospitals in Washington, ending on March 31, June 30, September 30, October 31, or December 31. Hospitals are also required to report bad debt. Bad debt is different than charity care and is defined as uncollectible amounts, excluding contractual adjustments, arising from failure to pay by patients whose care hasn’t been classified as charity care. All of these data are reported as part of the hospital’s year-end financial report.

Hospitals report financial data to the department on an income statement. Below is an abbreviated example of an income statement to illustrate the relationships between the various revenue sources and expenses.

Hospital: Sample Community Hospital	Comment	Sample Hospital Revenue
= TOTAL PATIENT SERVICES REVENUE	Inpatient and outpatient revenue equivalent to Total Billed Charges	615,000,000
- Provision for Bad Debts	Unpaid charges billed to patients who are not eligible for charity care, deducted from total revenue	15,000,000
- Contractual Adjustments	Reductions from billed charges negotiated by insurance companies, deducted from total revenue	350,000,000
- Charity Care	Unpaid charges billed to patients eligible for charity care, deducted from total revenue	25,000,000
= NET PATIENT SERVICE REVENUE	Actual patient revenue received	225,000,000
+ OTHER OPERATING REVENUE	Actual revenue received for office rental, cafeteria income etc.	10,000,000
= TOTAL OPERATING REVENUE	Actual patient revenue and other operating revenue	235,000,000
- TOTAL OPERATING EXPENSES	Total expenses for operating the hospital	220,000,000
= NET OPERATING REVENUE	Cash remaining after operation of patient services	15,000,000
+/-NON-OPERATING REVENUE-NET OF EXPENSES	Non-patient revenue (investments, partnership fees)	5,000,000
= NET REVENUE BEFORE ITEMS LISTED BELOW	Operating plus non operating remainder	20,000,000
+/-EXTRAORDINARY ITEM	One time cash revenue or cash expenses	0
= NET REVENUE OR (EXPENSE)	Net cash remaining after all the transactions	20,000,000

How do Hospitals Report Charity Care and How is it Calculated?

The amount of charity care reported by hospitals is based on patient services revenue, or what is also called billed charges. These charges are based on the hospital's charge master rate sheet, which sets the price for every treatment and supply category a hospital uses. Every patient's total bill is comprised of the sum of the charge master rates of the various services or supplies during the stay before any adjustments based on insurance status. All patients, regardless of insurance status, receive the same billed charges for the same services.

The billed charges reflect a "markup" that varies between hospitals and is significantly higher than the amount the hospital actually expects to be paid. Medicaid and Medicare pay a set rate

for services regardless of billed charges, and private insurance companies negotiate with hospitals for large discounts off the master rate sheet.

Charity care is the amount of billed charges an indigent patient incurs for appropriate hospital-based medical services. Since these charges include the markup, the dollar amount of charity care reported by hospitals overestimates the true cost of providing charity care to indigent patients.

2014 Washington State Charity Care Data

Statewide Charity Care Charges for Hospital Fiscal Year 2014

This report describes data collected from licensed Washington hospitals for their fiscal years (FY) ending in 2014. FY 2014 includes data for the twelve (12) months prior to the end of each hospital's fiscal calendar, including data for months in 2013 if the fiscal year end is prior to December 31, 2014.

All charity care data for FY 2014 were due to the department by June 30, 2015. Although the department provides reminders and follow-up by phone and in writing to hospitals that are late in reporting data, some hospitals still have not provided data for their 2014 fiscal year. For 2014, 77 of 99 hospitals had reported charity care information in year-end financial reports by August 2015. Of the 22 hospitals that did not provide year-end reports, we have provided annual financial estimates for 10 hospitals based on their quarterly financial reports. For the other 12 hospitals, no charity care data are available because no FY 2014 financial reports were submitted to the department.

Overall, Washington hospitals reported \$942 million of charity care charges written off in FY 2014. These charges amounted to 1.8 percent of total patient services revenue and 4.4 percent of adjusted patient services revenue. Adjusted patient services revenue is the amount of revenue for non-Medicare and non-Medicaid payors, which includes private insurance and self-pay. Looking at the adjusted patient services revenue allows a more meaningful comparison of charity care among hospitals.

From the years 2003 through 2013, statewide charity care charges increased by 554 percent over the 10-year period while statewide hospital total patient services revenue, or billed charges, increased by 192 percent (Table 1). However, from 2013 to 2014, charity care decreased 34 percent while total patient services increased 7.2 percent. As a percent of total hospital patient services revenue, charity care charges dropped from 3.0 percent to 1.8 percent from 2013 to 2014 (Table 1 and Figure 1).

Hospitals with a fiscal-year end other than a calendar-year end—for example June 30—did not report as significant a decrease as hospitals with calendar-year fiscal cycles.

Figure 1. Statewide Hospital Charity Care in Washington as a Percent of Total Hospital Patient Service Revenue and as a Percent of [Adjusted Patient Service Hospital](#) Revenue, Fiscal Year 2004 - 2014.

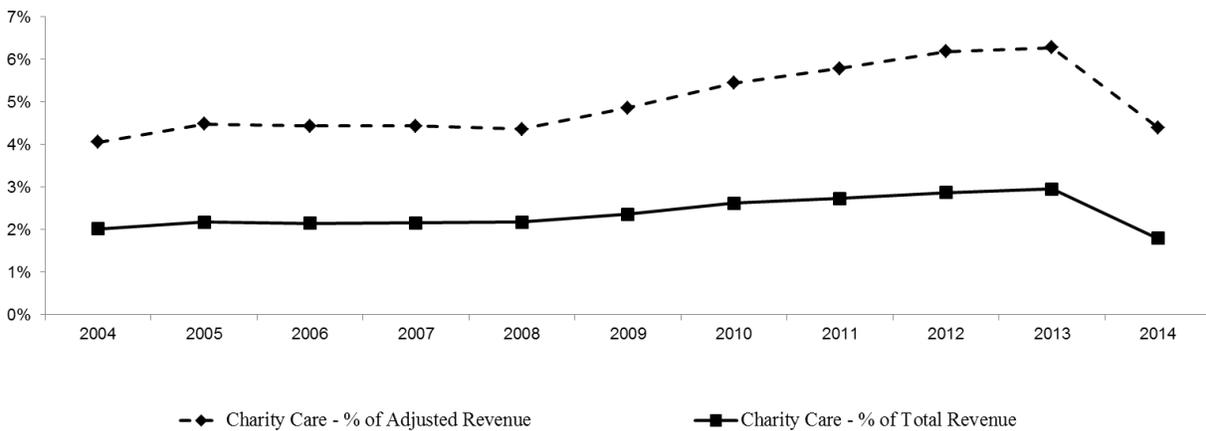


Figure 1 Notes: [Adjusted patient service revenue](#) is the total patient service hospital revenue minus Medicare and Medicaid patient service charges. Patient Service Revenue is the same as Billed Charges.

