REPORT OF THE

COMMISSION TO STUDY THE FUNDING OF MEDICAL AND HOSPITAL CARE FOR THE MEDICALY INDIGENT IN VIRGINIA

TO

THE GOVERNOR

AND

THE GENERAL ASSEMBLY OF VIRGINIA

SENATE DOCUMENT NO. 12

COMMONWEALTH OF VIRGINIA
DIVISION OF PURCHASES AND SUPPLY
RICHMOND
1979

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Report of the

Commission to Study the Funding of Medical and Hospital

Care for the Medically Indigent in Virginia

To

The Governor and the General Assembly of Virginia

Richmond, Virginia

October, 1978

To: Honorable John N. Dalton, Governor of Virginia

and

The General Assembly of Virginia

I. Introduction.

During its 1977 session, the General Assembly passed Senate Joint Resolution No. 154 creating this Commission. That resolution is as follows:

SENATE JOINT RESOLUTION NO. 154

Creating a Commission to study the funding of medical and hospital care for the medically indigent in the Commonwealth.

WHEREAS, many hospitals in the Commonwealth provide hospital care to the medically indigent, and this hospital care is rendered primarily by residents of graduate medical schools; and

WHEREAS, the University of Virginia Hospital and the Medical College of Virginia Hospital receive State funding for the care of the medically indigent which offsets the costs of both the physician component and the hospital component of the care; and

WHEREAS, no similar State funds are now allocated to the hospitals in Tidewater affiliated with the Eastern Virginia Medical Authority; and

WHEREAS, this lack of State funds affects (i) the cost of medical care to nonindigent patients since they must subsidize the indigent patients and (ii) the amount and quality of services available in hospitals of the Commonwealth since funds are depleted to subsidize indigent patients instead of improving services; now, therefore, be it

RESOLVED by the Senate of Virginia, the House of Delegates concurring, That a commission is hereby created to be known as the Commission to Study the Funding of Medical and Hospital Care for the Medically Indigent in Virginia. The Commission shall consider the information currently being developed on this subject by the Joint Legislative Audit and Review Commission and shall coordinate its study with the efforts of that body. The Commission shall make recommendations to the Governor and the General Assembly as to the feasibility and desirability of the State's funding of care for the medically indigent in hospitals which are affiliated with medical schools in the

Commonwealth.

All agencies of the Commonwealth are directed to cooperate with the Commission upon request.

The Commission shall be composed of eleven members, four of whom shall be appointed by the Governor, four members who shall be appointed by the Speaker of the House of Delegates and three members who shall be appointed by the Committee on Privileges and Elections of the Senate. Expenses of the Commission, including travel expenses of its members, shall be paid from the contingent fund of the General Assembly. The Commission shall file an interim report not later than November one, nineteen hundred seventy-seven and shall file a final report not later than October one, nineteen hundred seventy-eight.

Senator Willard J. Moody of Portsmouth served as chairman of the Commission. Other members were Delegates Vincent F. Callahan, Jr., of McLean, Franklin P. Hall of Richmond, L. Cleaves Manning of Portsmouth, and J. Warren White, Jr. of Norfolk; Senators Stanley C. Walker of Norfolk and Edward E. Willey of Richmond; and Mrs. Maxwell Dudley Davidson of Bedford, Dr. William R. Hill of Richmond, Mr. Henry Clay Hofheimer of Norfolk, and Mr. Sidney S. Kellam of Virginia Beach.

The Commission submitted an interim report to the Governor and the General Assembly in January, 1978 (Senate Document No. 20). This report is the Commission's final report.

II. DISCUSSION.

Some of the hospital and medical care provided to indigents in Virginia is funded through various State, local and federal programs. Medicaid is the major program of public funding of medical care for the indigent. In 1977, this program accounted for 77% of public expenditures for the indigent in Virginia. In 1976 Medicaid accounted for approximately 48% of all State expenditures for indigent care. Another 42% of State appropriations in 1976 for indigent medical care was the amount appropriated for the Medical College of Virginia and the University of Virginia Hospital. However, that source of funds is available only to those hospitals and not to others providing care to indigents. Other hospitals must look to Medicaid, Medicare, special programs such as maternal and child health, the State-Local Hospitalization Program, general relief programs and their own resources to cover the cost of care provided indigent patients.

