United States General Accounting Office

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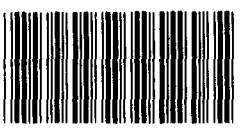
Report to the Honorable
Bill Lowery, House of Representatives

October 1992

TRAUMA CARE REIMBURSEMENT

Poor Understanding of Losses and Coverage for Undocumented Aliens



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United States
General Accounting Office
Washington, D.C. 20548

Program Evaluation and
Methodology Division

B-248679

October 15, 1992

The Honorable Bill Lowery
House of Representatives

Dear Mr. Lowery:

At your request, we are providing information on the compensation of four southwestern trauma centers for treatment they provided to undocumented aliens. You asked that we assess the ability of these trauma centers to obtain the federal Medicaid reimbursement they are eligible to receive for treating certain indigent undocumented aliens. In addition, you requested that we examine the quality of the methods these centers had used to estimate the uncompensated costs of treating undocumented aliens.

Results in Brief

Representatives of three of the trauma centers your staff identified, located in California and Texas, did not identify any significant problems in obtaining Medicaid reimbursement for emergency treatment of eligible patients believed to be undocumented aliens. Officials of the fourth identified hospital, located in New Mexico, told us that their facility had not received such payments and had no indication from the state that emergency treatment for undocumented aliens could be covered by Medicaid. Through contacts with state officials, we confirmed that the state has never published this information.

The three facilities that had received Medicaid reimbursement had also tried to estimate the cost of providing services to undocumented aliens. They reported conducting such analyses either to support requests for financial assistance or to track the sources of uncompensated care. However, we found one or more important methodological weaknesses in each facility's analysis. Two hospitals employed indirect procedures for identifying undocumented aliens that, because they were unvalidated, introduced uncertainties of unknown size and direction into their calculations. Another hospital system directly surveyed a sample of patients about their immigration status, thereby obtaining a differently derived estimate with another set of problems, including potential for distortion or deception. However, by conducting these inquiries confidentially and separately from admission, this hospital system did seem to avoid the appearance that knowledge of immigration status could influence medical decisions, which was a concern cited by other hospitals.

Although this method may well turn out to yield significant improvements in accuracy, it is also the case that the additional cost of a special patient survey must be weighed against the potential size of a hospital's losses and any anticipated reimbursements.

Background

Counties near the U.S. border, and the public hospitals they operate, have had long-standing concerns about bearing the cost of providing uncompensated services to undocumented aliens who circumvent federal border controls.[1] For trauma centers, hospital units specializing in the treatment of severe injury, the impact of providing uncompensated treatment to undocumented aliens is believed to be especially significant. This is because trauma centers are legally and ethically bound to provide their emergency services to all patients in need and the patients to whom they provide this expensive care are generally less likely to be insured than users of other hospital services. Inevitably, some of these patients are unable to pay for their treatment, and hospitals must draw upon other resources to finance it. When other resources are unavailable or exhausted, the local government operating the facility generally finances the deficit. Consequently, partly at the request of local and state officials, certain border-state counties and hospitals have estimated the portion of their losses attributable to treatment of undocumented aliens, which they argue should be a federal responsibility.[2] This has raised questions about hospitals' access to Medicaid resources for financing such care and the quality of procedures that have been used to estimate the size of this burden.

Partly in response to such concerns, the Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509) extended Medicaid coverage to emergency services (including emergency labor and delivery) furnished to qualifying undocumented aliens on or after January 1, 1987. The Medicaid program makes federal matching funds available to states to reimburse health care providers for treatment of needy individuals who meet certain eligibility tests. By statute and regulation, eligibility for full Medicaid coverage has been limited to citizens, permanent resident aliens, or persons otherwise

[1]The term "undocumented alien" is sometimes used interchangeably with the term "illegal alien," which refers to aliens who have entered the country without inspection, overstayed the length of their admission, or otherwise violated the conditions of admission. This report uses "undocumented alien" to refer only to those illegal aliens who possess no valid documentation of their legal entry into the United States or permission to remain. As used in this report, "undocumented alien" excludes applicants for legalization under the Immigration Reform and Control Act of 1986.

[2]One of the hospitals we interviewed, Palomar Medical Center, is located in San Diego County, which contracts with hospitals to provide indigent care rather than operate county-owned facilities.

permanently residing in the United States under color of law and linked to actual or potential receipt of cash assistance under the Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI) programs. The 1986 act provided that certain undocumented aliens also were eligible for Medicaid coverage of emergency services. Under the act and implementing regulations, this limited Medicaid eligibility encompasses those undocumented aliens who, aside from their immigration status, meet all program eligibility requirements, except presentation of a social security number and receipt of AFDC or SSI payments.

