

Online Supplementary Material

Phillips RL Jr, Fryer GE, Chen FM, et al. The Balanced Budget Act of 1997 and the financial health of teaching hospitals. *Ann Fam Med*. 2004;2:71-78.

<http://www.annfammed.org/cgi/content/full/2/1/71/DC1>

Supplemental Appendix. Variables from Hospital Cost Reports and Formulas Used for Calculations

Variable Categories & Names	Formulas & Variable Numbers
Hospital characteristic	
Type of hospital	F26
Classified as referral center	F31
Medicare-dependent hospital	F68
Total hospital beds	F85
Type of hospital	F25*
Hospital financial reserve	F2072 - (F2066 + F2089)
Total facility assets	F2072
Total facility fixed asset	F2066
Total facility liabilities	F2089
PPS payments	
FPPSIPAY (total inpatient PPS)	FPPSOPAY + FPPSCPAY
FPPSOPAY (total payment for inpatient operating costs)	PPS payment + IME + DSH + PPS outlier payments = F1825
FPPSCPAY (inpatient program capital and exception payments)	F1826 + F1827
FOUTPPAY (total outpatient PPS)	Part B payments and deductibles for ambulatory surgical centers + radiology + diagnostic procedures + hospital-based care = F1912 + F1915 + F1917 + F1920 + F1922 + F1925 + F1854 + F1855
PPS costs	
FPPSICOS (total inpatient costs)	FPPSOCOS + FPPSCCOS
FPPSOCOS (total inpatient operating costs - pass through costs)	F953
FPPSCCOS (capital costs)	(Part A inpatient capital costs - Subprovider and nursery capital costs) + Ancillary capital costs = (F1698 - F1695 - F1696 - F1697) + (F1708 - F1705 - F1706 - F1707) + (F1739 + F1770)
FOUTCOS (total outpatient costs)	Part B deductibles and coinsurance + Costs of ambulatory surgical centers, radiology, diagnostic procedures, and hospital-based care = F1855 + F1856
PPS margin	[(FPPSIPAY + FOUTPPAY) - (FPPSICOS + FOUTCOS) - F1820] / (FPPSIPAY + FOUTPPAY - F1820)
IME payments†	F1820
GME payments	
Actual IME payments	F1820
Actual Part A DME payment	F1828
Actual Part B DME payments	F1857
GME costs	
Interns & residents – salary & fringes (approved program)	F614
Interns & residents – program costs (approved program)	F615
Paramedical education costs	F616
GME margin	[(F1820 + F1828 + F1857) - (F614 + F615 + F616)] / (F1820 + F1828 + F1857)
Bad debt payments	F2024A + F2005A + F1986A + F1966A + F1950A + F1933A + F1903A + F1882A + F1861A + F1838A
Bad debt costs‡	F2024 + F2005 + F1966 + F1950 + F1933 + F1903 + F1882 + F1861 + F1838 + F1986
Bad debt margin	(Bad debt payments - Bad debt costs) / Bad debt payments
Medicare margin	[(FPPSIPAY + FOUTPPAY + GME payments + Bad debt payments) - (FPPSICOS + FOUTCOS + GME costs + Bad debt costs)] / (FPPSIPAY + FOUTPPAY + GME payments + Bad debt payments)

Continued

Online Supplementary Material

Phillips RL Jr, Fryer GE, Chen FM, et al. The Balanced Budget Act of 1997 and the financial health of teaching hospitals. *Ann Fam Med*. 2004;2:71-78.

<http://www.annfammed.org/cgi/content/full/2/1/71/DC1>

Net revenue	$FTOTREV - FTOTHEXP = F2146$
FTOTREV (total revenue)	F2144
FTOTHEXP (total costs)	$F2138 + F2145$
Total margin[§]	$(FTOTREV - FTOTHEXP) / FTOTREV = F2146 / F2144$
Managed Medicare (Medicare+Choice) GME payments	F2037N
Resident FTE variables	
Primary care FTE 1996 & 1998	F2033
Primary care FTE 1999	F2037B1
Nonprimary care FTE 1996 & 1998	F2034
Nonprimary care FTE 1999	F2037B2

PPS = prospective payment system; IME = indirect medical education; DSH = disproportionate share; GME = graduate medical education; DME = direct medical education; FTE = full-time-equivalent.

*F25 categories: 1 or 2 = nonprofit; 3 – 5 = proprietary/for-profit; 6 – 13 = government (federal, state, county, other).

†We removed IME from PPS margin since it is an added payment for indirect education-related cost, it is part of FPPSIPAY, and education costs are not included in FPPISCOS or FOUTCOS.

‡Bad debt was reimbursed at 100% for cost-reporting periods beginning on or after October 1, 1996; 75% for October 1, 1997; 60% for October 1, 1998.

§Dollar-adjusted margins were calculated as: $(\text{sum of all payments to cohort hospitals} - \text{sum of all costs to cohort hospitals}) / (\text{sum of all payments to cohort hospitals})$.