Table 1. Statewide Hospital Charity Care in Washington, Fiscal Year 2004 – 2014

Year	in Millions			Charity Care		Operating Margin %
	Total Patient Services Revenue	Adjusted Patient Services Revenue	Total Charity Care (Billed Charges)	a % of Total Revenue	a % of Adjusted Revenue	
2004	\$18,704	\$9,291	\$378	2.0%	4.1%	3.3%
2005	\$21,176	\$10,276	\$461	2.2%	4.5%	4.4%
2006	\$23,729	\$11,486	\$510	2.2%	4.4%	4.1%
2007	\$27,296	\$13,304	\$590	2.2%	4.4%	5.2%
2008	\$30,706	\$15,303	\$668	2.2%	4.4%	5.3%
2009	\$34,933	\$16,987	\$826	2.4%	4.9%	6.1%
2010	\$38,172	\$18,378	\$1,001	2.6%	5.4%	5.6%
2011	\$41,142	\$19,397	\$1,122	2.7%	5.8%	3.5%
2012	\$44,531	\$20,684	\$1,281	2.9%	6.2%	5.5%
2013	\$48,371	\$22,774	\$1,430	3.0%	6.3%	5.5%
2014	\$51,704	\$21,261	\$942	1.8%	4.4%	4.3%

Table 1 Notes: [Adjusted patient service revenue](#) is the total hospital revenue minus Medicare and Medicaid charges. Operating margin is the total hospital patient service operating revenue minus total patient service operating expenses expressed as a percent.

Note: Patient Service Revenue is the same as Billed Charges

What Changed in 2014?

Some parts of the federal Patient Protection and Affordable Care Act (ACA) affecting health insurance coverage became effective in 2014. The ACA was signed into law on March 23, 2010, putting into place provisions for expanding health care coverage, controlling health care costs and improving the healthcare delivery system in the United States. The law requires certain employers to offer healthcare insurance; requires citizens and legal residents to have health insurance; creates health benefit exchanges; expanded Medicaid coverage; created an essential benefits package and consumer protections; and established tax credits, premium credits and cost-sharing subsidies, along with many other requirements aimed at cost-containment, preventive wellness, and quality improvement.

On January 1, 2014, the healthcare coverage requirement became effective. According to the U.S. Internal Revenue Code Chapter 48 Section 5000A, “An applicable individual shall for each month beginning after 2013 ensure that the individual, and any dependent of the individual who is an applicable individual, is covered under minimum essential coverage for such month.” This means all affected individuals must have health insurance or pay a federal tax penalty.

As part of the implementation, new private health insurance coverage options were offered through the market place, known as health benefit exchanges. The exchanges provide a one-stop shop for consumers to locate, compare, and enroll in ACA-qualified health plans and access financial assistance to make coverage affordable.¹ Some states chose to use the federal government exchange while other states created state-specific exchanges. Washington created the Washington Health Benefit Exchange, launched the Washington Healthplanfinder portal, and began open enrollment on October 1, 2013.

The ACA also expanded and simplified eligibility for Medicaid so that all adults with income up to 138 percent of the federal poverty level (FPL) have coverage under the program effective January 1, 2014. Washington was one of the states that expanded Medicaid coverage, significantly increasing the number of people covered.² As of March 9, 2015, more than half a million adults in Washington had gained health coverage through the Medicaid expansion.³

¹ Advance-payment premium tax credit subsidies, available on a sliding scale to those with income between 100 percent and 400 percent of FPL, were put in place to reduce the monthly premium people pay for non-group coverage.

² <http://www.hca.wa.gov/hcr/me/Pages/index.aspx>

³ http://wahbexchange.org/wp-content/uploads/2015/08/991427407310_2015_Enrollment_Report_2_032615.pdf

How did the Affordable Care Act affect Charity Care in Washington State?

Because of the Medicaid expansion, patients who were not eligible for Medicaid in the past and therefore more likely to qualify for charity care, are now covered. According to various sources, the uninsured rate in Washington decreased significantly in 2014 as compared to the previous year. A report published by the Washington State Office of Financial Management shows that 9 percent of the state's population was uninsured in 2014 as compared to 14 percent in 2013.⁴ The growth of the insured population in Washington led to a 34 percent decline in the amount of hospital charges written off to charity care.

In 2014 hospitals saw a decrease in the proportion of self-pay patients (those who pay strictly out of pocket) and an increase in the proportion of Medicaid patients. Hospitals report revenue to the department by the payer types of Medicare, Medicaid and Other. Normally, the patient service revenue associated with each payer type increases each year about the same as the overall rate of increase. However, from 2013 to 2014, the "Other" payer revenue, which includes self-pay, actually declined by about 2 percent while Medicaid increased by about 30 percent. This compares to the overall increase of total patient service revenue of 8 percent.

The impact of the ACA gradually increased during 2014 and was greatest in the second half of the year. The 21 hospitals with fiscal years ending June 30 or earlier would not have seen the full effect of the ACA as enrollment was still open until late April 2014. These hospitals will likely see a decrease in charity care next year when they report for the remainder of calendar year 2014.

Distribution of Charity Care among Washington Hospitals

Charity care varied widely among hospitals, ranging from \$0 to \$167 million. The median amount of charity care per hospital was \$2.7 million; however, the average was much higher at \$10.8 million because several hospitals provided significant charity care. Amounts varied among hospitals in rural and urban areas and in different geographic areas of the state. These variations in charity care do not seem to be explained by population size. Some of the variation may be a function of the proportion of hospital revenue coming from Medicare and Medicaid.

