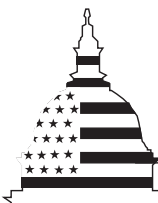


May 2004

UNDOCUMENTED ALIENS

Questions Persist about Their Impact on Hospitals' Uncompensated Care Costs



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Highlights of [GAO-04-472](#), a report to congressional requesters

UNDOCUMENTED ALIENS

Questions Persist about Their Impact on Hospitals' Uncompensated Care Costs

Why GAO Did This Study

About 7 million undocumented aliens lived in the United States in 2000, according to Immigration and Naturalization Service estimates. Hospitals in states where many of them live report that treating them can be a financial burden. GAO was asked to examine the relationship between treating undocumented aliens and hospitals' costs not paid by patients or insurance. GAO was also asked to examine federal funding available to help hospitals offset costs of treating undocumented aliens and the responsibility of the Department of Homeland Security (Homeland Security) for covering medical expenses of sick or injured aliens encountered by Border Patrol and U.S. port-of-entry officials.

To conduct this work, GAO surveyed 503 hospitals and interviewed Medicaid and hospital officials in 10 states. GAO also interviewed and obtained data from Homeland Security officials.

What GAO Recommends

GAO recommends that the Secretary of Health and Human Services, in establishing a payment process under recently enacted legislation, develop appropriate internal controls to ensure payments are made only for unreimbursed emergency services for undocumented or certain other aliens. The Centers for Medicare & Medicaid Services concurred with GAO's recommendation. Homeland Security also agreed with the report's findings.

www.gao.gov/cgi-bin/getrpt?GAO-04-472.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Janet Heinrich at (202) 512-7119.

What GAO Found

Hospitals generally do not collect information on their patients' immigration status, and as a result, an accurate assessment of undocumented aliens' impact on hospitals' uncompensated care costs—those not paid by patients or by insurance—remains elusive. GAO attempted to examine the relationship between uncompensated care and undocumented aliens by surveying hospitals, but because of a low response rate to key survey questions and challenges in estimating the proportion of hospital care provided to undocumented aliens, GAO could not determine the effect of undocumented aliens on hospitals' uncompensated care costs.

Federal funding has been available from several sources to help hospitals cover the costs of care for undocumented aliens. The sources include Medicaid coverage for emergency medical services for eligible undocumented aliens, supplemental Medicaid payments to hospitals treating a disproportionate share of low-income patients, and funds provided to 12 states by the Balanced Budget Act of 1997 (see table). In addition, the recently enacted Medicare Prescription Drug, Improvement, and Modernization Act of 2003 appropriated \$1 billion over fiscal years 2005 through 2008 for payments to hospitals and other providers for emergency services provided to undocumented and certain other aliens. By September 1, 2004, the Secretary of Health and Human Services must establish a process for hospitals and other providers to request payments under the statute.

Federal Funding Sources That Have Been Available to Help Cover Costs of Treating Undocumented Aliens

Program	Description
Medicaid	Covers emergency medical services for undocumented aliens who meet Medicaid eligibility requirements
Medicaid disproportionate share hospital payments	Provides supplemental payments to certain hospitals serving a larger number of low-income patients
Balanced Budget Act of 1997	Made \$100 million available to 12 states in fiscal years 1998 through 2001 for emergency services furnished to undocumented aliens

Source: GAO.

Border Patrol and U.S. port-of-entry officials encounter aliens needing medical attention under different circumstances, but in most situations, Homeland Security is not responsible for aliens' hospital costs. The agency may cover medical expenses only for those people in its custody, but border officials reported that sick or injured people they encounter generally receive medical attention without being taken into custody.

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Abbreviations

BBA	Balanced Budget Act of 1997
CMS	Centers for Medicare & Medicaid Services
DSH	disproportionate share hospital
EMTALA	Emergency Medical Treatment and Active Labor Act
INS	Immigration and Naturalization Service

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United States General Accounting Office
Washington, DC 20548

May 21, 2004

Congressional Requesters

An estimated 7 million undocumented aliens¹ resided in the United States in 2000, according to the Immigration and Naturalization Service (INS).² Concern has been raised that uncompensated care costs due to treating undocumented aliens place financial strain on hospitals in many areas of the United States, including along the U.S.-Mexican border.³ Some hospital associations and hospital officials report that increasing numbers of persons they believe to be undocumented aliens, including some whom the U.S. Border Patrol has encountered and found in need of immediate medical attention, are arriving at their hospitals. In addition, U.S. port-of-entry officials may grant aliens humanitarian parole, a means of allowing temporary access into the United States, and these aliens may also arrive at hospitals in need of medical care. Because federal law requires hospitals participating in the federal Medicare health insurance program to medically screen and, if necessary, treat to stabilize any person seeking care for an emergency medical condition, regardless of immigration status, some hospital officials have said they believe the federal government should help pay for emergency and other medical care provided to undocumented aliens.

Although hospital officials contend that they are left to absorb uncompensated care costs for emergency treatment and other medical services provided to undocumented aliens, questions remain about the

¹Federal law does not define the term “undocumented alien.” For purposes of this report, the term “undocumented alien” refers to a person who enters the United States without legal permission or who fails to leave when his or her permission to remain in the United States expires.

²INS was abolished and its functions, including those of the Border Patrol and immigration inspection at ports of entry, were transferred to the Department of Homeland Security, effective March 1, 2003. Pub. L. No. 107-296, § 441, 116 Stat. 2135, 2192 (2002).

³Hospital uncompensated care is care for which the hospital receives no payment from either the patient or an insurer. Uncompensated care costs include (1) costs of providing charity care, that is, care for which the hospital never expected to receive payment because of the patient’s inability to pay, and (2) bad debt incurred for services for which the hospital expected but did not receive payment because patients were unable or unwilling to pay.

magnitude of the problem. No national data are available on the number of undocumented aliens who receive medical care, the specific services they receive, or the uncompensated care costs associated with their treatment. At your request, we conducted a study to address this issue. We focused our work on the following questions:

- To what extent are hospitals' uncompensated care costs related to treating undocumented aliens?
- What has been the availability of federal funding sources to help offset hospitals' costs of treating undocumented aliens?
- What is the responsibility of the Department of Homeland Security (Homeland Security) to cover the medical expenses of aliens needing emergency medical care who are either encountered by Border Patrol agents or granted humanitarian parole by U.S. port-of-entry officials?

To conduct this work, we focused our review on 10 states: Arizona, California, Florida, Georgia, Illinois, New Jersey, New Mexico, New York, North Carolina, and Texas. We selected the 4 Southwest states—Arizona, California, New Mexico, and Texas—because uncompensated care costs due to treating undocumented aliens has been a long-standing issue for hospitals located in communities near the U.S.-Mexican border. We selected the other 6 states because high estimated numbers of undocumented aliens resided there in 2000, according to INS. In all, the 10 states comprised an estimated 78 percent of the population of undocumented aliens in the United States in 2000. We mailed a questionnaire to 503 hospitals located in the 10 states. We received survey responses from 351 hospitals (70 percent), of which 198 (39 percent of surveyed hospitals) provided the information necessary for us to calculate their total uncompensated care costs and the proportion of care they provided to patients without a Social Security number, a proxy we used for undocumented aliens. To determine the availability of federal funding sources to hospitals treating undocumented aliens, we obtained documents and interviewed officials from state Medicaid offices and state hospital associations in the 10 states, as well as from the Department of Health and Human Services' Centers for Medicare & Medicaid Services (CMS). In addition, we reviewed provisions of the recently enacted Medicare Prescription Drug, Improvement, and Modernization Act of 2003 pertaining to payments to providers for treating undocumented and other aliens. Finally, to determine the policies and practices used by the U.S. Border Patrol and U.S. port-of-entry officials when they encounter aliens needing emergency medical care, we interviewed Homeland Security

officials, including officials from relevant Border Patrol jurisdictions and U.S. ports of entry along the U.S.-Mexican border. We also interviewed Coast Guard officials about their encounters with sick or injured aliens at sea. For additional information on our scope and methodology and survey results, see appendixes I and II. We conducted our work from September 2002 through April 2004 in accordance with generally accepted government auditing standards.

