# Issue Brief
Findings from HSC

## PHYSICIANS PULLING BACK FROM CHARITY CARE

*by Marie C. Reed, Peter J. Cunningham and Jeffrey J. Stoddard*

***Physicians have long provided care to the medically indigent for free or at reduced rates. However, recent findings from the Center for Studying Health System Change (HSC) indicate that the proportion of physicians providing charity care dropped from 76 percent to 72 percent between 1997 and 1999. In the short term, most medically indigent people are still getting care. But policy makers should take note that reduced physician participation in charity care will hurt the poor if—as projected—growth in physician supply slows and the number of uninsured rises along with escalating health care costs. This Issue Brief discusses the extent of the decline in physician provision of charity care, the reasons for the decline and implications for the future of the safety net.***

### Decline Is Widespread

Physicians—along with hospitals, community health centers and free clinics—are part of the country's safety net, and their continued commitment to providing charity care is important to the medically indigent and policy makers. Between 1996-97 and 1998-99, the proportion of patient care physicians providing charity care declined from 76 percent to 72 percent, according to HSC's Community Tracking Study Physician Survey (see Table 1). Although the overall number of practicing patient care physicians increased, the number of physicians providing charity care did not change. The average amount of charity care supplied by physicians who did provide charity care remained constant at 11 hours per month.

Although some types of physicians—for example, those working in staff or group-model health maintenance organizations (HMOs) and those who do not own their own practices—are less likely to provide charity care than others, the decline in charity participation occurred in virtually all segments of the physician pool (see Table 2), including:

- physicians who own their practices;
- employed physicians;
- primary care physicians and specialists;
- physicians in most sizes and kinds of practice settings; and
- physicians in practices receiving less than 60 percent of revenue from managed care, a group that includes nearly 75 percent of all patient care physicians.

### The Changing Medical Marketplace

The decline in physicians providing charity care may be related in part to changes in the medical marketplace, including an increase in managed care and the trend away from physician ownership of practices during the 1990s. For example, charity care is more common in solo or small group practices, among physicians who own their practice and in practices with less managed care (as measured by percent of practice revenue). Yet the percentage of physicians practicing in these types of arrangements declined between 1996-97 and 1998-99 (see Table 3).

A simulation of the expected proportion of physicians providing charity care indicates that recent changes in selected physician and

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**Table 1**

**Provision of Charity Care by Patient Care Physicians: Change from 1996-97 to 1998-99**

| Year | Charity Care Provided by Patient Care Physicians | | Number of Patient Care Physicians | |
|---|---|---|---|---|
| | Percent Providing Charity Care | Average Number of Hours per Month[a] | Total | Providing Any Charity Care |
| 1996-97 | *76%* | *11.1* | *347,000* | *265,000* |
| 1998-99 | *72* | *10.6* | *363,000* | *261,000* |
| Change | *-4*** | *-0.5** | *+16,000*** | *-4,000** |

Note: Physician survey population includes all non-federal patient care physicians, except radiologists, anesthesiologists, pathologists and those in selected specialties such as aerospace medicine. Residents and fellows are excluded.

[a]Average number of hours per month provided by physicians providing at least some charity care.

*Values for 1996-97 and 1998-99 not significantly different at $p > .05$.

**Statistically significant change at $p < .001$.

*Sources: American Medical Association and American Osteopathic Association Master Files and HSC Community Tracking Study Physician Survey, 1996-97 and 1998-99.*

practice characteristics account for approximately 25 percent of the decline in charity care participation.[1]

Three underlying changes in the medical marketplace may explain why fewer physicians are providing charity care. The first is that physicians are increasingly becoming employees rather than owners of their practices—a trend that may change in the wake of hospitals' divestiture of practices and the demise of physician practice management companies in recent years. And employed physicians are less likely than owners to provide charity care.

Moreover, from 1996-97 to 1998-99, the drop in charity care participation for employed physicians (from 65 percent to 61 percent) was twice as large as that for physicians who owned their practices (from 83 percent to 81 percent). Employed physicians generally have less control over their time than do owners. Because they also are more likely to work in environments where patients are insured and in health plans with lower copayments, employed physicians may less frequently encounter patients who cannot pay for care.

A second factor that may be undermining the provision of charity care is the financial strain faced by many physician practices. Over the past decade, health plan and employer efforts to rein in health care costs resulted in lower payment rates to physicians and, for some, losses from managed care risk-sharing contracts. These conditions may have constrained practices' willingness to provide charity care.

The third factor that may be causing physicians to reduce participation in charity care is a lack of time. Many physicians report increased time pressures from administrative burdens caused by utilization controls and multiple payers.[2] Such time pressures may cause some physicians to stop providing charity care to have enough time for paying patients or for themselves and their families.