Differences in charity care among hospitals may reflect demographic differences in service areas, hospital service availability, and differences in charity care practices within the hospital. A high level of reported charity care, for example, may reflect greater need for charity care in the community. Likewise, a low level of charity care may reflect a relative absence of need for charity care in a hospital's service area.

⁴ <http://ofm.wa.gov/researchbriefs/2015/brief073.pdf>

Adjusting Billed Charges to Determine Actual Cost of Providing Charity Care

Because billed charges reflects “mark-ups” that vary between hospitals and are significantly higher than the expected payment, determining the actual cost of providing charity care to eligible patients is challenging. One way to estimate the cost of providing charity care is to use a cost-to-charge ratio⁵. The formula is total operating expenses (the actual cost of running the hospital and providing services) divided by total patient services revenue (billed charges). This report uses the basic formula; however, there are other focused formulas that may look at only inpatient revenue and expenses or include or exclude certain hospital revenue/expense categories.

As an example of how the cost-to-charge ratio works, if a hospital had billed charges of \$1,000,000 and a cost to charge ratio of .345, the actual cost for that hospital to treat patients is \$345,000. If that same hospital reported charity care billed charges of \$100,000, the cost of treating those patients is \$34,500. The higher the ratio, the closer the operating costs are to the actual cost of treating patients. This is only an estimate based on overall hospital performance.

Washington hospitals’ cost-to-charge ratios range from .12 to .92. The statewide average was .34 with a majority of hospitals between .24 and .48. Below are some examples of cost to charge ratios for Washington hospitals, including a high, average, and low cost–to-charge ratio. Cost to charge ratios for all hospitals are listed in Appendix 2.

Hospital	Charity Care Charges	Cost to Charge Ratio	Estimated Cost of Charity Care
UW Medicine/Harborview	167 million	.425	71 million
Overlake Medical Center	19.3 million	.348	6.7 million
Cascade Medical Center	305,000	.915	279,000

Contribution of all Purchasers of Care to Hospital Charity Care

⁵ <http://medical-dictionary.thefreedictionary.com/hospital+cost-to-charge+ratio>

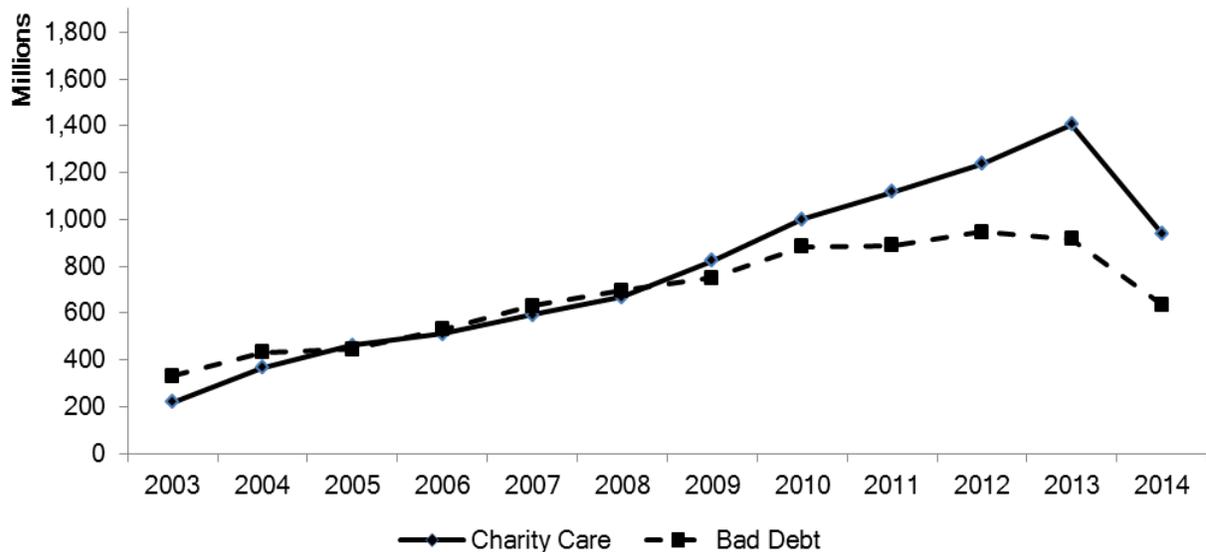
Charity care as a percent of adjusted (non-Medicare, non-Medicaid) revenue increased from 4.1 percent to 6.3 percent from FY 2004 through FY 2013 then declined to 4.4 in 2014. Because charity care is unreimbursed, all payers—including insurance companies and patients who self-pay—contribute to the cost of charity care to the hospital. Throughout this time, fluctuations in statewide operating margin, which is a measure of hospital profitability, do not appear to have adversely affected the amount of charity care provided in Washington (Table 1).

Uncompensated Care in Washington

Uncompensated care includes both charity care and bad debt. Looking at uncompensated care gives us a bigger picture of the impact of the ACA and a way to compare Washington State to other states.

In 2014, the amount of charity care and bad debt dropped significantly due to the increase in people with healthcare insurance. Both charity care and bad debt had been increasing over the past 10 years. In recent years, charity care was rising faster than bad debt (Figure 2). Both had more than doubled between FY 2004 and FY 2013.

Figure 2. Hospital Charity Care and Bad Debt Patient Service Charges in Washington, Fiscal Year 2004 - 2014



How does Washington Compare to the U.S. in Uncompensated Care?

There are no national charity care data available to draw comparisons between Washington and the rest of the United States (U.S.). However, national data are available for uncompensated care, which includes both charity care and bad debt. The national uncompensated care number is built using a formula that includes a cost-to-charge ratio that translates the billed charges written off to uncompensated care into a “cost” or expense. The result is a proxy with which uncompensated care expenses are then compared to total operating costs, not total patient services revenue. The Washington State uncompensated care number is built using the same formula.

Uncompensated care as a percent of hospital expenses is lower in Washington than it is in the U.S. as a whole (Figure 3). In both Washington and the U.S., uncompensated care has remained relatively steady over the past 10 years. In the U.S. uncompensated care accounted for 6.1 percent of hospital expenses in FY 2013, the most recent year of data available. In Washington, uncompensated care accounted for 3.0 percent of hospital expenses in FY 2014. (Figure 3).