Results in Brief

The impact of undocumented aliens on hospitals' uncompensated care costs remains uncertain. Hospitals generally do not collect information on patients' immigration status, thereby making it difficult to identify patients who are undocumented aliens and the costs associated with treating them. We determined that a potentially feasible method for hospitals to collect information for our survey that would allow us to estimate the amount of care given to undocumented aliens would be to identify patients without a Social Security number. We used this proxy, with the understanding that it could possibly over- or underestimate the number of undocumented aliens, in our survey of hospitals to assess the effect of undocumented aliens on hospitals' total uncompensated care costs. Thirty-nine percent of surveyed hospitals provided information to evaluate this relationship. Because of the low response rate to key questions and because we were unable to assess the accuracy of the proxy, we could not determine the effect of undocumented aliens on hospitals' levels of uncompensated care.

Federal funding to help offset hospitals' costs for treating undocumented aliens has been available from several sources, but this funding has not covered care of all undocumented aliens or all medical services and has not been available to all hospitals. Two of these sources are available through the Medicaid program, the joint federal-state program that finances health care for low-income people. First, Medicaid provides health care coverage for some undocumented aliens. Like citizens, however, some undocumented aliens are not eligible for or may choose not to enroll in Medicaid. In addition, coverage for undocumented aliens under Medicaid is limited to services for treatment of emergency medical conditions. Second, Medicaid disproportionate share hospital (DSH) adjustments provide supplemental payments to hospitals serving relatively large numbers of low-income patients, which can include undocumented aliens. Not all hospitals receive these payments, however. A third source of federal funding was provided in the Balanced Budget Act of 1997 (BBA), which made \$25 million available annually, from fiscal years 1998 through 2001, to selected states for emergency services provided to undocumented aliens. States could use these funds to recover the state share of Medicaid

expenditures for undocumented aliens and other state expenditures for undocumented aliens not eligible for Medicaid. The states we reviewed all opted to use these funds to help recover their state Medicaid expenditures, and no new funding was available to hospitals to help cover costs of undocumented aliens not eligible for Medicaid. The recently enacted Medicare Prescription Drug, Improvement, and Modernization Act of 2003 appropriated additional federal funding—\$1 billion over fiscal years 2005 through 2008—for payments to hospitals and other eligible providers of emergency medical services delivered to undocumented and certain other aliens. According to the statute, the Secretary of Health and Human Services must establish by September 1, 2004, a process for hospitals and other providers to request these payments.

Border Patrol agents and U.S. port-of-entry officials encounter aliens needing emergency medical care under different circumstances, but in most cases Homeland Security is not responsible for these aliens' hospital costs. Homeland Security may cover medical expenses only of people in its custody, and persons needing emergency medical assistance encountered by the Border Patrol and U.S. port-of-entry officials generally receive hospital care without being taken into custody. Border Patrol officials reported that their first priority when they encounter sick or injured people is to seek medical assistance, generally without first determining immigration status or taking them into custody. In some circumstances, such as when a sick or injured person is of particular law enforcement interest—for example, a suspected drug smuggler—Border Patrol agents may take a person into custody at the hospital; in this case, Homeland Security is responsible for the costs of care once the alien is in custody. Although the Border Patrol tracks aliens in its custody, it does not track the number of aliens not in custody whom it refers to hospitals. At U.S. ports of entry, officials may encounter aliens seeking entry to obtain emergency medical care from a U.S. hospital. Under certain circumstances, U.S. port-of-entry officials may grant these aliens humanitarian parole, a means of allowing temporary access into the United States, for urgent medical reasons. According to officials, these types of paroles do not occur often, and when they do, the aliens are not placed in custody and Homeland Security is not responsible for medical expenses. Data collected by Homeland Security's Bureau of Customs and Border Protection's Office of Field Operations show that from June through October 2003, 54 such paroles were authorized at ports along the U.S.-Mexican border.

We are making a recommendation that as part of establishing a process for paying hospitals' and other providers' claims under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Secretary of Health and Human Services develop appropriate internal controls to ensure that claims are paid only for unreimbursed emergency services for undocumented or certain other aliens as designated in the statute. In commenting on a draft of this report, CMS concurred with our recommendation and stated that the agency expects to include proper internal controls in its payment process before distributing any funds to providers. CMS also indicated that it would be helpful for GAO to provide insight into the specific internal controls that would be useful in ensuring that claims are paid only for unreimbursed emergency services for undocumented and certain other aliens. In response to CMS's request, we amended our recommendation to be more specific. We also provided officials in Homeland Security an opportunity to comment on a draft of this report. In its comments, Homeland Security generally agreed with the report's findings. Both agencies also provided technical comments, which we incorporated as appropriate. The agencies' comment letters are reprinted in appendixes III and IV.

Background

According to INS, the estimated population of undocumented aliens in the United States increased from 3.5 million in 1990 to about 7 million in 2000. Many states that had relatively few undocumented aliens in 1990 experienced rapid growth of this population during the decade. The estimated number of undocumented aliens residing in Georgia, for example, rose from 34,000 in 1990 to 228,000 in 2000. INS estimates indicate that the vast majority of undocumented aliens were concentrated in a few states, with nearly 70 percent from Mexico.⁴

Undocumented aliens' use of medical services has been a long-standing issue for hospitals, particularly among those located along the U.S.-Mexican border. As required by the Emergency Medical Treatment and Active Labor Act (EMTALA), hospitals participating in Medicare must medically screen all persons seeking emergency care and provide the treatment necessary to stabilize those determined to have an emergency

⁴U.S. Immigration and Naturalization Service, *Estimates of the Unauthorized Immigrant Population Residing in the United States: 1990 to 2000* (Washington, D.C.: 2003).

condition, regardless of income or immigration status.⁵ Two recent studies have reported on hospitals' provision of care to undocumented aliens, but they were limited in scope.⁶ National data sources on health insurance coverage do not report the extent to which undocumented aliens have health insurance or are otherwise able to pay for their medical care. Available data on the broader category of foreign-born noncitizens suggests that a large proportion may be unable to pay for their medical care. A U.S. Census Bureau report indicates that in 2002, more than 40 percent of foreign-born noncitizens residing in the United States, including undocumented and some lawful permanent resident aliens, lacked health insurance.⁷

Homeland Security's Bureau of Customs and Border Protection is responsible for securing the nation's borders. The bureau's Border Patrol is responsible for detecting and apprehending persons who attempt to enter illegally between official ports of entry. The bureau's Office of Field Operations oversees U.S. port-of-entry officials who inspect and determine the admissibility of all individuals seeking to enter the United States at official ports of entry. Both Border Patrol agents and U.S. port-of-entry officials may come into contact with persons needing emergency medical care. For example, Border Patrol agents may encounter persons suffering from severe dehydration or who have been injured in vehicle accidents, and U.S. port-of-entry officials may encounter persons with urgent medical

⁵EMTALA applies to hospitals participating in Medicare, the federal health insurance program for seniors age 65 and over, and some disabled persons. See 42 U.S.C. § 1395dd (2000). According to federal regulations implementing EMTALA, a hospital that provides emergency services must medically screen all persons who come to the hospital seeking emergency care to determine whether an emergency medical condition exists. If the hospital determines that a person has an emergency medical condition, the hospital must provide treatment necessary to stabilize that person or arrange for an appropriate transfer to another facility. See 42 C.F.R. pt. 489 (2003).

⁶One study, conducted for the United States–Mexico Border Counties Coalition, focused on the 24 counties located along the U.S.-Mexican border [MGT of America, *Medical Emergency: Costs of Uncompensated Care in Southwest Border Counties* (Austin, Tex.: 2002)]. The study estimated that uncompensated care due to emergency medical treatment provided to undocumented aliens was approximately \$190 million, but the 95 percent confidence interval around this estimate ranged from about \$7 million to about \$373 million. Another study, conducted by the Florida Hospital Association in 2002, examined hospital charges for uninsured noncitizens in 56 Florida hospitals, or 26 percent of the acute care hospitals in that state.