Nonetheless, many needy undocumented aliens do not meet the Medicaid eligibility requirements, which generally exclude nondisabled unmarried adult males under 65. In such cases, alternative federal and state resources are available. They include: (1) general resources available for financing unreimbursed treatment of patients who lack financial resources; and (2) special purpose resources, which cover only certain types of patients (for example, crime victims), medical conditions, or facilities.[3] The Medicaid Disproportionate Share program is one such general resource; it provides federal matching funds to states for augmenting Medicaid payments to hospitals that provide care for disproportionate numbers of patients who cannot pay or who are eligible for Medicaid. Health care "user fees," such as those provided under California's Tobacco Tax and Health Protection Act of 1988, also provide hospitals with general revenues. Hospitals may dedicate such funds to a variety of uses, and general purpose funds of this sort are less likely than special purpose funds to be linked to particular patients as credits against their bills. Thus, if the purpose of estimating uncompensated costs is to judge a hospital's need for additional compensation, methods that directly examine the accounts of patients believed to be undocumented should credit an appropriate portion of the general operating assistance already received.

At your request, we addressed the issues of Medicaid access and cost estimation with four hospitals your staff identified in California, Texas, and New Mexico. These were Palomar Medical Center of Escondido, California; Martin Luther King, Jr./Drew Medical Center of Los Angeles;

[3]The Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) Reorganization Act (P.L. 102-321), signed July 10, 1992, provides financial assistance for trauma centers in geographic areas with a significant incidence of violence arising from drug trafficking. In awarding such assistance, this program provides additional preference for trauma centers for which a disproportionate share of uncompensated costs results from the provision of trauma care to individuals who are neither U.S. citizens nor persons lawfully admitted to the United States for permanent residence. The law authorizes $100 million for this purpose in fiscal year 1993 and "such sums as may be necessary" for fiscal year 1994.

R.E. Thomason General Hospital of El Paso, Texas; and University Hospital of Albuquerque, New Mexico. We interviewed hospital officials; examined hospital and other relevant documents; and interviewed state, county, and federal officials administering Medicaid and other forms of financial assistance for treatment of the uninsured in California, Texas, and New Mexico. Our work was performed between April and August 1992 in accordance with generally accepted government auditing standards.

Because our focus was on access to Medicaid funds among hospitals, we did not attempt to determine whether potentially eligible patients had difficulty in obtaining financial assistance through Medicaid. Similarly, our findings regarding hospitals' estimation procedures are limited to the quality of the methods they described. We neither verified the financial and nonfinancial data analyzed by these methods nor assessed the quality of data collection procedures, so we cannot judge the accuracy of the numerical estimates the hospitals presented. The amounts they attributed to undocumented aliens ranged from 17 percent of uncompensated costs for outpatient services in Los Angeles County facilities to 40 percent of unpaid trauma charges at Palomar Medical Center to 58 percent of gross trauma charges, paid and unpaid, at R.E. Thomason General Hospital. These estimates are not directly comparable, and they must be interpreted in the context of variations in estimation methods, patient populations, utilization patterns, payor mixes, Medicaid coverage, geographic location, and other factors.

Principal Findings

Access to Medicaid for Unreimbursed Emergency Care

As mandated by federal law and regulation, both California and Texas are providing Medicaid payment to health care providers for emergency treatment of qualified undocumented aliens, and none of the three hospitals we contacted in these states identified significant problems in obtaining this assistance. In contrast, Medicaid, county, and hospital officials in New Mexico told us that the state had not issued any Medicaid payments for emergency treatment of undocumented aliens. More than 5 years after the federal mandate for coverage went into effect, New Mexico officials told us that no claims had been received from any hospital for treatment of eligible undocumented aliens. However, state officials admitted that no language specifying the eligibility of this group had been incorporated into the state Medicaid manual. A New Mexico Medicaid

official cited the financial distress of the state's program in explaining the decision not to publish the policy. We provided this information to officials of the Health Care Financing Administration (HCFA), which administers the Medicaid program and is responsible for monitoring state compliance with Medicaid regulations. HCFA subsequently pursued the matter with state officials by requesting a plan for correction.