Figure 3. Hospital Uncompensated Care in Washington and the U.S. as a Percent of Hospital Expenses, Fiscal Years 2004 - 2014

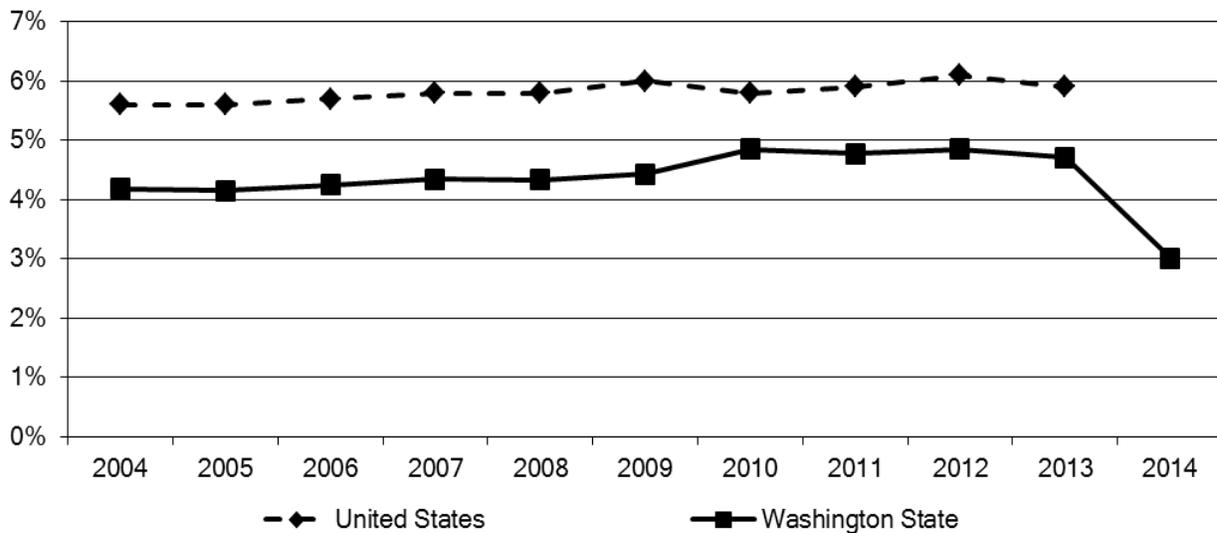


Figure 3 Notes: Uncompensated care includes bad debt and charity care. Uncompensated care as a percent of hospital expenses is calculated by multiplying uncompensated care by the ratio of total expenses to gross patient and other operating revenues. Uncompensated care data for 2014 are not yet available for the U.S. The U.S. data were derived from an American Hospital Association report⁶.

⁶ <http://www.aha.org/content/15/uncompensatedcarefactsheet.pdf>

Summary

Implementation of the ACA is changing the landscape of charity care in Washington State. More patients have health coverage, either through Medicaid expansion or through purchase of private coverage. As a result, Washington saw the first decline in the amount of charity care reported by hospitals since the department began gathering these data.

The ACA has not been fully implemented and certain requirements will become effective over the next few years. One major phase set for 2018 is the introduction of a penalty if an employer provides a high-cost health insurance plan. Also in 2018, all health insurance plans must cover approved preventive care and checkups without co-payment. As hospitals begin to report all data for calendar year 2014, the ACA becomes fully effective, and the number of insured stabilizes, we will likely see a continued decline in charity care in Washington over the next few years before it levels off again.

Appendix 1 Charity Care by Hospital by Region by Adjusted Patient Service Revenue

Total Patient Service Revenue, Adjusted Patient Service Revenue, and Amount of Charity Care as a Percent for Washington Hospital Fiscal Years Ending During Calendar Year 2014