These publicly funded programs do not cover every indigent for every service. (See Medical Assistance Programs: Overview , June 1978, Joint Legislative Audit and Review Commission, for details of the various programs and eligibility). For example, the largest such program, medicaid, covers no two-parent families in Virginia.

When a person who cannot pay for the costs of his care is hospitalized and is not covered by one of these programs, hospitals must try to recover these losses from other sources. One source for all hospitals is the revenues derived from other patients. The rates the hospital charges are based upon the expenses of the hospital, including these losses. Medicaid, however, will not permit inclusion of these losses in determining the rate it will pay. Third party payors and Blue Cross and Blue Shield of Virginia will pay a proportionate share of those costs. The remainder of the patients, sometimes referred to as "paying patients", consequently bear the heaviest burden, especially in hospitals with higher numbers of indigent patients and high numbers of medicaid patients because of greater losses and fewer patients among whom the losses can be spread.

Tidewater Virginia, Health Service Agency V (HSA V), has a large indigent population. The indigent population is estimated to be approximately 200,000 or almost 30 percent of the total indigent population in the State. Of the five HSA's, the second largest total expenditure for the health care for the poor is made in HSA V although in expenditures per indigent, HSA V ranks fourth. The source for the majority of the funds spent on health services to the poor in HSA V is the hospitals in the area. The cities in the area participate in the State-Local Hospitalization (SLH) Program and are among the jurisdictions expending the highest amounts of State and local funds in the program. Thus the localities are contributing greatly to the costs of providing care to its indigent population.

The State is also participating in these costs through medicaid and the SLH program. However,

after medicaid, the largest amount of State funding for medical care is the appropriations for the operating expenses of the University of Virginia Hospital and for care of indigent patients at the Medical College of Virginia hospitals. The great majority of the patients at these hospitals live in the area of the hospitals. The effect of this is that a disproportionate amount of State aid for medical care for the indigent is given to two areas of the State.

While this method of funding the medical care of indigent patients may result in inequities among the regions of the State, the justification for it is that the University of Virginia and the Medical College of Virginia are State institutions. The hospitals are the teaching hospitals of the institutions' medical schools.

There is also a medical school in the Tidewater area, the Eastern Virginia Medical School (EVMS). Although it is not a State school and was established through the Eastern Virginia Medical Authority (EVMA), it is performing important functions that benefit the entire State.

The Eastern Virginia Medical Authority was created in 1964 as a means of improving the quality of health care in eastern Virginia. The Authority was authorized to "identify, document and evaluate needs, problems and resources relating to health and medical care" and "to plan, develop and implement programs to meet such needs..." (1964 Acts of Assembly, Chapter 471, § 4).

The Eastern Virginia Medical School was established by the Authority. The first class of students entered in 1973. The curriculum of the medical school is a three-year curriculum. To date, EVMS has admitted 316 students. Of these, slightly more than 90% are from Virginia, with approximately 50% from eastern Virginia. Three classes have graduated from the three-year curriculum. Of the 105 graduates, 94 are Virginians, 53 from eastern Virginia. The sixth entering class numbers eighty of whom seventy-four are Virginians. With the size of the entering class reaching 96 next year, EVMS will have 288 medical students in the undergraduate program by 1981. It is expected that the student body composition will continue at approximately the same proportion: 10 percent or less from out of state, about 50 percent from eastern Virginia. Many of these graduates are staying in the area for further training.

The students and interns and residents receive their training through a consortium of area hospitals known as the Eastern Virginia Interhospital Medical Education Committee (EVIMEC). This consortium was formally organized in early 1970 to pave the way for undergraduate medical education in the proposed medical school. The consortium has now grown to 24 hospitals, including three federal, four proprietary and 17 community hospitals. (See Appendix A) The total bed count is well over 6,000 and outpatient visits approach 1.75 million per year.

The Eastern Virginia Graduate School of Medicine was organized in 1975. The teaching hospitals comprising the Graduate School are members of EVIMEC. Starting with fewer then 100 residents in the existing programs, the Graduate School has more than doubled the number of both residents and programs. Thirteen programs in fifteen hospitals provide education for 200 residents and 20 fellows. Under the guidance of the Graduate School, residencies in family practice, psychiatry, opthalmology, psychology, otolarnygology, and radiation oncology and biophysics have been launched. Programs in neurosurgery, neurology and emergency medicine are under consideration. It is expected that this regional system of graduate medical education will reach 275 residency positions in 14 to 16 programs in 17 regional hospitals over the next few years.