## Impact on the Uninsured

Because the reduction in the percentage of physicians providing charity care during the 1996-97 to 1998-99 period was offset by an increase in the overall number of physicians in practice, the effects on access to care for medically indigent patients, including the uninsured, were probably negligible. The number of uninsured persons did not change between 1996-97 and 1998-99.[3] The average number of physician visits reported by the uninsured held steady at two per year—about half as many as those with medical insurance—

**Table 2**

**Physicians' Participation in Charity Care, by Practice and Physician Characteristics, 1996-97 and 1998-99**

| Selected Characteristics | Percent of Physicians Providing Charity Care | |
|---|---|---|
| | 1996-97 | 1998-99 |
| Practice Setting | | |
| Solo/2 Physicians | *83%* | *81%** |
| Small Group (3-10 Physicians) | *82* | *79** |
| Medium Group (11-50 Physicians) | *77* | *75* |
| Large Group (50+ Physicians) | *73* | *74* |
| Staff/Group HMO | *45* | *46* |
| Hospital-Owned | *68* | *61**** |
| Medical School | *74* | *66**** |
| Other | *63* | *58** |
| Ownership of Practice | | |
| Owner | *83* | *81*** |
| Not an Owner | *65* | *61*** |
| Percent of Practice Revenue from Managed Care | | |
| None | *67* | *61** |
| 1-20 | *81* | *75**** |
| 21-40 | *80* | *77**** |
| 41-60 | *79* | *73**** |
| 61-84 | *74* | *72* |
| 85+ | *54* | *56* |
| Primary Care Physician | | |
| Yes | *73* | *69*** |
| No | *79* | *75*** |

Note: Statistically significant decline in charity care participation from 1996-97 to 1998-99 at: * p<.05; ** p<.01; *** p<.001.
*Source: HSC Community Tracking Study Physician Survey, 1996-97 and 1998-99*

according to findings from the HSC Household Survey.

Even so, policy makers should be concerned about the decrease in the proportion of physicians providing charity care during a time when the overall supply of physicians continued to grow. Physicians in private practice supply a large proportion of health care services to the medically indigent. Nearly two-thirds of the uninsured report that a physician is their usual source of care, and approximately half receive care in a physician's office. Recent estimates of physician supply indicate that the number of active physicians is growing at only about 1 percent per year—a much lower rate of growth than the 3 percent experienced in the 1990s.[4] As a result, increases

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## Notes

1. The regression-based simulation model estimated the proportion of physicians in 1998-99 who would have provided charity care, assuming that physician and practice characteristics had not changed from 1996-97. The factors in the model included practice type, ownership of practice, practice revenue from managed care and physician specialty.
2. Mechanic, David, et al., "Are Patients' Office Visits with Physicians Getting Shorter?" *New England Journal of Medicine*, Vol. 34, No. 3 (January 18, 2001).
3. HSC Community Tracking Study Household Survey, 1996-97 and 1998-99.
4. Kletke, Philip, "The Projected Supply of Physicians, 1998 to 2020," *Physician Characteristics and Distribution in the U.S.*, 2000 Edition, American Medical Association, Chicago (2000).

**Table 3**
**Distribution of Physicians by Selected Characteristics, 1996-97 and 1998-99**

| Selected Characteristics | Percent of Physicians | |
|---|---|---|
| | 1996-97 | 1998-99 |
| **Practice Setting** | | |
| Solo/2 Physicians | *41%* | *38%**** |
| Small Group (3-10 Physicians) | *18* | *16**** |
| Medium Group (11-50 Physicians) | *6* | *7** |
| Large Group (50+ Physicians) | *2.9* | *3.5** |
| Staff/Group HMO | *5* | *5* |
| Hospital-Owned | *9* | *11**** |
| Medical School | *7* | *8* |
| Other | *10* | *12**** |
| **Ownership of Practice** | | |
| Owner | *62* | *57**** |
| Not an Owner | *38* | *43**** |
| **Percent of Practice Revenue from Managed Care** | | |
| None | *6* | *5* |
| 1-20 | *26* | *22**** |
| 21-40 | *28* | *28* |
| 41-60 | *19* | *21*** |
| 61-84 | *14* | *15** |
| 85+ | *8* | *9**** |

Note: Statistically significant change from 1996-97 to 1998-99 at: * p<.05; ** p<.01; *** p<.001.
*Source: HSC Community Tracking Study Physician Survey, 1996-97 and 1998-99*

in the number of active physicians may be insufficient to offset additional decreases in physician participation in charity care.

The safety net—which includes a variety of institutional providers as well as physicians in private practice—remains fragile. Although it has been improving in some communities over the past few years, there are some recent signs of strain. Widespread accounts of pressures on hospital emergency departments and academic medical centers, for example, indicate that some key parts of the safety net may be unable to serve the medically indigent to the extent that they have in the past.

In addition, recent job layoffs and uncertainty about continued economic growth, coupled with reports of large increases in insurance premiums, deductibles and copayments, point to a likely increase in the number of people needing charity care in the next year or two. Unfortunately, this increased need for charity care would occur at a time of reduced safety net capacity, making it more difficult for underinsured and uninsured people to obtain health care. ●

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