Revenue Categories - Patient Service Revenue - (Billed Charges)							
Region/Hospital	Total Patient Service Revenue	(Less) Medicare Revenue	(Less) Medicaid Revenue	Adjusted Patient Service Revenue	Charity Care	Charity Care as a % of Total Patient Service Revenue	Charity Care as a % of Adjusted Patient Service Revenue
KING COUNTY (N=22)							
Acadia/Cascade Behavioral Health	18,142,387	11,033,395	419,820	6,689,172	32,170	0.18%	0.48%
CHI/Highline Community Hospital	683,643,443	302,385,348	145,398,780	235,859,315	12,810,949	1.87%	5.43%
CHI/Regional Hospital	20,027,674	9,451,747	1,456,688	9,119,239	0	0.00%	0.00%
CHI/Saint Elizabeth Hospital	132,962,270	39,554,011	19,839,696	73,568,563	1,745,731	1.31%	2.37%
CHI/Saint Francis Community Hospital	859,564,704	327,977,493	158,742,834	372,844,377	13,646,725	1.59%	3.66%
EvergreenHealth/Kirkland	1,304,415,187	498,876,246	107,672,587	697,866,354	5,366,169	0.41%	0.77%
Kindred Hospital Seattle	107,521,046	50,324,083	2,395,889	54,801,074	0	0.00%	0.00%
MultiCare/Auburn Regional Medical Center*	672,158,777	294,635,260	168,717,243	208,806,274	10,416,507	1.55%	4.99%
Navos	18,897,706	5,957,155	9,380,260	3,560,291	471,004	2.49%	13.23%
Overlake Hospital Medical Center	1,201,438,338	512,080,656	62,549,592	626,808,090	19,294,196	1.61%	3.08%
Providence/Swedish - Cherry Hill	1,525,577,705	796,129,601	194,393,971	535,054,133	17,921,371	1.17%	3.35%
Providence/Swedish - First Hill	3,302,095,918	1,158,805,878	565,768,163	1,577,521,877	28,727,734	0.87%	1.82%
Providence/Swedish - Issaquah	449,499,759	144,260,601	41,245,196	263,993,962	4,708,561	1.05%	1.78%
Seattle Cancer Care Alliance	698,069,767	215,222,447	71,904,391	410,942,929	7,414,749	1.06%	1.80%
Seattle Children's Hospital	1,870,722,051	33,688,770	861,072,513	975,960,768	29,843,579	1.60%	3.06%
Snoqualmie Valley Hospital	35,008,751	16,031,460	4,794,825	14,182,466	823,569	2.35%	5.81%
UHS/BHC Fairfax Hospital	124,861,266	18,121,200	45,634,400	61,105,666	1,226,969	0.98%	2.01%
UW Medicine/Harborview Medical Center	1,916,945,143	534,163,521	575,719,447	807,062,175	167,681,000	8.75%	20.78%
UW Medicine/Northwest Hospital	890,084,921	416,412,523	84,242,830	389,429,568	16,730,788	1.88%	4.30%
UW Medicine/University of Washington	1,942,510,488	608,208,488	334,802,728	999,499,272	36,959,237	1.90%	3.70%
UW Medicine/Valley Medical Center	1,402,386,880	481,995,659	278,018,676	642,372,545	22,740,801	1.62%	3.54%
Virginia Mason Medical Center	2,012,240,032	833,532,481	99,804,376	1,078,903,175	13,701,194	0.68%	1.27%
KING COUNTY TOTALS	21,188,774,213	7,308,848,023	3,833,974,905	10,045,951,285	412,263,003	1.95%	4.10%
PUGET SOUND REGION (Less King Co. N=21)							
Cascade Valley Hospital	102,934,251	35,882,583	24,245,816	42,805,852	848,753	0.82%	1.98%
CHI/Harrison Memorial Hospital	1,372,103,242	694,056,550	191,481,989	486,564,703	34,253,952	2.50%	7.04%
CHI/Saint Anthony Hospital	484,473,619	230,838,631	61,018,399	192,616,589	6,747,690	1.39%	3.50%
CHI/Saint Clare Hospital	637,430,552	269,939,361	150,676,453	216,814,738	12,132,195	1.90%	5.60%
CHI/Saint Joseph Medical Center - Tacoma	2,242,833,844	1,013,923,490	398,982,528	829,927,826	30,881,168	1.38%	3.72%
EvergreenHealth/Monroe	Hospital Late in Reporting to Department of Health						
Forks Community Hospital	Hospital Late in Reporting to Department of Health						
Island Hospital	199,425,596	77,627,273	15,631,420	106,166,903	802,119	0.40%	0.76%
Jefferson Healthcare	150,919,094	83,507,015	28,490,290	38,921,789	2,719,948	1.80%	6.99%
MultiCare/Good Samaritan Hospital*	1,603,022,243	690,976,820	325,325,219	586,720,204	24,618,053	1.54%	4.20%
MultiCare/Mary Bridge Children's Health*	613,318,601	0	358,040,965	255,277,636	3,783,202	0.62%	1.48%
MultiCare/Tacoma General - Allenmore*	2,645,803,836	1,047,547,626	644,018,100	954,238,110	52,976,483	2.00%	5.55%
Olympic Medical Center	281,058,911	162,692,362	44,549,704	73,816,845	2,459,533	0.88%	3.33%
PeaceHealth/Peace Island Medical Center	14,480,928	7,241,012	1,341,767	5,898,149	341,697	2.36%	5.79%
PeaceHealth/Saint Joseph Hospital	1,041,530,594	524,046,669	171,122,070	346,361,855	21,668,942	2.08%	6.26%
PeaceHealth/United General Hospital	21,121,874	12,226,111	4,372,946	4,522,817	392,855	1.86%	8.69%
Providence/Regional Medical Center Everett	1,746,391,680	754,130,841	347,374,549	644,886,290	33,813,562	1.94%	5.24%
Providence/Swedish - Edmonds	694,839,474	305,954,986	119,909,320	268,975,168	12,521,476	1.80%	4.66%
Skagit Valley Hospital	859,498,224	429,100,886	179,485,155	250,912,183	3,380,980	0.39%	1.35%
UHS/BHC Fairfax Hospital - North	4,849,255	828,800	1,682,800	2,337,655	58,174	1.20%	2.49%
Whidbey General Hospital	Hospital Late in Reporting to Department of Health						
PUGET SOUND REGION TOTALS	14,716,035,818	6,340,521,016	3,067,749,490	5,307,765,312	244,400,782	1.66%	4.60%

**Total Patient Service Revenue, Adjusted Patient Service Revenue, and Amount of Charity Care as a Percent
for Washington Hospital Fiscal Years Ending During Calendar Year 2014**