In addition to graduate and undergraduate education, EVIMEC is involved in continuing medical education for practicing physicians and other professional staff.

Among the benefits to the Commonwealth provided by EVMS are the opportunity it provides to Virginians to attend medical school and the training it provides to physicians, many of whom will remain in Virginia. The State presently subsidizes the education provided at EVMS in the amount of $5,333 per student per year for a three-calendar-year curriculum. Thus the cost to the State of training each of these doctors is very low, approximately $16,000.

One other very important benefit of EVMS is its contribution to the quality of care provided Virginians residing in the Tidewater area. The training programs for graduates and undergraduates, the expertise of the faculty, and the caliber of the facilities and equipment necessary for a medical school should enhance both the amount and quality of the services provided.

The continued expansion of medical care at EVMS and the medical care that will be available for patients, including indigent patients, should relieve some of the demand upon the two State-supported medical schools, particularly with reference to those patients who in the past have migrated to the present State-supported medical schools for such care.

It is important to note that many of the medical school's teaching patients are indigents. The teaching programs are the primary vehicle for the provision of indigent care in Tidewater. Related to this is the fact that medical school hospitals tend to attract indigent patients in greater numbers and with more difficult illnesses.

The State has begun to subsidize the costs of medical care provided to indigent patients at the hospitals affiliated with the EVMA in recognition of this care as an important aspect of medical training. In 1977, the first year of the subsidy, the sum of $350,000 was appropriated. For the 1978-80 biennium, $4,500,000 was appropriated, $2,000,000 the first year and $2,500,000 the second year.

The 1978-80 appropriation was conditioned upon the development of a plan approved by the Governor for the apportionment of the appropriation. A plan was necessary because of the number of hospitals involved and the necessity of assuring proper expenditure of State funds and equitable proration of a limited amount. This plan has been developed, approved by the Governor and put into operation. Insufficient time has elapsed, however, to determine how well the plan works and the effects of the State's subsidy. The plan is set forth in Appendix B.

This appropriation, though doubtless of some help to the EVMS, is far from sufficient to cover the uncompensated losses from indigent care anticipated by the EVMA. As was pointed out in the Commission's Interim Report, the localities involved in the EVMA have already appropriated substantial sums for the medical school. They also contribute substantial sums for indigent care through the SLH program. The citizens of the area contribute through local taxes and State taxes. Yet substantial expenses are not met. An the costs of indigent care are in addition to the costs of developing and maintaining a program of education and training for prospective physicians. This program may well suffer if there are insufficient amounts to fund all the costs.

III. CONCLUSION AND RECOMMENDATION

Although the EVMS is not a State institution, it is performing several important functions that benefit the entire State: primarilly the training of Virginians to be doctors and providing doctors for Virginia. Although all hospitals suffer losses in providing care to indigents, the hospitals in the EVMS consortium are unique among private hospitals in the State in their affiliation with a medical school. Thus the Commission recommends that there be an appropriate increase in the appropriation from the general fund of the State Treasury for the 1980-82 biennium to the Eastern Virginia Medical Authority for the care of indigent Virginia patients and that the Governor and the Division of Planning and Budget incorporate such an amount in the budget for the next biennium and thereafter.

Respectfully submitted,

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APPENDIX A

HOSPITALS AFFILIATED WITH THE EASTERN VIRGINIA MEDICAL AUTHORITY

Hospital	1976-77 Beds	1976-77 Admissions In Patient
Bayside Hospital	166	5,347
Chesapeake General Hospital	141	4,640
Children's Hospital of the King's Daughters	92	4,198
Community Mental Health Center	56	770
DePaul Hospital	391	15,422
Ear, Nose and Throat Hospital	16	245
General Hospital of Virginia Beach	263	9,787
Hampton General Hospital	390	12,078
Leigh Memorial Hospital	---	---
Louise Obici Memorial Hospital	240	9,887
Mary Immaculate Hospital	120	4,048
Maryview Hospital	346	8,044
Medical Center Hospitals	879	26,295
*Naval Regional Medical Center	931	23,716
Norfolk Community Hospital	190	5,957
Portsmouth General Hospital	311	12,487
Portsmouth Psychiatric Center	90	749
Riverside Hospital	641	21,756
Southampton Memorial Hospital	170	3,562
Tidewater Psychiatric Institute	122	972
*U. S. Public Health Service Hospital	148	2,196
*Veterans Administration Center	502	6,122
Whittaker Memorial Hospital	126	2,981
TOTALS	6,331	181,259

*Federal hospitals do not participate in the indigent care funding program.