⁷U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, *Health Insurance Coverage in the United States: 2002* (Washington, D.C.: 2003).

needs, such as burn victims, seeking entry because the closest capable medical facility is in the United States.

Border Patrol operations are divided into 21 sectors, but more than 95 percent of Border Patrol apprehensions in 2002 occurred in 9 sectors bordering Mexico. Since the mid-1990s, the Border Patrol has been implementing a strategy to strengthen security and disrupt traditional pathways of illegal immigration along the border with Mexico. As we reported in August 2001, however, one of the strategy's major effects has been a shift in illegal alien traffic from traditional urban crossing points such as San Diego, California, to harsher, more remote areas of the border.⁸ Rather than being deterred from illegal entry, many aliens have instead risked injury and death trying to cross mountains, deserts, and rivers. To reduce the number of undocumented aliens who die or are injured trying to cross the border illegally, INS in 1998 created the Border Safety Initiative, whose focus includes searching for and rescuing those who may have become lost. One element of the initiative is tracking the number of aliens whom Border Patrol agents rescue, a subset of all Border Patrol encounters with sick or injured aliens.⁹

U.S. port-of-entry officials inspect and determine the admissibility of persons seeking entry at air, land, and sea ports of entry around the country. Along the U.S.-Mexican border, officials at the 24 land ports of entry, which cover 43 separate crossing points, conducted more than 250 million inspections in fiscal year 2003.¹⁰ The Secretary of Homeland Security may parole—that is, allow temporary access into the United

⁸U.S. General Accounting Office, *INS' Southwest Border Strategy: Resource and Impact Issues Remain after Seven Years*, [GAO-01-842](#) (Washington, D.C.: Aug. 2, 2001).

⁹The Border Patrol defines a "rescue" as a situation in which the lack of intervention by the Border Patrol could result in death or serious bodily injury to those suspected of attempting to enter illegally.

¹⁰Previously under the INS, each of the 43 crossing points was considered a distinct port of entry for most purposes.

States—an otherwise inadmissible alien for urgent humanitarian reasons, such as treatment for an emergency medical condition.¹¹

Effect of Undocumented Aliens on Hospitals' Uncompensated Care Costs Is Uncertain

The impact of undocumented aliens on hospitals' uncompensated care costs remains uncertain. Determining the number of undocumented aliens treated at a hospital is challenging because hospitals generally do not collect information on patients' immigration status and because undocumented aliens are reluctant to identify themselves. After speaking with experts and hospital administrators, we determined that one potentially feasible method for hospitals to estimate this population is to identify patients without a Social Security number, recognizing that this proxy can over- or underestimate undocumented aliens.¹² We surveyed 503 hospitals in 10 states to collect information on patients without a Social Security number and their effect on hospitals' uncompensated care levels—that is, uncompensated care costs as a percentage of total hospital expenses. We also included a question in the survey to determine what other methods, if any, hospitals were using to track undocumented aliens to help assess how well patients without a Social Security number served as a proxy for this population.

Despite a concerted follow-up effort, we did not receive a sufficient survey response to assess the impact of undocumented aliens on hospitals' uncompensated care levels or to evaluate the lack of a Social Security number as a proxy for undocumented aliens. (Details on our survey methods and analysis appear in app. I.) Although about 70 percent of hospitals responded to the survey, only 39 percent provided sufficient information to evaluate the relationship between uncompensated care levels and the proportion of care provided to patients without a Social Security number. Of all responding hospitals, fewer than 5 percent reported having a method other than the lack of a Social Security number alone to identify their undocumented alien patients, and the methods used by these hospitals varied. For example, one hospital identified

¹¹Under the Immigration and Nationality Act, the Attorney General was authorized to parole aliens into the United States for humanitarian reasons. *See* 8 U.S.C. § 1182(d)(5)(A) (2000). This authority was transferred to the Secretary of Homeland Security and responsibility for this authority was delegated to the level of port director. Humanitarian paroles may also be granted for other reasons, such as to allow an individual to attend the funeral of a close relative or to accompany seriously ill family members.

¹²For example, U.S. citizens might not provide their Social Security number, or undocumented aliens might provide a false or stolen Social Security number.

undocumented aliens as those who were both Hispanic and lacked a Social Security number; other hospitals identified undocumented alien patients through foreign addresses or information from patient interviews. Furthermore, the estimates produced by these other methods were inconsistent with those produced by using lack of Social Security number alone. Because we did not receive a sufficient survey response rate and because we were unable to assess the accuracy of the proxy, we could not determine the effect of undocumented aliens on hospital uncompensated care levels. Until better information is available, assessing the relationship between this population and hospitals' uncompensated care levels will continue to pose methodological challenges.

Some Federal Funding Has Been Available but Not for All Undocumented Aliens or Hospitals

Some federal funding has been available to assist with hospitals' costs of treating undocumented aliens, but this funding has not covered care of all undocumented aliens or all hospital services, and not all hospitals receive it. Two funding sources are available through the Medicaid program. First, Medicaid provides some coverage for eligible undocumented aliens, such as low-income children and pregnant women. Not all undocumented aliens are eligible for or enrolled in Medicaid, however, and this coverage is limited to emergency medical services, including emergency labor and delivery. Second, Medicaid DSH adjustments are available to some hospitals treating relatively large numbers of low-income patients, including undocumented aliens. Finally, under the provisions of BBA, \$25 million was available annually, from fiscal years 1998 through 2001, to assist certain states with their costs of providing emergency services to undocumented aliens regardless of Medicaid eligibility. According to state Medicaid officials in the states we reviewed, states used these funds to help recover the state share of Medicaid expenditures for undocumented aliens, and not to recover hospitals' costs of care for undocumented aliens not eligible for Medicaid. Recent legislation appropriated additional federal funding—\$250 million annually for fiscal years 2005 through 2008—for payments to hospitals and other eligible providers for emergency medical services delivered to undocumented and certain other aliens.

Medicaid Covers Emergency Medical Services for Eligible Undocumented Aliens

Undocumented aliens may qualify for Medicaid coverage for treatment of an emergency condition if, except for their immigration status, they meet Medicaid eligibility requirements. Medicaid coverage is also limited to care and services necessary for treatment of emergency conditions for certain legal aliens—including lawful permanent resident aliens who have resided in the United States for less than 5 years and aliens admitted into the

United States for a limited time, such as some temporary workers. We refer to Medicaid coverage for these groups of individuals—that is, those whose coverage is limited to treatment of emergency conditions—as emergency Medicaid. Because immigration status is a factor when states determine an individual’s Medicaid coverage, people applying for Medicaid are asked about their citizenship and immigration status as a part of the Medicaid eligibility determination process.¹³

State Medicaid officials in the 10 states that we reviewed reported spending more than \$2 billion in fiscal year 2002 for emergency Medicaid expenditures (see table 1). Although states are not required to identify or report to CMS their Medicaid expenditures specific to undocumented aliens, several states provided data or otherwise suggested that most of their emergency Medicaid expenditures were for services provided to undocumented aliens. According to data provided by state Medicaid officials in 5 of the 10 states, at least half of emergency Medicaid expenditures in these states were for labor and delivery services for pregnant women.

¹³In general, most aliens applying for Medicaid, including lawful permanent resident aliens, must provide documentation of immigration status and sign a declaration stating that they are in satisfactory immigration status for Medicaid. Undocumented aliens and some other aliens who are eligible only for emergency Medicaid are not required to provide documentation of immigration status or sign a declaration of immigration status.

Table 1: Federal and State Emergency Medicaid Expenditures for 10 States, Fiscal Year 2002

Dollars in millions

State	Expenditures
Arizona	84
California ^a	776
Florida	223
Georgia	62
Illinois	75
New Jersey	27
New Mexico ^b	4
New York	474
North Carolina	43
Texas	265
Total	2,034^c

Source: State Medicaid officials.