Revenue Categories - Patient Service Revenue - (Billed Charges)							
Region/Hospital	Total Patient Service Revenue	(Less) Medicare Revenue	(Less) Medicaid Revenue	Adjusted Patient Service Revenue	Charity Care	Charity Care as a % of Total Patient Service Revenue	Charity Care as a % of Adjusted Patient Service Revenue
SOUTHWEST WASHINGTON REGION (N=14)							
Capella/Capital Medical Center	430,460,326	167,963,001	9,114,665	253,382,660	926,503	0.22%	0.37%
Grays Harbor Community Hospital	359,450,306	153,856,459	100,680,027	104,913,820	2,640,881	0.73%	2.52%
Klickitat Valley Hospital	34,061,437	15,240,476	8,572,072	10,248,889	600,884	1.76%	5.86%
Legacy/Salmon Creek Hospital	615,763,183	237,773,601	126,392,490	251,597,092	23,833,624	3.87%	9.47%
Mason General Hospital	165,311,574	74,563,088	45,147,270	45,601,216	2,357,030	1.43%	5.17%
Morton General Hospital	30,786,537	12,075,867	1,660,974	17,049,696	118,804	0.39%	0.70%
Ocean Beach Hospital	Hospital Late in Reporting to Department of Health						
PeaceHealth/Saint John Medical Center	616,858,472	306,908,492	124,039,288	185,910,692	16,238,940	2.63%	8.73%
PeaceHealth/Southwest Medical Center	1,627,016,759	692,622,696	325,772,134	608,621,929	43,699,739	2.69%	7.18%
Providence/Centralia Hospital	509,489,976	249,985,746	123,186,066	136,318,164	12,654,220	2.48%	9.28%
Providence/Saint Peter Hospital	1,478,653,199	762,786,477	246,156,426	469,710,296	20,687,565	1.40%	4.40%
Skyline Hospital	24,311,182	10,242,961	5,257,855	8,810,366	167,995	0.69%	1.91%
Summit Pacific Medical Center	24,864,165	10,343,382	5,833,243	8,687,540	947,249	3.81%	10.90%
Willapa Harbor Hospital	23,873,012	12,862,203	669,380	10,341,429	421,610	1.77%	4.08%
SOUTHWEST WASH REGION TOTALS	5,940,900,128	2,707,224,449	1,122,481,890	2,111,193,789	125,295,044	2.11%	5.93%
CENTRAL WASHINGTON REGION (N=21)							
Ascension/Lourdes Counseling Center	26,599,168	6,276,325	13,061,348	7,261,495	100,190	0.38%	1.38%
Ascension/Lourdes Medical Center	217,316,481	84,131,857	39,065,970	94,118,654	5,361,717	2.47%	5.70%
Cascade Medical Center	15,548,962	8,445,002	1,851,038	5,252,922	304,573	1.96%	5.80%
CHS/Toppenish Community Hospital	83,508,481	14,490,547	21,337,357	47,680,577	1,223,760	1.47%	2.57%
CHS/Yakima Regional Medical Center	575,770,475	219,938,113	39,533,000	316,299,362	3,931,438	0.68%	1.24%
Columbia Basin Hospital	19,221,935	7,283,208	5,494,579	6,444,148	54,394	0.28%	0.84%
Confluence/Central Washington Hospital	572,183,319	310,808,364	100,239,442	161,135,513	8,529,748	1.49%	5.29%
Confluence/Wenatchee Valley Hospital	Hospital Late in Reporting to Department of Health						
Coulee Community Hospital	33,099,821	7,811,557	19,595,095	5,693,169	264,250	0.80%	4.64%
Kittitas Valley Hospital	121,635,699	42,060,630	17,200,836	62,374,233	1,238,216	1.02%	1.99%
Lake Chelan Community Hospital*	39,091,255	15,445,024	7,826,807	15,819,424	474,889	1.21%	3.00%
Mid Valley Hospital	60,257,313	24,459,038	17,076,112	18,722,163	805,514	1.34%	4.30%
North Valley Hospital	33,238,742	11,577,073	11,638,369	10,023,300	433,092	1.30%	4.32%
PMH Medical Center*	71,720,126	23,519,732	23,605,460	24,594,934	1,400,740	1.95%	5.70%
Providence/Kadlec Medical Center	1,216,274,281	499,914,051	268,318,515	448,041,715	21,602,404	1.78%	4.82%
Quincy Valley Hospital	Hospital Late in Reporting to Department of Health						
Samaritan Hospital	166,084,011	50,870,937	10,769,905	104,443,169	3,990,999	2.40%	3.82%
Sunnyside Community Hospital	Hospital Late in Reporting to Department of Health						
Three Rivers Hospital	17,660,190	6,201,429	1,960,308	9,498,453	371,990	2.11%	3.92%
Trios Health*	431,933,560	148,834,190	85,497,296	197,602,074	7,031,024	1.63%	3.56%
Yakima Valley Memorial Hospital	869,436,855	352,798,334	187,240,665	329,397,856	10,492,977	1.21%	3.19%
CENTRAL WASH REGION TOTALS	4,570,580,674	1,834,865,411	871,312,102	1,864,403,161	67,611,915	1.48%	3.63%

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Revenue Categories - Patient Service Revenue - (Billed Charges)							
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EASTERN WASHINGTON REGION (N=21)							
Adventist West/Walla Walla General Hospital*	145,272,064	45,995,877	28,371,094	70,905,093	2,382,086	1.64%	3.36%
CHS/Deaconess Hospital	1,010,129,414	389,133,772	137,411,810	483,583,832	9,458,425	0.94%	1.96%
CHS/Valley Hospital	460,688,749	220,998,631	97,398,641	142,291,477	6,924,842	1.50%	4.87%
Dayton General Hospital	Hospital Late in Reporting to Department of Health						
East Adams Rural Hospital	Hospital Late in Reporting to Department of Health						
Ferry County Memorial Hospital	Hospital Late in Reporting to Department of Health						
Garfield County Memorial Hospital	Hospital Late in Reporting to Department of Health						
Lincoln Hospital	19,724,705	9,867,616	4,303,318	5,553,771	379,082	1.92%	6.83%
Newport Community Hospital	38,463,358	16,406,908	11,912,595	10,143,855	448,617	1.17%	4.42%
Odessa Memorial Hospital	5,077,956	972,787	1,725,171	2,379,998	31,145	0.61%	1.31%
Othello Community Hospital	Hospital Late in Reporting to Department of Health						
Providence/Holy Family Hospital	595,008,008	260,307,633	156,168,017	178,532,358	20,455,708	3.44%	11.46%
Providence/Mount Carmel Hospital	96,627,702	45,183,549	24,129,116	27,315,037	2,034,890	2.11%	7.45%
Providence/Sacred Heart Medical Center	2,203,858,236	921,249,150	539,514,221	743,094,865	39,081,155	1.77%	5.26%
Providence/Saint Joseph's Hospital	40,500,930	20,465,173	11,786,024	8,249,733	1,332,017	3.29%	16.15%
Providence/Saint Mary Medical Center	366,616,104	188,684,359	52,885,848	125,045,897	7,484,952	2.04%	5.99%
Pullman Regional Hospital	90,770,065	30,448,187	9,060,357	51,261,521	382,342	0.42%	0.75%
Saint Luke's Rehabilitation Institute	70,032,218	41,859,157	9,991,517	18,181,544	291,126	0.42%	1.60%
Shriners Hospital for Children - Spokane	36,129,011	19,533	16,265,409	19,844,069	489,676	1.36%	2.47%
Tri-State Memorial Hospital	115,499,150	60,282,077	9,836,196	45,380,877	1,302,952	1.13%	2.87%
Whitman Medical Center	31,794,453	16,475,537	4,595,387	10,723,529	70,143	0.22%	0.65%
EASTERN WASH REGION TOTALS	5,326,192,123	2,268,349,946	1,115,354,721	1,942,487,456	92,549,158	1.74%	4.76%
STATEWIDE TOTALS (N=99)	51,742,482,956	20,459,808,845	10,010,873,108	21,271,801,003	942,119,902	1.82%	4.43%

*Hospital late in reporting final data to Department of Health. Amounts displayed are estimates calculated from quarterly reports.

