Association of State Medicaid Expansion With Hospital Community Benefit Spending

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IMPORTANCE: Medicaid expansion was widely expected to alleviate the financial stresses faced by hospitals by providing additional revenue in the form of Medicaid reimbursements from patients previously receiving uncompensated care. Among nonprofit hospitals, which receive tax-exempt status in part because of their provision of uncompensated care, Medicaid expansion could have released hospital funds toward other community benefit activities. OBJECTIVE: To examine changes in nonprofit hospital spending on community benefit activities after Medicaid expansion. DESIGN, SETTING, AND PARTICIPANTS: This cohort study used difference-in-differences analysis of 1666 US nonprofit hospitals that filed Internal Revenue Service Form 990 Schedule H detailing their community benefit expenditures between 2011 and 2017. The analysis was conducted from February to September 2019. EXPOSURES: State Medicaid expansion between 2011 and 2017. MAIN OUTCOMES AND MEASURES: Percentage of hospital operating expenditures attributable to charity care and subsidized care, bad debt (ie, unreimbursed spending for care of patients who did not apply for charity care), unreimbursed Medicaid spending, noncare direct community spending, and total community benefit spending. RESULTS: Of 1478 hospitals in the sample in 2011, nearly half (653 [44.2%]) were small hospitals with fewer than 100 beds, and nearly 70% of hospitals (1023 [69.2%]) were in urban areas. Among the 1666 nonprofit hospitals, Medicaid expansion was associated with a decrease in spending on charity care and subsidized care (?0.68 [95% CI, ?0.99 to ?0.37] percentage points from a baseline mean [SD] of 3.6% [4.0%] of total hospital expenditures; *P* < .001) and in bad debt (?0.17 [95% CI, ?0.32 to ?0.01] percentage points). There was an increase in unreimbursed spending attributable to caring for Medicaid patients (0.85 [95% CI, 0.60 to 1.10] percentage points; *P* = .04), which canceled out uncompensated care savings from the expansion. Noncare direct community expenditures decreased overall (?0.24 [95% CI, ?0.48 to 0.00] percentage points; *P* = .049). Direct community expenditures remained more stable in small hospitals (–0.07 [95% CI, –0.20 to 0.05] percentage points; *P* =.26) compared with large hospitals (–0.37 [95% CI, –0.86 to 0.12] percentage points; *P* = .14) and in nonurban hospitals (0.02 [95% CI, ?0.09 to 0.14] percentage points; *P* = .70) compared with urban hospitals (–0.36 [95% CI, –0.73 to 0.01] percentage points; *P* = .06). CONCLUSION AND RELEVANCE: In this study, Medicaid expansion was associated with a decrease in nonprofit hospitals' burden of providing uncompensated care, but this financial relief was not redirected toward spending on other community benefits.

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