^aCalifornia emergency Medicaid expenditures do not include expenditures for lawful permanent resident aliens.

^bData for New Mexico are for state fiscal year 2002.

^cNumbers do not add to total shown because of rounding.

Emergency Medicaid expenditures in the 10 states have increased over the past several years but remain a small portion of each state's total Medicaid expenditures. In 9 of the 10 states we reviewed, emergency Medicaid expenditures grew faster than the states' total Medicaid expenditures from fiscal years 2000 to 2002.¹⁴ For example, while Georgia's total Medicaid expenditures increased by 44 percent during this period, the state's emergency Medicaid expenditures increased 349 percent—nearly eight times as fast. Nevertheless, emergency Medicaid expenditures in these states accounted for less than 3 percent of each state's total Medicaid expenditures.

¹⁴In Arizona, emergency Medicaid expenditures increased from fiscal year 2000 to fiscal year 2002, but the percentage increase was not more than that for total Medicaid expenditures. California's data on emergency Medicaid expenditures excluded those for lawful permanent resident aliens.

Emergency Medicaid funding is limited in that not all undocumented aliens treated at hospitals are eligible for Medicaid, not all eligible undocumented aliens enroll in Medicaid, and not all hospital services provided to enrolled undocumented aliens are covered by Medicaid.

- **Not all undocumented aliens are eligible for Medicaid.** Undocumented aliens are eligible for emergency Medicaid coverage only if, except for immigration status, they meet Medicaid eligibility criteria applicable to citizens. Many state hospital association officials we interviewed commented that hospitals were concerned about undocumented aliens who do not qualify for Medicaid. To qualify, undocumented aliens must belong to a Medicaid-eligible category—such as children under 19 years of age, parents with children under 19, or pregnant women—and meet income and state residency requirements. Arizona hospital and Medicaid officials said that many undocumented aliens treated at their hospitals are only passing through the state and cannot meet Medicaid state residency requirements. However, comprehensive data are not available to determine the extent to which undocumented aliens receiving care in hospitals are not eligible for Medicaid coverage.
- **Not all eligible undocumented aliens enroll in Medicaid.** Factors besides eligibility may also influence the number of eligible undocumented aliens who actually enroll in Medicaid and receive coverage. According to officials in most state Medicaid offices and hospital associations we interviewed, fear of being discovered by immigration authorities is one factor that can deter undocumented aliens from enrolling.¹⁵ Enrollment in Medicaid involves filling out an application; providing personal information such as income and place of residency; and, in some states, an interview. Also, because undocumented aliens are generally covered by Medicaid only for the duration of an emergency event, they may have to reenroll each time they receive emergency services.
- **Not all hospital services provided to undocumented aliens enrolled in Medicaid are covered.** Medicaid coverage for undocumented aliens is limited to treatment of an emergency medical condition. Hospital

¹⁵At the same time, pre-enrollment policies in some states may facilitate enrollment. In 2 of the 10 states we reviewed, Medicaid officials said that undocumented aliens in their states may enroll in Medicaid before an emergency condition arises; a third state allows undocumented women to enroll during their third trimester of pregnancy. Medicaid officials in 2 of these states reported believing that such policies can increase enrollment of undocumented aliens.

association officials in 7 of the 10 states we reviewed reported that a concern of hospitals is the cost of treatment for undocumented aliens that continues beyond emergency services and is not covered by Medicaid. Aside from anecdotal information, however, data are not available to determine the extent to which hospitals are treating undocumented aliens for nonemergency conditions. Further, within federal guidelines, the services covered under emergency Medicaid may vary from state to state.¹⁶ According to an eligibility expert in CMS's Center for Medicaid and State Operations, the agency's position is that each case needs to be evaluated on its own merits, and the determination of what constitutes an emergency medical service is left to the state Medicaid agency and its medical advisors.

Medicaid Disproportionate Share Hospital Adjustments Aid Some Hospitals

Medicaid DSH payments are another source of funding available to some hospitals that could help offset the costs of treating undocumented aliens. Under the Medicaid program, states make additional payments, called DSH adjustments, to qualified hospitals serving a disproportionate number of Medicaid beneficiaries and other low-income people, which can include undocumented aliens. As with other Medicaid expenditures, states receive federal matching funds for DSH payments to hospitals. Medicaid DSH allotments—the maximum federal contribution to DSH payments—totaled \$5 billion in fiscal year 2002 in the 10 states we reviewed. All hospitals, however, do not receive these funds. In general, a hospital qualifies for DSH payments on the basis of the relative amount of Medicaid service or charity care it provides. Care provided to undocumented aliens could fall into one of these categories.¹⁷ The extent to which hospitals benefit from

¹⁶Two court cases have provided slightly different interpretations of the scope of coverage under emergency Medicaid. See *Greenery Rehabilitation Group, Inc. v. Hammon*, 150 F.3d 226 (2nd Cir. 1998) (stabilization after initial injury ends Medicaid coverage unless another emergency develops) and *Scottsdale Healthcare, Inc. v. Arizona Health Care Cost Containment System Admin.*, 75 P.3d 91 (Az. Sup. Ct. 2003) (stabilization after initial injury does not determine whether Medicaid coverage ends). See also *Luna v. Division of Social Services*, 589 S.E.2d 917 (N.C. Ct. App. 2004) (adopting the reasoning of the Arizona Supreme Court).

¹⁷Hospitals that meet federally set criteria must be designated as DSH hospitals. Under 42 U.S.C. § 1396r-4(b) (2000), a hospital is deemed to be a DSH hospital if its Medicaid inpatient utilization rate is at least one standard deviation above the mean rate for hospitals receiving Medicaid payments in the state or if the hospital's low-income utilization rate exceeds 25 percent. The Medicaid inpatient utilization rate is the number of Medicaid inpatient days as a percentage of total inpatient days. The low-income utilization rate is calculated using total hospital revenue for patient services that are paid by Medicaid, the amount of state and local government cash subsidies for patient services, and total hospital charges for inpatient hospital services attributable to charity care.

DSH payments depends on how states administer the DSH program. Medicaid officials in some states we reviewed said that some hospitals transfer money to the state to support the state's share of the DSH program; such transfers reduce the net financial benefit of DSH payments to these hospitals.

Balanced Budget Act Funding for Undocumented Aliens Retained by States

Federal funding provided under BBA was made available to help states recover their costs of emergency services furnished to undocumented aliens regardless of Medicaid eligibility; the states we reviewed opted to use this money to help recover the state share of emergency Medicaid expenditures. BBA made \$25 million available for each of fiscal years 1998 through 2001 for distribution among the 12 states with the highest numbers of undocumented aliens.¹⁸ INS estimates of the undocumented alien population in 1996 were used to identify the 12 states. Seven of the 10 states we reviewed were eligible for a portion of these allotments; 6 of the 7 states claimed these funds.¹⁹ BBA allotments for these 6 states accounted for 91 percent of the \$25 million available each year. States could use the funds to help recover (1) the state share of emergency Medicaid expenditures for undocumented aliens and/or (2) other state expenditures or those of political subdivisions of the state, for emergency services provided to those undocumented aliens not eligible for Medicaid. In each of the 6 states, Medicaid officials reported using the state's entire BBA payment to recover a portion of what the state had already paid for undocumented aliens under emergency Medicaid. These funds were not used to cover hospitals' costs for the care of undocumented aliens not eligible for Medicaid.

In commenting on BBA funding, state hospital association officials in 5 of the 7 states we interviewed that were eligible for this funding said that the amount was too low. For example, in fiscal year 2001, BBA allotments for undocumented aliens for the two states with the largest (\$11,335,298) and smallest (\$651,780) allotments accounted for less than 2 percent of reported emergency Medicaid expenditures in those states. Officials from several state hospital associations, as well as from the American Hospital Association, reported that their members would like any additional federal

¹⁸Pub. L. No. 105-33, § 4723, 111 Stat. 251, 515.