Estimating the Uncompensated Costs of Providing Trauma Care

Of the four hospitals we contacted, two had attempted to estimate the financial burden associated with uncompensated trauma care provided to undocumented aliens, one had attempted to estimate the uncompensated cost of other classes of service to undocumented aliens, and one had not attempted to estimate such costs. The two facilities that had made estimation attempts specific to trauma care were Palomar Medical Center, which reported estimates of unpaid charges attributed to undocumented aliens, and R.E. Thomason General Hospital, which reported the proportion of charges attributed to patients who could not provide a social security number.[4] Although Martin Luther King, Jr./Drew Medical Center did not offer any estimates specific to its trauma center, the Los Angeles County Department of Health Services, which operates the hospital, provided data on net county costs for births to undocumented aliens in county and county-contracted hospitals and estimates of the proportion of patient days or visits attributed to undocumented alien users of the county's inpatient, outpatient, prenatal, and public health services.

Assessing the uncompensated costs attributed to undocumented aliens requires addressing two basic tasks: identifying undocumented patients and linking them to unpaid costs. Either direct or indirect approaches may be applied to each task, with direct methods generally involving more special purpose data collection and tabulation than indirect methods. While the Los Angeles County Department of Health Services used a direct approach to identifying undocumented patients, it adopted an indirect approach to linking them to uncompensated costs. Palomar Medical Center and R.E. Thomason General Hospital adopted other sets of tactics; they approached identification indirectly, with Palomar using direct methods to link identified patients to unpaid costs and Thomason using indirect methods. Thus, each method is different and incorporates different sources of error, as discussed below.

[4]R.E. Thomason also reported total charges for trauma patients who identified themselves as Mexican citizens, but since Mexican citizenship has no direct relationship to U.S. immigration status, our analysis focuses on other information provided by the hospital.

Identifying Undocumented Patients

Identifying undocumented patients can be accomplished directly, through collection of information on immigration status, or indirectly, by inferring immigration status from other data. Given the presumed reluctance of undocumented aliens to answer questions regarding immigration status, direct questioning may lead to underestimating the proportion of undocumented patients. Moreover, hospital officials expressed concerns about the potential legal consequences of collecting such information. Officials of two hospitals indicated that requesting such information at intake could spawn litigation against their institutions by permitting the perception that medical decisions were based upon immigration status. However, this did not appear to be an obstacle when information was collected in a procedure separate from patient registration or following discharge, which were the options adopted by the Los Angeles County Department of Health Services. According to an official of this hospital system, the help of a certified public accounting firm was enlisted to identify two statistical samples—one of inpatients and one of outpatients. After patient registration data were used to separate the inpatient sample into U.S.-born and foreign-born groups, a postdischarge survey of the foreign-born patients was conducted by an independent team of interviewers. Outpatients were questioned as they visited the hospital. The surveyed patients were asked a standard set of questions regarding immigration status and possession of certain types of immigration documentation. To the extent that it removes incentives to conceal lack of documentation, this procedure may yield fairly accurate determinations of immigration status, but the staff resources that are required may make this approach impractical in other circumstances.[5]

In contrast, both Palomar Medical Center and R.E. Thomason General Hospital employed indirect, unvalidated methods for identifying undocumented aliens. These hospitals identified undocumented patients based on a combination of certain patients' unsolicited admission of undocumented status and inferences about other patients' immigration status based on their inability to provide a social security number or valid address. However, without evidence quantifying the accuracy of such

[5]Los Angeles County currently identifies the proportion of undocumented patients as a by-product of this procedure, the primary purpose of which is to identify certain documented patients for whom the hospital may claim federal funds under the State Legalization Impact Assistance Grant program. This time-limited program assists state and local governments with the costs of providing services to aliens who are adjusting to permanent resident status under the Immigration Reform and Control Act of 1986. Once these funds become unavailable, the cost of continuing to collect these data, which currently involves the efforts of 17 staff members, must be weighed against the anticipated size of other reimbursements contingent on this information. Although this sample survey approach affords greater efficiency in an area as large as Los Angeles County, in smaller areas or single institutions the smaller size of the task may reduce the advantages of looking at only a sample of patients.

inferences, the level or direction of error in such procedures is difficult to establish.