NOTE: EVIMEC hospitals handled an estimated 1.7 million out patient visits.

EVMA - 8/8/78

APPENDIX B

EASTERN VIRGINIA MEDICAL AUTHORITY

STATE APPROPRIATION INDIGENT CARE

APPORTIONMENT PLAN

1978 - 1980 BIENNIUM

GUIDELINES FOR ALLOCATION,

EXPENDITURE, AND ACCOUNTING FOR STATE APPROPRIATION

TO THE EASTERN VIRGINIA MEDICAL AUTHORITY

FOR THE PROVISION OF PERSONAL HEALTH SERVICES TO

MEDICALLY INDIGENT PERSONS IN EASTERN VIRGINIA

IN PROGRAMS AND HOSPITALS AFFILIATED WITH EDUCATIONAL

PROGRAMS OF THE EASTERN VIRGINIA MEDICAL AUTHORITY

I. Goal of Appropriation Distribution

A. General Principles

The policies stated below reflect the legislative intent to provide support for the personal health services provided medically indigent persons in eastern Virginia by means of or in relationship to the educational programs of the Eastern Virginia Medical Authority.

The funds appropriated are intended to help meet the direct costs of such services which are provided by or dependent on the physicians and facilities brought together in the undergraduate and graduate medical educational programs developing in eastern Virginia as a regional network involving the hospitals and other institutions in the area.

In keeping with the concept of the regional medical educational network, the appropriated funds will be viewed and handled as a regional pool available for the provision of indigent care and the promotion of medical educational programs throughout the region in hospitals and programs affiliated with the educational programs of Eastern Virginia Medical Authority.

B. Specific Appropriation Distribution Considerations

1. The formula should be developed considering all factors which would achieve as closely as possible an equitable distribution to participating physicians and institutions.

2. All affiliated institutions and physicians would participate in proportion to their affiliation with EVMA and their indigent losses.

3. Allocation and distribution should be tied to Educational Programs of Authority as stated in the appropriation.

4. The formula should be designed to achieve the "new monies versus replacement for existing third party funds concept." This specifically excludes the use of contractual allowances or write-offs which resulted from payment by existing third party payors.

5. Documentation must be appropriate to adequately support possible future review by state authorities and third party reimbursers.

Procedural criteria must be established and standardized for use by all participants to achieve the required results mentioned in 1-5 above.

II. Definition of Indigent/Medically Indigent Patients

An indigent/medically indigent person, for purposes of this indigent care appropriation, is one

who is unable to pay for required medical services and whose spouse, parent or guardian is financially unable to meet this need. EVMA will be responsible for making the final determination as to a patient's medical indigency using the specific payment criteria detailed on page 4, Section IV B and the periodic review process explained on page 6 of the document.

Funds appropriated are not be be used to provide reimbursement for care of patients for which other personal or third-party reimbursement is available. In general, these funds will not be used to replace existing reimbursement arrangements or patterns in the institutions concerned.

As an example: The affiliated institution or physician should determine availability of payment from Medicare, BC/BS, Medicaid, ADG and SSI, SLH, M and CH, BCC, DVR and other area programs for specific patients prior to submitting that patient number to EVMA for payment of indigent care funds.

III. Apportionment of Appropriation Between Institutional and Physician Component of Care

For the 1978-1980 Biennium, the appropriation will be apportioned equally between the Institutional and Physician Component for the cost of providing health services to medically indigent persons in hospitals and programs affiliated with EVMA. Although the institutional and physician allocations are two separate components the distribution formula will be substantially the same based on indigent patient care losses and affiliation costs with EVMA for the institutions and indigent losses and full or paid part-time faculty for the physicians.

IV. Allocation and Payment for Institutional Component of Indigent Patient Care

A. Allocation

Allocation should be based on EVMA affiliated hospitals indigent patient losses adjusted to reflect participation in EVMA undergraduate/graduate medical education, shared physician programs and continued medical education programs. The allocation to each affiliated institution will be computed annually by EVMA staff using the approved formula and based on indigent loss figures submitted by each institution. The figures submitted must be developed using the specific "allocation criteria" approved by the Indigent Care Policy Committee and must be supported by audited financial statements. The institution should use its most current year ended audited financial statements prior to the appropriation year beginning, July 1.