¹⁹The seven states in our review that qualified for BBA allotments are Arizona, California, Florida, Illinois, New Jersey, New York, and Texas. Of these, New Jersey did not claim any BBA funds.

funding for undocumented aliens to be distributed to hospitals more directly. Some state hospital association and state Medicaid officials nevertheless acknowledged matters that would need to be addressed in order to distribute funds to hospitals for undocumented aliens not covered by emergency Medicaid, including how hospitals would identify, define, and document expenditures for emergency services provided to these undocumented aliens. As mentioned above, fewer than 5 percent of hospitals responding to our survey reported having a method for identifying undocumented alien patients other than tracking patients without a Social Security number.

New Federal Funding Will Be Available Beginning in Fiscal Year 2005

The recently enacted Medicare Prescription Drug, Improvement, and Modernization Act of 2003 appropriated additional funds, beginning in fiscal year 2005, for payments to hospitals and other providers for emergency medical services furnished to undocumented and certain other aliens. Section 1011 of the act appropriated \$250 million for each of fiscal years 2005 through 2008 for this purpose.²⁰ Two-thirds of the funds are to be distributed according to the estimated proportion of undocumented aliens residing in each state; the remaining one-third is designated for the six states with the highest number of apprehensions of undocumented aliens as reported by Homeland Security.²¹ These new funds are to be paid directly to eligible providers, such as hospitals, physicians, and ambulance services, for emergency medical services provided to undocumented and certain other aliens that are not otherwise reimbursed.²² Payment amounts will be the lesser of (1) the amount the provider demonstrates was incurred for provision of emergency services or (2) amounts determined under a methodology established by the Secretary of Health and Human Services. By September 1, 2004, the Secretary is required to establish a process for providers to request payments under the statute.

²⁰Pub. L. No. 108-173, § 1011, 117 Stat. 2066, 2432.

²¹The law specifies that the proportion of undocumented aliens in each state is as determined by INS as of January 2003 on the basis of the 2000 census.

²²In addition to undocumented aliens, the statute pertains to certain Mexican citizens permitted to enter the country for 72 hours or less and aliens paroled into the United States for eligible services. Eligible services include health care services required by EMTALA and related hospital and ambulance services as defined by the Secretary of Health and Human Services.

Homeland Security Is Usually Not Responsible for Hospital Costs of Aliens Needing Emergency Medical Care Who Are Encountered by Border Patrol and Port-of-Entry Officials

Both Border Patrol agents and U.S. port-of-entry officials come into contact with people needing emergency medical assistance whom they refer or allow to enter for care, but in most situations, Homeland Security is not responsible for the resulting costs of emergency medical assistance. Homeland Security may cover medical expenses only of people taken into custody, but Border Patrol officials said that when they encounter people with serious injuries or medical conditions, they generally refer the individuals to local hospitals without first taking them into custody. The agency does not track the number of aliens it refers to hospitals in this fashion. Similarly, undocumented aliens arriving at U.S. ports of entry with emergency medical conditions may be granted humanitarian parole for urgent medical reasons, but they are not in custody, and Homeland Security is not responsible for their medical costs.

The Border Patrol Generally Does Not Take Injured Aliens into Custody and Is Therefore Not Responsible for Subsequent Medical Costs

Although the Border Patrol does not have an agencywide formal written policy regarding encounters with sick or injured persons, Border Patrol officials and documents we obtained indicate that the Border Patrol's first priority in such encounters is to obtain medical assistance and, if necessary, arrange transportation to a medical facility. According to Border Patrol officials, agents generally do not take sick or injured persons into custody on the scene, and because the individuals are not in custody, Homeland Security is not responsible for their medical costs. Under federal law, the U.S. Public Health Service, within the Department of Health and Human Services, is authorized to pay the medical expenses of persons in the custody of immigration authorities.²³ Under an interagency agreement, Homeland Security is responsible for reimbursing the Department of Health and Human Services for hospital care provided to such persons. The statute does not grant the Public Health Service the

²³ 42 U.S.C. § 249 (2000).

authority to cover the medical expenses of aliens not in custody, and therefore Homeland Security is not responsible for these medical costs.²⁴

Border Patrol officials provided a number of different reasons for not first taking injured or sick persons they have encountered into custody. Several officials said, for example, that Border Patrol agents assume a humanitarian role when encountering persons needing emergency medical care, and their first concern is obtaining medical assistance. In addition, many officials said that an injured or sick person's condition may affect his or her ability to reliably answer questions about immigration status. Some Border Patrol officials and documents indicated that taking all sick or injured persons into custody would not be consistent with the agency's primary enforcement mission. They explained that the Border Patrol does not have the resources to pursue a prosecution of every possible violation of law, so agents exercise their prosecutorial discretion and concentrate resources on those violations that will produce maximum results in accomplishing their mission. Further, according to statute, an immigration officer may not arrest an alien without a warrant unless the officer has reason to believe that the person is in the United States in violation of immigration law and is likely to escape before a warrant can be obtained.²⁵ Some officials maintained that when aliens encountered need medical attention and are considered unlikely to escape, they are generally not taken into custody.

Border Patrol officials reported that in certain instances, agents may take particular persons into custody while they are in the hospital. For example, if agents encounter an individual who is of particular law enforcement interest—such as a suspected smuggler of drugs or aliens—they may take that individual into custody. Doing so may involve posting a guard at the hospital. In these circumstances, Homeland Security would

²⁴Under 42 U.S.C. § 249, the Public Health Service is authorized to provide medical care for persons who are “detained by” INS. (INS's functions were transferred to Homeland Security effective Mar. 1, 2003.) The term “detained” is not defined in the statute or in the agency's regulations, but its meaning was addressed in *City of El Centro v. United States*, 922 F.2d 816 (Fed. Cir. 1990). In this case, the court determined the meaning of “detained” by applying principles derived from analogous situations, such as those involving seizures of persons under the Fourth Amendment. According to the court, a seizure occurs when the government acts intentionally to deprive a person of freedom of movement.

²⁵8 U.S.C. § 1357(a)(2) (2000).

assume responsibility for any costs of care once the individual is placed into custody.

Border Patrol agents in the Miami sector encounter sick or injured aliens under conditions slightly different from those in the Southwest, but their practices in such encounters are generally consistent with those reported by the nine Southwest sectors and with Border Patrol's general unwritten policy and practice. According to Miami sector officials, because the sector has fewer than 100 agents to cover more than 1,600 coastal miles in Florida, Georgia, South Carolina, and North Carolina, Miami sector agents typically come into contact with aliens in response to calls from other law enforcement agencies. If the other law enforcement agency called for local emergency medical services before Miami Border Patrol sector agents determined the person's immigration status, Border Patrol agents would not take that person into custody and Homeland Security would not be responsible for his or her medical costs. According to Miami sector officials, Homeland Security is responsible for medical costs only for those people taken into custody after their immigration status has been determined, and agents follow up at the hospital only with these patients. If another law enforcement agency refers the person to the hospital, Border Patrol agents said they do not follow up unless called by the hospital upon the patient's release, and then only if agents are available to respond.

Undocumented aliens are also intercepted at sea by the U.S. Coast Guard. Coast Guard cutters have trained medical personnel on board, and according to officials in the agency's Migrant Interdiction Division, when Coast Guard personnel encounter sick or injured undocumented aliens, their practice is to treat them at sea to the extent possible and return them to their home countries once they are stabilized.²⁶ On occasion, persons encountered at sea with severe medical conditions may need to be transported to shore or directly to a hospital, but this situation rarely occurs. In fiscal year 2002, the Coast Guard brought 9 aliens to shore for medical care and in fiscal year 2003, brought in 14. According to Coast Guard officials, the agency has no responsibility to pay for care of those aliens brought to shore for medical treatment.

²⁶Executive Order 12807 directs the Coast Guard to interdict migrants at sea beyond U.S. territorial limits and return them to their countries of origin.