**Hospital year-end report submitted but not complete. Amounts displayed are estimates calculated from quarterly reports.

Hospital Reporting: Exclusions: Group Health Central Hospital is not included in this report because healthcare charges are prepaid through member subscriptions; therefore, uncompensated healthcare is generally not incurred. State-owned psychiatric hospitals, federal Veterans Affairs hospitals, and federal military hospitals are also excluded.

Appendix 2 Charity Care Adjusted for Cost to Charge Ratio

Total Patient Service Revenue, Total Operating Expense, Cost to Charge Ratio and Mark-Up for Washington Hospital Fiscal Years Ending During Calendar Year 2014

Region/Hospital	Total Patient Service Revenue	Operating Expense	Cost to Charge Ratio	Mark-Up	Charity Care as reported by the hospital	Charity Care after modified by Cost to Charge Ratio
Adventist West/Walla Walla General Hospital*	145,272,064	55,999,144	0.385	2.594	2,382,086	918,241
BHC Fairfax Hospital	124,861,266	42,182,606	0.338	2.960	1,226,969	414,514
BHC Fairfax Hospital- North	4,849,255	2,053,934	0.424	2.361	58,174	24,640
Capital Medical Center	430,460,326	88,631,734	0.206	4.857	926,503	190,767
Cascade Behavioral Health	18,142,387	13,371,482	0.737	1.357	32,170	23,710
Cascade Medical Center	15,548,962	14,227,397	0.915	1.093	304,573	278,686
Cascade Valley Hospital	102,934,251	42,212,162	0.410	2.438	848,753	348,064
CHI/Harrison Memorial Hospital	1,372,103,242	384,370,072	0.280	3.570	34,253,952	9,595,629
CHI/Highline Community Hospital	683,643,443	171,247,239	0.250	3.992	12,810,949	3,209,041
CHI/Regional Hospital	20,027,674	8,821,849	0.440	2.270	0	-
CHI/Saint Anthony Hospital	484,473,619	108,180,873	0.223	4.478	6,747,690	1,506,730
CHI/Saint Clare Hospital	637,430,552	129,887,785	0.204	4.908	12,132,195	2,472,150
CHI/Saint Elizabeth Hospital	132,962,270	45,055,740	0.339	2.951	1,745,731	591,560
CHI/Saint Francis Community Hospital	859,564,704	183,774,295	0.214	4.677	13,646,725	2,917,660
CHI/Saint Joseph Medical Center - Tacoma	2,242,833,844	568,705,215	0.254	3.944	30,881,168	7,830,398
Columbia Basin Hospital	19,221,935	16,043,134	0.835	1.198	54,394	45,399
Confluence/Central Washington Hospital	572,183,319	253,569,063	0.443	2.257	8,529,748	3,780,048
Confluence/Wenatchee Valley Hospital	Hospital Late in Reporting to Department of Health					
Coulee Community Hospital	33,099,821	25,469,277	0.769	1.300	264,250	203,332
Dayton General Hospital	Hospital Late in Reporting to Department of Health					
Deaconess Hospital	1,010,129,414	255,080,767	0.253	3.960	9,458,425	2,388,469
East Adams Rural Hospital	Hospital Late in Reporting to Department of Health					
EvergreenHealth - Kirkland*	1,304,415,187	550,152,455	0.422	2.371	5,366,169	2,263,245
EvergreenHealth - Monroe	Hospital Late in Reporting to Department of Health					
Ferry County Memorial Hospital	Hospital Late in Reporting to Department of Health					
Forks Community Hospital	Hospital Late in Reporting to Department of Health					
Garfield County Memorial Hospital	Hospital Late in Reporting to Department of Health					
Grays Harbor Community Hospital	359,450,306	101,330,543	0.282	3.547	2,640,881	744,475
Island Hospital	199,425,596	85,324,034	0.428	2.337	802,119	343,186
Jefferson Healthcare	150,919,094	74,172,242	0.491	2.035	2,719,948	1,336,773
Kindred Hospital Seattle	107,521,046	36,290,204	0.338	2.963	0	-
Kittitas Valley Hospital	121,635,699	64,455,773	0.530	1.887	1,238,216	656,141
Klickitat Valley Hospital	34,061,437	20,553,613	0.603	1.657	600,884	362,590
Lake Chelan Community Hospital*	39,091,255	21,494,149	0.550	1.819	474,889	261,116
Legacy/Salmon Creek Hospital	615,763,183	220,099,414	0.357	2.798	23,833,624	8,519,130
Lincoln Hospital	19,724,705	21,358,025	1.083	0.924	379,082	410,472
Lourdes Counseling Center	26,599,168	13,807,919	0.519	1.926	100,190	52,010
Lourdes Medical Center	217,316,481	85,249,117	0.392	2.549	5,361,717	2,103,299
Mason General Hospital	165,311,574	80,433,007	0.487	2.055	2,357,030	1,146,822
Mid Valley Hospital	60,257,313	30,148,849	0.500	1.999	805,514	403,027
Morton General Hospital*	30,786,537	23,493,234	0.763	1.310	118,804	90,659
MultiCare Auburn Regional Medical Center*	672,158,777	141,887,740	0.211	4.737	10,416,507	2,198,847
MultiCare/Good Samaritan Hospital*	1,603,022,243	379,036,738	0.236	4.229	24,618,053	5,820,971
MultiCare/Mary Bridge Children's Health*	613,318,601	162,650,871	0.265	3.771	3,783,202	1,003,298
MultiCare/Tacoma General - Allenmore*	2,645,803,836	615,119,181	0.232	4.301	52,976,483	12,316,427
Navos	18,897,706	8,537,172	0.452	2.214	471,004	212,779
Newport Community Hospital	38,463,358	25,476,047	0.662	1.510	448,617	297,140
North Valley Hospital	33,238,742	20,641,034	0.621	1.610	433,092	268,947
Ocean Beach Hospital	Hospital Late in Reporting to Department of Health					
Odessa Memorial Hospital	5,077,956	7,625,419	1.502	0.666	31,145	46,770
Olympic Medical Center	281,058,911	145,277,780	0.517	1.935	2,459,533	1,271,319
Othello Community Hospital	Hospital Late in Reporting to Department of Health					