The specific allocation criteria to be used are:

Includable:

1. Bad debt loss provision net of recoveries
2. Charity allowance
3. SLH contractual adjustments
4. Medicaid over limit

Excludable:

Contractual adjustments for Medicare, Medicaid, B/C, Title V, Title XX DVR, Champus and contractual adjustments for other third party reimbursers.

B. Payment

Payment to each participating institutions will be based on the amount determined from the above allocation formula. One fourth of the amount allocated will be paid by EVMA each quarter within five working days of receipt of funds from the State. Each institution will submit to EVMA within 30 days after the end of each quarter the required patient documentation to support the indigent loss amount received. The indigent patient loss substantiation should be in report form and include patient number, date of discharge, covered charges, net of other insurance and the applicable "payment criteria" used.

The substantiation must meet all of the following specific payment criteria:

1. Patient must be a Virginia resident.

2. Payment must not be available from other third party insurance carriers for the charges submitted under this program.

3. Medical service provided must be medically necessary (acceptable if within Medicare of Medicaid guidelines).

4. Can be either inpatient or outpatient services.

5. Patient or responsible party must fall within a means and/or income level test to determine the ability to pay for required medical care. To determine indigence for purposes of this appropriation, the test should cover the level between Medicaid and SLH and the published government index for minimum subsistence existence.

The two primary payment categories would be SLH approved and unfunded and Medicaid over limit.

See Attached Exhibit I for Allocation and Payment Formula.

V. Allocation and Payment for Physician Component of Indigent Patient Care

Full and paid part-time EVMA faculty will be allocated indigent care appropriation funds based on their indigent patient losses in the clinical teaching setting. The paid part-time group must bill for these services through the Medical Service Programs of the Eastern Virginia Medical Authority. A "base" line fee schedule, such as the Medicare schedule or prevailing charge provides standardized information by speciality and by procedure for this region with annnual updates reflecting changing economic conditions.

Physicans will use the same Specific Allocation Criteria and Specific Payment Cirteria as used by the institutions (see page three and four of this document).

Physicians will be required to document their services in the medical record according to documentation guidelines required by third party insurers and hospital medical staff by-laws.

Examples of clinical settings tied to education programs include:

1. OB/GYN High Risk Maternity Program at Norfolk General Hospital and DePaul Hospital. Through this program, prenatal visits of mothers with risk factors due to age, weight, disease, etc. are seen by the attending perinatalogist with OB residents. The availability of indigency funds would allow the faculty member to continue care of the patient and supervising the resident from the prenatal period through the complications of delivery and post partum follow-up.

2. Internal Medicine where patients are now seen in a customary medical clinic environment with faculty members providing direct and supervisory services with internal medicine residents and students present.

3. Pediatric Ambulatory Care Center being developed at CHKD. There the efforts of pediatric generalists and specialists would be enhanced by the availability of funds to reduce the current absorbed losses from indigent patients who comprise over 50% of all visits. These losses limit the amount of time faculty can devote to such efforts.

VI. Data Gathering Administration and Review

Each participating Eastern Virginia Inter-Hospital Medical Education Consortium (EVIMEC) institution and each participating teaching physican will submit to EVMA prior to the beginning of the appropriation year (July 1) their costs of indigent losses for their latest audited fiscal year ended using the allocation criteria defined above. The figures must be reconciled to the audited financial detail and signed as accurate by the financial officer of the institution or physican group.

Also needed are the numbers relating to the Total Hospital Operating Expenses and Total Hospital Patient Revenues, again signed by the top fiscal officer.

EVMA staff will develop the figures for "affiliation costs" using the direct payment data available from its records maintained for each participating physician and institution. The specific includable affiliation costs to be used are:

1. Resident Education Costs

2. Undergraduate Education Costs

3. Shared Physicians' Costs

4. EVIMEC Membership Costs

The applicable allocation percentages will be developed using the figures from above and each institution and physician will receive notice of the allocated amount.

Each institution and physician will provide EVMA with their payment report 30 days after the end of each quarter (i.e. quarter ending 9/30/78; report due by 10/31/78). The date of discharge or date of service for any indigent patient must fall within the fiscal year for which appropriation funds are received. Funds allocated within a fiscal year must be applied to accounts discharged or patient services in that fiscal year within 120 days after the end of the fiscal year.