The Border Patrol's Total Encounters with Sick or Injured Aliens Is Unknown

It is unknown how often the Border Patrol refers sick or injured aliens not taken into custody to hospitals. Border Patrol officials said the agency does not track the total number of encounters with sick or injured persons. What is known is how much the Department of Health and Human Services pays for care, subject to reimbursement from Homeland Security, for those already in Border Patrol custody. In fiscal year 2003, the Department of Health and Human Services paid about \$1.7 million in medical claims for people in Border Patrol custody, of which about \$1.2 million was for hospital inpatient and outpatient expenses. Data are also available on Border Patrol encounters with aliens that the agency categorized as rescues—that is, incidents in which death or serious injury would have occurred had Border Patrol agents not responded—but these data do not include all encounters with aliens who were referred to hospitals without first having been taken into custody. Our analysis of Border Patrol rescue data for the nine sectors on the U.S.-Mexican border shows that in fiscal year 2002 about 360 suspected undocumented aliens were rescued and referred to hospitals for care.²⁷ Rescued aliens were referred to hospitals for a variety of medical reasons, including heat exposure, possible heart attack, injuries, and complications from pregnancy. Nearly half the referrals occurred in the Tucson Border Patrol sector, which covers most of Arizona.

Homeland Security Is Not Responsible for Medical Costs of Aliens Granted Humanitarian Parole for Urgent Medical Reasons, but Few Such Paroles Are Granted

Homeland Security is not authorized to pay the medical costs of aliens granted humanitarian parole at U.S. ports of entry for urgent medical reasons because these individuals are not in custody. Humanitarian paroles for urgent medical reasons are granted by port directors on a case-by-case basis and, according to most officials responsible for ports of entry whom we interviewed, only when the alien is in medical distress or a “life-or-death situation,” such as after a severe head trauma. Some port-of-entry officials cited instances when they turned aliens away because they believed that the medical conditions were not urgent and medical facilities in Mexico could provide treatment. When humanitarian paroles for urgent medical reasons are granted, a formal record of arrival is completed to document the aliens’ entry into the United States. Sometimes, port-of-entry officials know in advance that an injured alien will be arriving, and the form is completed beforehand. If medical urgency prevents completion of this form at the port of entry, an official will go to the hospital to obtain the necessary information. The length of time a paroled alien is allowed to

²⁷Not all persons rescued by the Border Patrol require a referral for hospital care.

remain in the United States is determined case by case but cannot exceed 1 year. Like all other aliens who enter for a temporary period, a paroled alien is expected to leave when his or her authorized stay ends.

Office of Field Operations data show that from June 1 through October 31, 2003, officials at 7 of the 24 ports of entry along the U.S.-Mexican border granted a total of 54 humanitarian paroles for urgent medical reasons.²⁸ Almost two-thirds (35) of these paroles were granted at the Columbus port of entry in New Mexico and brought to one local hospital. A Columbus port-of-entry official stated that the limited capability of the nearby medical facility in Mexico contributes to the high number of humanitarian paroles granted for urgent medical reasons at the port. The hospital that treated most of the paroled patients reported receiving no payment for any of the 27 patients paroled from June through August 2003 and noted that 4 of these patients were later transferred to other hospitals for further care. The other 19 paroles occurred at three ports of entry in Arizona and three ports of entry in Texas, near small towns straddling the border.

Most (17 of 24) of the Southwest border ports of entry reported granting no paroles for urgent medical reasons from June through October 2003. Officials at three ports of entry we reviewed granted no humanitarian paroles for urgent medical reasons during that time and are located near large cities in Mexico. Officials at one of these ports of entry told us that hospital care is available in the Mexican cities across the border, so that Mexican residents need not be treated at U.S. hospitals. Hospital officials in Arizona noted that several Arizona hospitals and the U.S. government have provided funds and equipment to help improve the capabilities of nearby Mexican medical facilities and that these measures helped reduce their burden of cases from Mexico.

Finally, although aliens may be granted humanitarian parole for urgent medical reasons, several port-of-entry officials told us that the majority of persons seeking entry into the United States for emergency medical care have proper entry documents. For example, some aliens arriving at U.S. hospitals may be Mexican nationals with border crossing cards, which allow entry into the United States within 25 miles of the border for business or pleasure for up to 72 hours. Another port official reported that

²⁸In response to our request, Homeland Security's Bureau of Customs and Border Protection's Office of Field Operations collected data starting in June 2003 on the number of humanitarian paroles granted for urgent medical reasons at ports of entry located along the U.S.-Mexican border.

many U.S. citizens live in Mexico and sometimes arrive in ambulances to go to U.S. hospitals. According to some officials responsible for ports of entry, hospitals may not be fully aware of the immigration status of patients who have crossed the border to obtain emergency medical care; this uncertainty may create the impression that ports are granting more humanitarian paroles for urgent medical reasons than they are.

Conclusions

Despite hospitals' long-standing concern about the costs of treating undocumented aliens, the extent to which these patients affect hospitals' uncompensated care costs remains unknown. The lack of reliable data on this patient population and lack of proven methods to estimate their numbers make it difficult to determine the extent to which hospitals treat undocumented aliens and the costs of their care. Likewise, with respect to undocumented aliens referred to hospitals but not first taken into custody by the Border Patrol, neither the Border Patrol nor hospitals track their numbers, making it difficult to estimate these patients' financial impact on hospitals. Until reliable information is available on undocumented aliens and the costs of their care, accurate assessment of their financial effect on hospitals will remain elusive, as will the ability to assess the extent to which federal funding offsets their costs. The availability of new federal funding under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 may offer an incentive for hospitals serving undocumented aliens to collect more reliable information on the numbers of these patients and the costs of their care.

Recommendation for Executive Action

To help ensure that funds appropriated by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 are not improperly spent, we recommend that the Secretary of Health and Human Services, in establishing a payment process, develop appropriate internal controls to ensure that payments are made to hospitals and other providers only for unreimbursed emergency services for undocumented or certain other aliens as designated in the statute. In doing so, the Secretary should develop reporting criteria for providers to use in claiming these funds and periodically test the validity of the data supporting the claims.

Agency Comments

We provided officials in CMS and Homeland Security an opportunity to comment on a draft of this report. In its comments, CMS concurred with our recommendation that the Secretary develop appropriate internal controls and stated that the agency expects to develop appropriate internal controls regarding funds appropriated by section 1011 of the

Medicare Prescription Drug, Improvement, and Modernization Act. The agency said it is currently developing a process for providers to claim these funds and indicated that it would be helpful for GAO to provide insight into the specific internal controls that would be useful in ensuring that claims are paid only for unreimbursed emergency services for undocumented and certain other aliens. In response to CMS's request, we amended our recommendation to be more specific. CMS also agreed that the new federal funding may offer an incentive for those hospitals incurring significant costs for undocumented aliens to collect more reliable information on the number of undocumented alien patients they treat and the costs of their care, but it also noted that other providers, especially those who do not regularly see undocumented aliens in emergency department settings, may choose to continue to provide uncompensated care to this population without ever trying to document the costs. CMS also provided technical comments, which we incorporated as appropriate. Homeland Security generally agreed with the report's findings and provided some technical comments regarding parole and the numbers of ports of entry, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from its date. We will then make copies available to other interested parties upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions, please contact me at (202) 512-7119. Additional GAO contacts and the names of other staff members who made major contributions to this report are listed in appendix V.