For example, possession of a social security number is an imperfect means of differentiating between undocumented aliens and other patients. First, certain persons who lack social security numbers may be documented aliens or U.S. citizens. Documented aliens granted lawful temporary admission as visitors or students are not routinely processed for a social security number. Moreover, social security enumeration has generally not been automatic for U.S. citizens, although recent changes in Internal Revenue Service (IRS) policies strongly encourage early application for a card.[6] Conversely, some undocumented aliens may be able to present a social security card. Before the early 1970s, social security cards were issued without requiring evidence of identity, age, or citizenship. In fact, we reported in 1988 that many of the roughly 1 million illegal aliens whom the Immigration and Naturalization Service (INS) apprehended annually had either genuine or counterfeit social security cards in their possession. Moreover, aliens with lawful temporary admission to the United States may legally obtain a social security number not valid for employment if they present a valid, nonwork reason for needing one. Thus, mere provision of a social security number is clearly an imperfect test of immigration status. Nonetheless, such an indirect clue may contribute to an acceptably accurate estimate of immigration status when used in combination with other data. Although we have previously proposed such a multiple indicator approach, no study has yet been conducted to validate this method by assessing its level of accuracy with individuals whose immigration status is known.[7]

Linking Identified Patients to Uncompensated Costs

The most direct approach to linking undocumented patients to uncompensated costs first identifies the costs attributed to patients classified as undocumented and then credits payments received for these accounts and an appropriate portion of general operating support, which may not be linked to patient accounts. Palomar Medical Center adopted such a direct approach to linking costs or charges to undocumented patients. This hospital based its estimates of uncompensated costs on the accounts of patients believed to be undocumented. However, its execution of the strategy overstated uncompensated costs by failing to credit a portion of operating assistance not directly linked to patient accounts and

[6]A social security number is required by the IRS for individuals who have income reported to the IRS or for anyone age 1 or over who is claimed as a dependent on a tax return.

[7]See Undocumented Aliens: Estimating the Cost of Their Uncompensated Hospital Care, GAO/PEMD-87-24BR, Sept. 16, 1987.

failing to discount hospital charges to actual costs. Since hospital charges are generally set to account for a projected amount of losses, uncompensated charges can be much higher than uncompensated costs and greatly overstate hospital losses.

An alternative to this direct approach was adopted by Los Angeles County and R.E. Thomason, which employed an indirect method to link undocumented aliens to uncompensated costs. In the Los Angeles County procedure, the proportion of patients determined to be undocumented is multiplied by the net cost of the hospital service in question. Although this procedure is simpler than the direct approach described above, it assumes that undocumented aliens have service utilization and payment patterns similar to other patients. However, the age structure of the undocumented population is believed to be quite different from that of the U.S. population, so it is likely that the requirements for various types of hospital services also differ. Of course, the payment patterns of undocumented patients may also vary from those of other patients. To the extent that utilization patterns diverge for these two groups of patients, cost estimates resulting from this indirect approach may be distorted. However, to the extent that the variation among service costs is small, the potential for serious error of this sort is reduced. R.E. Thomason's application of this procedure, multiplying the proportion of trauma patients without a social security number by total trauma charges, focused on gross charges (paid and unpaid) and added overestimation of costs to the problems already cited.

Conclusion

To summarize, none of the three methods we examined was clearly superior to the others in both its approach to identifying undocumented aliens and its procedure for linking them to unpaid costs. Direct approaches to identifying undocumented aliens are both expensive, owing to the desirability of collecting data apart from normal hospital procedures, and potentially inaccurate, because of undocumented aliens' presumed preference for concealing their status. Indirect approaches, while less threatening and more easily incorporated into a hospital's routine operations, currently employ unvalidated methods for inferring patients' immigration status that achieve unknown accuracy. Nonetheless, an objective procedure for using routinely collected information to make

an assessment of immigration status with measured accuracy is a potentially fruitful strategy that might be implemented at modest cost in a variety of settings. Validation of such an approach will require testing the inferences that result from using one or more indicators of immigration status on a group of individuals whose immigration status is known (see GAO/PEMD-87-24BR for further details). Hospitals interested in estimating the proportion of their patients who are undocumented may want to pursue the development and validation of such an approach with expert consultants.

Once the task of assessing immigration status is dealt with, hospitals are faced with a choice of strategies for linking these patients to uncompensated costs. Each of the methods reviewed in this report has advantages and disadvantages, but methods based directly on the accounts of patients believed to be undocumented do not require the doubtful assumption that undocumented patients share the same utilization and payment patterns as other patients.

To the extent that the intent of such estimates is to assess the need for additional federal or state assistance to particular institutions, it is important that hospitals within a given jurisdiction reach some consensus on the estimation strategy and the chosen method's treatment of various sources of general operating assistance.