Example: Institution A was allocated $100,000 for fiscal year 7/1/78 - 6/30/79. They received $25,000 each quarter and reported patient accounts of $25,000 each quarter except for the fourth quarter in which they only applied $15,000. This institution has until 10/31/79 to apply accounts with a FY'79 discharge date to the unused $10,000 or return the funds for reallocation to other participating institutions.

The cost of administrative handling of appropriation funds by EVMA staff should be on a time/charge basis and will not exceed 1 1/2% of gross funds.

A quarterly random review will be performed to check compliance with the criteria established. It was suggested that, as EVMA has ultimate responsibility to the State for these funds, EVMA personnel should undertake this review. An institution being spot checked would receive a written notice and a convenient time established for such a review. A representative should be present for all of the institution or physician reviews. The Indigent Care Policy Committee chairman would receive a report on the findings of this review and present such report to the next meeting of the Committee.

The Indigent Care Policy Committee, established by the EVMA Board of Commissioners, should meet at least six times per year to over-see the equitable adminstration and disbursement of the State funds according to the approved formula. The administrative staff of Eastern Virginia Medical Authority should present a current report to this committee at each meeting for review of distribution and final determination of eligibility being made by the Committee. The Committee should present an annual report to the EVMA Board of Commissioners at the end of each fiscal year (7/1 - 6/30).

STATE INDIGENT CARE APPROPRIATION
ALLOCATION AND PAYMENT FORMULA
INSTITUTION COMPONENT AND PHYSICIAN COMPONENT

Formula:

A. Allocation

$$\text{Allocated Funds} = \frac{\text{Affiliation Costs + Indigent Losses}}{\text{Total Affiliation Costs + Total Indigent Losses}} \times \text{Amount Funded}$$

B. Payment

$$\text{Quarterly Payments} = \text{Allocated Funds} \times 25\%$$

Definition of Formula Components

1. Allocated Funds = Portion each participant would receive in recognition of its affiliation with EVMA and for providing indigent care.

2. Affiliation Costs = Amount of expenditures for each participant for educational programs of EVMA. The specific includable affiliation costs are: undergraduate/graduate medical education, shared physician programs and EVIMEC costs. The cost figures will be developed by EVMA staff using the current fiscal year ending June 30 cost data.

3. Indigent Losses = Amount of each participant's losses for indigent patient care adjusted for ratio of operating expenses to gross patient revenues.

$$\text{Indigent Losses} + \text{Losses on Charity, Unrecovered Bad Debts, and SLH and Medicaid Over Limit} \times \frac{\text{Total Operating Expenses}}{\text{Total Gross Patient Revenues}}$$

4. Total Affiliation Costs = Sum of affiliation costs from all participants within the institution or physician component.

5. Total Indigent Losses = Sum of indigent care losses from all participants within the institution or physician component.

6. Amount Funded = State funds appropriated to be used to support the institutional component or the physician component of indigent care/medical education.

7. Quarterly Payment = The amount each participant would receive quarterly based on the amount allocated from the approved formula.

This payment must be supported with a report giving the detail explained previously. Indigent patient's losses included in this report must meet all of the "payment criteria." An officer of the institution must certify the accuracy and conformity of this report with the "payment criteria" guidelines.

Example: Institutional Allocation using sample numbers.

Hospital	Affiliation Cost	+	Indigent Losses	=	Total Cost	Hospital %
A	$ 900,000	+	$ 3,000,000	=	$ 3,900,000	47.1%
B	600,000	+	2,000,000	=	2,600,000	31.4%
C	150,000	+	1,000,000	=	1,150,000	13.9%
D	10,000	+	400,000	=	410,000	5.0%
E	8,000	+	100,000	=	108,000	1.3%
F	8,000	+	50,000	=	58,000	.7%
G	5,000	+	50,000	=	55,000	.6%
	$ 1,681,000	+	$ 6,600,000	=	$ 8,281,000	100.0%

Amount Funded = $5,000,000

Hospital "A" would receive 47.1% of the $5,000,000; Hospital "B" would receive 31.4%, etc.

*Indigent Losses - Hospital "A" = Losses ($4,000,000) x Total Hospital Operating Expenses ($18,000,000) / Total Hospital Gross Patient Revenues ($24,000,000)

= $3,000,000

Distribution to all hospitals in example:

Hospital	Portion of Funds
A	47.1% = $2,355,000
B	31.4% = 1,570,000
C	13.9% = 695,000
D	5.0% = 250,000
E	1.3% = 65,000
F	.7% = 35,000
G	.6% = 30,000
	$5,000,000