Janet Heinrich
Director, Health Care—Public Health Issues

List of Requesters

The Honorable W. Todd Akin
The Honorable Joe Baca
The Honorable Cass Ballenger
The Honorable Nathan Deal
The Honorable Mark Foley
The Honorable Charles A. Gonzalez
The Honorable Luis V. Gutierrez
The Honorable Rubén Hinojosa
The Honorable John L. Mica
The Honorable Grace F. Napolitano
The Honorable Solomon P. Ortiz
The Honorable Ed Pastor
The Honorable Silvestre Reyes
The Honorable Lucille Roybal-Allard
The Honorable José E. Serrano
House of Representatives

Appendix I: Survey Methodology and Results

To collect information on the extent to which hospitals' uncompensated care costs are related to treating undocumented aliens, we mailed a questionnaire to a sample of more than 500 hospitals in 10 states—Arizona, California, Florida, Georgia, Illinois, New Jersey, New Mexico, New York, North Carolina, and Texas. We selected the 4 Southwest states—Arizona, California, New Mexico, and Texas—because uncompensated care costs due to treating undocumented aliens has been a long-standing issue for hospitals located in communities near the U.S.-Mexican border. We selected the other 6 states because high estimated numbers of undocumented aliens resided there in 2000, according to the Immigration and Naturalization Service (INS). In all, the 10 states comprised an estimated 78 percent of the population of undocumented aliens in the United States in 2000. (See table 2.)

Table 2: Estimated Undocumented Aliens Residing in 10 States, 2000

State	Estimated number	Percentage of total estimated undocumented aliens residing in the United States
All States	7,000,000	100.0
California	2,209,000	31.6
Texas	1,041,000	14.9
New York	489,000	7.0
Illinois	432,000	6.2
Florida	337,000	4.8
Arizona	283,000	4.0
Georgia	228,000	3.3
New Jersey	221,000	3.2
North Carolina	206,000	2.9
New Mexico	39,000	0.6

Source: U.S. Immigration and Naturalization Service.

Survey Sample

We sent our survey to a randomly selected stratified sample of 503 of 1,637 short-term, nonfederal, general medical and surgical care hospitals that—according to either the American Hospital Association's annual survey database, fiscal year 2000, or the Centers for Medicare & Medicaid Services Provider of Service File as of the end of 2000—had an emergency department. Table 3 shows the characteristics of the universe from which the hospitals were sampled.

Table 3: Characteristics of Universe from Which Hospitals Were Sampled

Characteristic	Number of hospitals	Percentage of hospitals
All hospitals	1,637	100
Ownership		
Not-for-profit	967	59
Investor owned	317	19
Government owned	353	22
Number of staffed beds		
Less than or equal to 73	415	25
More than 73 and less than or equal to 279	814	50
More than 279	408	25
County poverty level		
Less than or equal to 11%	448	27
More than 11 percent and less than or equal to 19 percent	943	58
More than 19%	246	15
State		
Arizona	53	3
California	335	20
Florida	175	11
Georgia	141	9
Illinois	186	11
New Jersey	71	4
New Mexico	31	2
New York	187	11
North Carolina	107	7
Texas	351	21

Source: GAO analysis of American Hospital Association and U.S. Census Bureau data.

Notes: Because of rounding, percentages may not add to 100. Data from the American Hospital Association's Annual Survey Database, Fiscal Year 2000, and the U.S. Census Bureau's Census 2000 Demographic Profiles.

From this universe of hospitals, we sampled 100 percent of the hospitals in Arizona and New Mexico. In the other 8 states, we stratified the sample by

state, hospital ownership, and estimates of undocumented aliens by county.¹

Survey Questions

Our survey included questions about the hospital, such as (1) whether it had an emergency department in fiscal year 2002; (2) the number of staffed beds on the last day of fiscal year 2002; (3) financial information on bad debt and charity care charges, total expenses, gross patient revenue, and other operating revenue; (4) whether the hospital routinely collected Social Security numbers and, for fiscal year 2002, total inpatient days and the number of inpatient days for people without a Social Security number, our proxy for undocumented aliens; and (5) as a means of evaluating the accuracy of the proxy, whether the hospital used a method other than lack of a Social Security number alone to identify undocumented aliens.

Lack of Social Security Number as a Proxy for Undocumented Aliens

After speaking with hospital officials, we concluded that although lack of a Social Security number could potentially over- or underestimate the actual population of undocumented aliens treated by a hospital, it might be the least burdensome way for hospitals to provide us with information for our survey that would allow us to attempt to identify care given to undocumented aliens. We included a question on the survey asking hospitals to report the number of inpatient days for patients without a Social Security number. We used this information, along with total inpatient days reported, to calculate the proportion of inpatient days for patients without a Social Security number in order to approximate the proportion of inpatient care provided to undocumented aliens. Although undocumented aliens may first seek care through hospital emergency departments, we focused on inpatient care because hospital officials reported that patient data, including Social Security numbers, are generally more complete for persons admitted as inpatients; persons treated in the emergency department are often released before such information can be collected. Further, although a large number of patients may be seen in emergency departments, hospital officials reported that the majority of uncompensated care cost is incurred in inpatient settings.

¹For sampling purposes, we developed estimates of undocumented aliens as a percentage of the population by county by (1) dividing INS estimates of the number of undocumented aliens in each state by Census Bureau estimates of the number of foreign-born noncitizens in the state and (2) applying this ratio to Census Bureau estimates of the number of foreign-born noncitizens in each county.

We could not establish the accuracy of our proxy before carrying out the survey, so to assess our proxy, we included a survey question on hospitals' methods for estimating undocumented aliens. We were, however, unable to determine our proxy's accuracy. Fewer than 5 percent of hospitals responding to the survey reported that they had methods of estimating undocumented aliens other than lack of Social Security number alone. These methods varied among the hospitals and led to estimates inconsistent with those based on lack of a Social Security number.

Survey Pretesting and Response

We also pretested our questionnaire in person with officials at six hospitals to determine if it was understandable and if the information was feasible to collect, and we refined the questionnaire as appropriate. We conducted follow-up mailings and telephone calls to nonrespondents. We obtained responses from 351 hospitals, for an overall response rate of about 70 percent. Of the hospitals that returned surveys, 300 provided financial information to calculate uncompensated care levels—defined as uncompensated care as a percentage of total expenses—but only 198 (39 percent of all hospitals surveyed) provided sufficient information to allow us to examine the relationship between hospitals' uncompensated care levels and the percentage of inpatient days for patients without a Social Security number. We performed checks for obvious errors and inconsistent data but did not independently verify the information hospitals provided in the survey.

Data from Responding Hospitals

Three hundred hospitals provided sufficient information to calculate uncompensated care levels. Table 4 shows financial information for these hospitals; this information is not generalizable to the overall population.

Table 4: Financial Information for Responding Hospitals

Financial information	Median
Total uncompensated care costs (dollars)	\$2.6 million
Total expenses (dollars)	\$58.0 million
Uncompensated care levels (percentage)	5.0

Source: GAO.

Notes: Based on GAO's 2003 survey of hospitals. Results are limited to the 300 respondents that provided sufficient information and are not generalizable to the overall population.

For the 198 hospitals that provided sufficient information, we examined the variation in uncompensated care levels by percentage of inpatient days attributable to patients without a Social Security number after dividing the distribution of the latter into thirds. Table 5 shows this information for these 198 hospitals; this information is not generalizable to the overall population.

Table 5: Uncompensated Care Levels by Tertile of Percentage of Inpatient Days Attributable to Patients without a Social Security Number

Tertile (percentage range)	Median uncompensated care level (percent)	Minimum uncompensated care level (percent)	Maximum uncompensated care level (percent)
Bottom third (0–0.24)	4.3	0.0	17.5
Middle third (> 0.24–1.66)	4.3	1.3	14.6
Top third (> 1.66–19.71)	4.9	1.4	17.0

Source: GAO.

Notes: Based on GAO’s 2003 survey of hospitals. Results are limited to the 198 respondents that provided sufficient information and are not generalizable to the overall population.

Factors other than the percentage of inpatient days attributable to patients without a Social Security number, such as the extent to which hospitals treat uninsured patients (including uninsured patients with a Social Security number), could affect the variation in uncompensated care levels among hospitals.

Since a high proportion of hospitals we surveyed did not provide us with information to calculate the percentage of inpatient days attributable to patients without a Social Security number, and we could not validate the accuracy of this proxy, we cannot evaluate either the relationship between the percentage of inpatient days attributable to patients without a Social Security number and hospitals’ uncompensated care levels, or to what extent hospitals’ uncompensated care costs are related to treating undocumented aliens.