**Total Patient Service Revenue, Total Operating Expense, Cost to Charge Ratio and Mark-Up
for Washington Hospital Fiscal Years Ending During Calendar Year 2014**

Region/Hospital	Total Patient Service Revenue	Operating Expense	Cost to Charge Ratio	Mark-Up	Charity Care as reported by the hospital	Charity Care after Cost to Charge Ratio
Overlake Hospital Medical Center	1,201,438,338	418,477,124	0.348	2.871	19,294,196	6,720,428
PeaceHealth/Peace Island Medical Center	14,480,928	12,720,304	0.878	1.138	341,697	300,153
PeaceHealth/Saint John Medical Center	616,858,472	248,693,601	0.403	2.480	16,238,940	6,546,916
PeaceHealth/Saint Joseph Hospital	1,041,530,594	418,206,222	0.402	2.490	21,668,942	8,700,739
PeaceHealth/Southwest Medical Center	1,627,016,759	508,281,751	0.312	3.201	43,699,739	13,651,845
PeaceHealth/United General Hospital	21,121,874	9,062,351	0.429	2.331	392,855	168,555
PMH Medical Center*	71,720,126	31,152,990	0.434	2.302	1,400,740	608,438
Providence/Centralia Hospital	509,489,976	133,857,159	0.263	3.806	12,654,220	3,324,615
Providence/Holy Family Hospital	595,008,008	186,606,512	0.314	3.189	20,455,708	6,415,323
Providence/Kadlec Medical Center	1,216,274,281	425,995,927	0.350	2.855	21,602,404	7,566,168
Providence/Mount Carmel Hospital	96,627,702	42,493,752	0.440	2.274	2,034,890	894,879
Providence/Regional Medical Center Everett	1,746,391,680	596,482,385	0.342	2.928	33,813,562	11,549,067
Providence/Sacred Heart Medical Center	2,203,858,236	770,546,018	0.350	2.860	39,081,155	13,664,140
Providence/Saint Joseph's Hospital	40,500,930	20,515,384	0.507	1.974	1,332,017	674,721
Providence/Saint Mary Medical Center	366,616,104	134,590,536	0.367	2.724	7,484,952	2,747,844
Providence/Saint Peter Hospital	1,478,653,199	386,549,579	0.261	3.825	20,687,565	5,408,144
Providence/Swedish - Cherry Hill	1,525,577,705	413,139,263	0.271	3.693	17,921,371	4,853,258
Providence/Swedish - Edmonds	694,839,474	204,474,527	0.294	3.398	12,521,476	3,684,769
Providence/Swedish - First Hill	3,302,095,918	1,047,900,506	0.317	3.151	28,727,734	9,116,576
Providence/Swedish - Issaquah	449,499,759	155,607,608	0.346	2.889	4,708,561	1,630,007
Pullman Regional Hospital	90,770,065	54,242,009	0.598	1.673	382,342	228,478
Quincy Valley Hospital	Hospital Late in Reporting to Department of Health					
Saint Luke's Rehabilitation Institute	70,032,218	39,371,035	0.562	1.779	291,126	163,667
Samaritan Hospital	166,084,011	65,800,419	0.396	2.524	3,990,999	1,581,184
Seattle Cancer Care Alliance	698,069,767	408,154,250	0.585	1.710	7,414,749	4,335,328
Seattle Children's Hospital	1,870,722,051	974,596,361	0.521	1.919	29,843,579	15,547,710
Shriner Hospital for Children - Spokane	36,129,011	21,554,571	0.597	1.676	489,676	292,141
Skagit Valley Hospital	859,498,224	268,153,130	0.312	3.205	3,380,980	1,054,825
Skyline Hospital	24,311,182	17,129,538	0.705	1.419	167,995	118,368
Snoqualmie Valley Hospital	35,008,751	29,408,189	0.840	1.190	823,569	691,818
Summit Pacific Medical Center	24,864,165	10,409,002	0.419	2.389	947,249	396,551
Sunnyside Community Hospital	Hospital Late in Reporting to Department of Health					
Three Rivers Hospital	17,660,190	12,038,114	0.682	1.467	371,990	253,568
Toppenish Community Hospital	83,508,478	19,214,701	0.230	4.346	1,223,760	281,578
Trios Health*	431,933,560	166,171,911	0.385	2.599	7,031,024	2,704,950
Tri-State Memorial Hospital	115,499,150	60,008,494	0.520	1.925	1,302,952	676,959
UW Medicine/Harborview Medical Center	1,916,945,143	815,596,000	0.425	2.350	167,681,000	71,342,653
UW Medicine/Northwest Hospital	890,084,921	294,880,422	0.331	3.018	16,730,788	5,542,821
UW Medicine/University of Washington	1,942,510,488	946,328,317	0.487	2.053	36,959,237	18,005,346
UW Medicine/Valley Medical Center	1,402,386,880	465,741,020	0.332	3.011	22,740,801	7,552,355
Valley Hospital	460,688,749	91,535,308	0.199	5.033	6,924,842	1,375,913
Virginia Mason Medical Center	2,012,240,032	987,943,276	0.491	2.037	13,701,194	6,726,833
Whidbey General Hospital	Hospital Late in Reporting to Department of Health					
Whitman Medical Center	31,794,453	23,289,919	0.733	1.365	70,143	51,381
Willapa Harbor Hospital	23,873,012	17,418,116	0.730	1.371	421,610	307,613
Yakima Regional Medical Center	575,770,475	104,635,933	0.182	5.503	3,931,438	714,468
Yakima Valley Memorial Hospital	869,436,855	381,555,098	0.439	2.279	10,492,977	4,604,876
Statewide Totals	51,742,482,953	17,784,026,960	0.344	2.909	942,119,902	323,809,079

Table 2 notes: Cost-to-Charge formula is total operating expense / total patient services revenue while Mark up is total patient services revenue/total operating expense

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