Recommendation

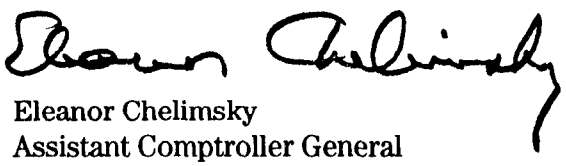
To ensure hospitals' access to the Medicaid reimbursement to which they are entitled for provision of emergency care to certain undocumented aliens, we recommend that the Administrator of HCFA verify New Mexico's implementation of this provision, including its publication in internal manuals and communication to the state's major health care providers.

Agency Comments

Officials of the Immigration and Naturalization Service and the Health Care Financing Administration as well as state and hospital executives were provided a draft of this report for informal comment. Their comments, which were primarily editorial, have been incorporated as appropriate.

We will be sending copies of this report to the Secretary of HHS, the Administrator of HCFA, the Commissioner of INS, the Governor of New Mexico, and other interested parties. If you have any questions or would like additional information, please call me at (202) 275-1854, or Robert L. York, Director of Program Evaluation in Human Services Areas, at (202) 275-5885. Other major contributors to this report are listed in appendix I.

Sincerely yours,



Eleanor Chelimsky
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Glossary

Aid to Families With Dependent Children	A program under title IV-A of the Social Security Act that provides federal funds for state programs furnishing cash welfare payments to families of needy dependent children. The alien eligibility standard for AFDC benefits requires state AFDC plans to exclude from participation any individual who is not: (1) a citizen, or (2) an alien lawfully admitted for permanent residence or otherwise permanently residing under the color of law.
Alien	Any person who is not a citizen or national of the United States.
Illegal Alien	An alien who has entered the country without inspection, overstayed the length of his or her legal admission, or otherwise violated the conditions of admission.
Immigrant	An alien admitted to the United States as a lawful permanent resident.
Legalized Aliens	Certain illegal aliens who were eligible to apply for temporary resident status under the legalization provision of the Immigration Reform and Control Act of 1986.
Medicaid	A program under title XIX of the Social Security Act that makes federal matching funds available to states to reimburse health care providers for treatment of needy individuals who meet certain eligibility tests. Traditionally, eligibility for Medicaid has been linked to actual or potential receipt of AFDC or SSI cash assistance and limited to citizens, permanent resident aliens, and aliens who are permanently residing under color of law. The Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509) and implementing regulations provide for Medicaid coverage for emergency services (including emergency labor and delivery) furnished to undocumented aliens who, aside from their immigration status, meet all progam eligibility requirements, except presentation of a social security number and receipt of AFDC or SSI payments.
Net Cost	The result of subtracting total reimbursements from gross costs.
Permanent Resident Alien	See "immigrant."

Permanently Residing Under Color of Law	A status, rather than an immigration category, which has been defined through litigation and is used primarily to determine eligibility for benefits and services, including Medicaid. This generally refers to aliens who are known to the government and are allowed to remain in the United States at the discretion of the INS.
Supplemental Security Income	A federal program under title XVI of the Social Security Act that provides cash assistance to needy persons who are age 65 or over, blind, or disabled. SSI eligibility is limited to citizens and aliens lawfully admitted for permanent residence or otherwise permanently residing in the United States under color of law.
Uncompensated Costs	While this term is sometimes used to refer to the difference between the costs or expenditures for a patient's care and payment received from or on behalf of the patient, in this report the definition of "uncompensated costs" also credits other general federal and state financial assistance received by hospitals.
Undocumented Alien	An illegal alien who has no valid documentation of his or her legal entry into the United States or right to remain in the country. As used in this report, the term "undocumented alien" excludes applicants for legalization under the Immigration Reform and Control Act of 1986.

Related GAO Products

Hispanic Access to Health Care: Significant Gaps Exist (GAO/PEMD-92-6, Jan. 15, 1992).

Medicaid Expansions: Coverage Improves But State Fiscal Problems Jeopardize Continued Progress (GAO/HRD-91-78, June 25, 1991).

Trauma Care: Lifesaving System Threatened by Unreimbursed Costs and Other Factors (GAO/HRD-91-57, May 17, 1991).

Health Insurance Coverage: A Profile of the Uninsured in Selected States (GAO/HRD-91-31FS, Feb. 8, 1991).

Federal Appropriations for State Legalization Impact Assistance Grants (GAO/T-HRD-90-43, June 27, 1990).

Health Care: Availability in the Texas-Mexico Border Area (GAO/HRD-89-12, Oct. 26, 1988).

Immigration Control: A New Role for the Social Security Card (GAO/HRD-88-4, Mar. 16, 1988).

Undocumented Aliens: Estimating the Cost of Their Uncompensated Hospital Care (GAO/PEMD-87-24BR, Sept. 16, 1987).

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