Appendix II: Methodology for Determining Federal Funding Sources and Homeland Security's Responsibility for Medical Costs

To determine the availability of federal funding sources to assist hospitals with the costs of treating undocumented aliens, we reviewed relevant literature and legal documents, spoke with officials at the Centers for Medicare & Medicaid Services (CMS), and interviewed state Medicaid and hospital association officials in the same 10 states in which we surveyed hospitals—Arizona, California, Florida, Georgia, Illinois, New Jersey, New Mexico, New York, North Carolina, and Texas. Specifically, to assess the availability of Medicaid to cover hospitals' costs of treating undocumented aliens, we reviewed Medicaid eligibility and Medicaid disproportionate share hospital (DSH) laws and regulations and interviewed state Medicaid officials about Medicaid coverage, eligibility requirements, and DSH programs in their states. We collected data on total state Medicaid expenditures and DSH allotments from CMS and on emergency Medicaid expenditures from state Medicaid officials. We assessed the reliability of the above data by interviewing agency individuals knowledgeable about the data. After reviewing state expenditure and DSH allotment figures for logic and following up where necessary, we determined that these data sources were sufficiently reliable for the purposes of this report. We also reviewed published reports and spoke with state hospital association officials about impediments to obtaining Medicaid coverage for undocumented aliens treated at hospitals. To determine the availability of federal funds allotted to states through the Balanced Budget Act of 1997 (BBA) for emergency services furnished to undocumented aliens, we obtained information on BBA allotments to states and interviewed state Medicaid officials in the seven states in our review that were eligible to receive these funds about how they used the funds. We also reviewed CMS guidance relevant to BBA's section on emergency medical services for undocumented aliens and interviewed hospital association officials. In addition, we reviewed the provisions in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 pertaining to payments to providers for treating undocumented and other aliens, and we interviewed CMS officials about their plans to implement these provisions.

To determine the responsibility of the Department of Homeland Security (Homeland Security) for covering the medical costs of sick or injured aliens encountered by Border Patrol agents, we reviewed relevant laws, regulations, and legal opinions and interviewed Border Patrol officials in headquarters, in the nine sectors along the U.S.-Mexican border, and in the Miami sector. We also interviewed Coast Guard officials about their encounters with sick or injured aliens at sea. We obtained data from the Department of Health and Human Services' Division of Immigration Health Services on payments for medical claims for aliens in Border Patrol custody. We also obtained and analyzed data from the Border Patrol's

Border Safety Initiative database to determine how many of the suspected undocumented aliens counted as rescues by the Border Patrol were transported to local hospitals. We assessed the reliability of these data by interviewing agency officials knowledgeable about the data, reviewing the data for logic and internal consistency, and following up with officials where necessary. We determined that the data on payments for medical claims for aliens in Border Patrol custody and on suspected undocumented aliens rescued by the Border Patrol were sufficiently reliable for the purposes of this report.

To determine the responsibility of Homeland Security for covering the medical costs of aliens seeking humanitarian parole for urgent medical reasons at ports of entry, we interviewed officials in the four Field Operations offices responsible for ports of entry along the U.S.-Mexican border and at five of the ports of entry: Brownsville, Texas; Columbus, New Mexico; Douglas, Arizona; El Paso, Texas; and San Ysidro, California. At the El Paso port of entry, we interviewed officials at the port's busiest crossing point, Paso Del Norte. We selected these five ports of entry for geographic diversity or because they had granted a large number of paroles. We reviewed relevant laws, regulations, and procedures regarding parole authority. Because Homeland Security did not normally collect data on the number of paroles granted specifically for urgent medical treatment, we requested that the Office of Field Operations record the number of such paroles granted at ports of entry along the U.S.-Mexican border.

Appendix III: Comments from the Centers for Medicare & Medicaid Services




DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: APR 13 2004

TO: Janet Heinrich
Director, Health Care—Public Health Issues
General Accounting Office

FROM: Mark B. McClellan, M.D., Ph.D. 
Administrator
Centers for Medicare & Medicaid Services

SUBJECT: General Accounting Office Draft Report, "Undocumented Aliens: Questions Persist about Their Impact on Hospitals' Uncompensated Care Costs" (GAO-04-472)

Thank you for the opportunity to review and comment on the General Accounting Office's (GAO) draft report entitled, "Undocumented Aliens: Questions Persist about Their Impact on Hospitals' Uncompensated Care Costs."

This report examines the relationship between treating undocumented aliens and hospitals' cost not paid by patients or insurance. In addition, the GAO found hospitals generally do not collect information on their patients' immigration status and, as a result, an accurate assessment of undocumented aliens' impact on hospitals' uncompensated care cost remains elusive. The GAO attempted to examine the relationship between uncompensated care and undocumented aliens by survey. However, due to the low response rate from hospitals, GAO could not determine the effect of undocumented aliens on hospital uncompensated care costs.

Section 1011 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) distributes \$250 million per year during fiscal years 2005 - 2008 to eligible providers (i.e., hospitals, physicians, providers of ambulance services) for emergency services provided to undocumented aliens. Two-thirds of these funds will be divided among all 50 states and the District of Columbia based on their relative percentages of undocumented aliens. One-third will be divided among the six states with the largest number of undocumented alien apprehensions.

Page 2 – Janet Heinrich

The GAO states that the availability of new Federal funding, under the MMA, may offer an incentive for hospitals serving undocumented aliens to collect more reliable information on the number of these patients and the costs of their care. While this may be true for those hospitals incurring significant cost related to undocumented aliens, some hospitals and other providers, especially those who do not see undocumented aliens in an emergency department setting on a regular basis, may choose to continue to provide uncompensated care without ever trying to document the number or costs associated with providing care to this population. In addition, given the pro rata reduction provision contained in section 1011 and the limitation on Federal funding, some providers may choose not to document or bill for emergency services provided to undocumented aliens.

The GAO recommends that, “the Secretary of HHS, in establishing a payment process, develop appropriate internal controls to ensure that payments are made to hospitals and other providers only for unreimbursed emergency services for undocumented or other eligible aliens.”

We concur with the recommendation. In fact, we are currently developing the process to implement section 1011 of the MMA and expect to establish appropriate internal controls prior to making payments to hospitals and other providers. To this end, it would be useful if the GAO provided its insight into the specific internal controls it believes would be useful in ensuring that claims are paid only for unreimbursed emergency services for undocumented or certain other aliens.

Appendix IV: Comments from the Department of Homeland Security


**U.S. CUSTOMS AND BORDER PROTECTION
Department of Homeland Security**

Memorandum

DATE: April 14, 2004

FILE: AUD-1-OP SM

MEMORANDUM FOR JANET HEINRICH
DIRECTOR, HEALTH CARE –
PUBLIC HEALTH ISSUES

FROM: Seth M. M. Stodder 
Director, Office of Policy and Planning

SUBJECT: Draft Audit Report of Undocumented Aliens Hospital Care
Costs

Thank you for providing us with a copy of your draft report entitled, "Undocumented Aliens: Questions Persist about Their Impact on Hospitals' Uncompensated Care Costs" and the opportunity to discuss the issues in this report.

CBP generally agrees with the report and has provided the attached general/technical comments to be included in the final report.

We have determined that the information contained in the draft report does not warrant protection under the Freedom of Information Act.

If you have any questions regarding the attached comments, please have a member of your staff contact Ms. Sandy Manuel at (202) 927-2096.

Attachment

Vigilance ★ *Service* ★ *Integrity*

Appendix V: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Linda Y. A. McIver, (206) 287-4821

Acknowledgments

In addition to those named above, Carla D. Brown, Ellen W. Chu, Jennifer Cohen, Michael P. Dino, Jennifer Major, Kevin Milne, Dae Park, Karlin Richardson, Sandra Sokol, Adrienne Spahr, Leslie Spangler, and Marie C. Stetser made key contributions to this report.

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