

2016 Washington State

Charity Care in Washington Hospitals

February 2018



Publication 346-084

For more information or
additional copies of this report contact:

Community Health Systems
P.O. Box 47853
Olympia, WA 98504-7853

360-236-4210

John Wiesman, DrPH, MPH
Secretary of Health

For people with disabilities, this document is available on request in other formats. To submit a request, please call 1-800-525-0127 (TDD/TTY call 711).

Page **Contents**

1 Executive Summary

2 About this Report

2 Background on Charity Care in Washington

2 What is Charity Care and how is it Reported?

2 What are Hospitals Required to Report and When?

3 How do Hospitals Report Charity Care and How is it Calculated?

4 2016 Washington State Charity Care Data

4 Statewide Charity Care Charges for Hospital Fiscal Year 2016

7 How did the Affordable Care Act affect Charity Care in Washington State?

7 Distribution of Charity Care among Washington Hospitals

8 Adjusting Billed Charges to Determine Actual Cost of Providing Charity Care

8 Contribution of all Purchasers of Care to Hospital Charity Care

9 How does Washington Compare to the U.S. in Uncompensated Care?

10 Summary

11 Appendix 1: Charity Care by Hospital by Region by Adjusted Patient Service Revenue

14 Appendix 2: Charity Care Adjusted for Cost to Charge Ratio

Executive Summary

By law, hospitals in Washington State cannot deny patients access to care based on an inability to pay. To this end, hospitals are required to develop a charity care policy, and to submit financial data on the charity care they provide to the Department of Health (department). This report summarizes the charity care data received from Washington hospitals for the hospital fiscal years (FY) ending in 2016.

Overall, Washington hospitals reported \$568 million in charity care charges in FY 2016, or about \$197 million in actual expenses based on a cost-to-charge formula. Because the charity care data in this report are based on billed charges, not the actual payment expected by the hospital, calculating the approximate cost of providing charity care can be estimated by applying a cost-to-charge ratio. Multiplying the charity care dollars by the cost-to-charge ratio results in an approximate cost of what hospitals actually spent providing charity care to patients. The statewide cost-to-charge ratio is 0.35. Based on the \$568 million reported in charity care charges in FY 2016, the overall cost of providing charity care statewide was about \$197 million.

FY 2016 charity care charges reflect an increase of 5 percent from those reported in FY 2015, which was 44 percent less than FY 2014. Charity care increased after the first two consecutive years of decreases since the department began collecting these data in 1989. The increase may represent full implementation of the federal Affordable Care Act (ACA) and a return to a typical growth pattern after the sharp decreases that occurred during the ACA implementation process. During that time, the percentage of uninsured dropped dramatically compared to previous years as more Washingtonians are now covered by health insurance, either by expanded Medicaid or private insurance plans.

The hospital with the highest dollar amount of charity care in FY 2016 was Harborview Medical Center, which alone accounted for 12 percent of the statewide total charity care charges. Wide variation was seen in charity care charges among hospitals, ranging from \$0 to \$67 million. The median amount of charity care per hospital was \$1.4 million; however, the average was much higher at \$5.7 million because several hospitals provided significant amounts of charity care.

More information on FY 2016 charity care, including detailed reports by hospital, is available on our webpage at:

<http://www.doh.wa.gov/DataandStatisticalReports/HealthcareinWashington/HospitalandPatientData/HospitalPatientInformationandCharityCare>

About this Report

The department has issued an annual report since 1990 as directed by chapter 70.170 of the Revised Code of Washington (RCW). Your feedback is important to us. Submit your comments by email at charitycare@doh.wa.gov to help us continue to improve the charity care report.

Background on Charity Care in Washington

What is Charity Care and How is it Reported?

Charity care is defined in chapter 70.170 RCW as the “necessary inpatient and outpatient hospital health care rendered to indigent persons.” A person is considered indigent under Washington Administrative Code (WAC) 246-453-040 if family income is at or below 200 percent of the federal poverty guidelines. Chapter 70.170 RCW prohibits any Washington hospital from denying patients access to care based on inability to pay or adopting admission policies that significantly reduce charity care.

Patients with family incomes below 100 percent of the federal poverty guidelines are entitled to hospital services at no cost. Hospitals must also provide discounted care to patients between 100 percent and 200 percent of the poverty guidelines using a sliding scale. These are minimum requirements. Hospitals may extend free or discounted care to patients earning more than these levels, and many do. The charity care policies for each hospital in Washington may be found at:

<https://www.doh.wa.gov/DataandStatisticalReports/HealthcareinWashington/HospitalandPatientData/HospitalPolicies>.

Services eligible for charity care are defined as appropriate hospital-based medical services in WAC 246-453-010. Hospitals are required by the law to submit charity care policies for review to the department at least 30 days before policies are adopted. Hospitals are also required to submit an annual budget and year-end financial reports to the department within 180 days of the close of the hospital’s fiscal year. Hospitals report this information using a uniform system of accounting. The department uses the financial reports submitted by hospitals to report charity care data and trends for the state each year.

What are Hospitals Required to Report and When?

Hospitals are required to report total patient services revenue, also called billed charges, and the amount of patient services revenue that is written off as charity care to the department within 180 days of the close of the hospital’s fiscal year. Fiscal years vary among hospitals in Washington, with hospital fiscal years ending on March 31, June 30, September 30, or December 31. Hospitals are also required to report bad debt. Bad debt is different from charity care and is defined as uncollectible amounts, excluding contractual adjustments, arising from failure to pay by patients whose care has not been classified as charity care. All of these data are reported as part of the hospital’s year-end financial report.

Hospitals report financial data to the department on an income statement. Below is an abbreviated example of an income statement to illustrate the relationships between the various revenue sources and expenses.

Hospital: Sample Community Hospital	Comment	Sample Hospital Revenue
TOTAL PATIENT SERVICES REVENUE	Inpatient and outpatient revenue equivalent to Total Billed Charges	615,000,000
- Provision for Bad Debts	Unpaid charges billed to patients who are not eligible for charity care, deducted from total revenue	15,000,000
- Contractual Adjustments	Reductions from billed charges negotiated by insurance companies, deducted from total revenue	350,000,000
- Charity Care	Unpaid charges billed to patients eligible for charity care, deducted from total revenue	25,000,000
= NET PATIENT SERVICE REVENUE	Actual patient revenue received	225,000,000
+ OTHER OPERATING REVENUE	Actual revenue received for office rental, cafeteria income, etc.	10,000,000
= TOTAL OPERATING REVENUE	Actual patient revenue and other operating revenue	235,000,000
- TOTAL OPERATING EXPENSES	Total expenses for operating the hospital	220,000,000
= NET OPERATING REVENUE	Cash remaining after operation of patient services	15,000,000
+/-NON-OPERATING REVENUE-NET OF EXPENSES	Nonpatient revenue (investments, partnership fees)	5,000,000
= NET REVENUE BEFORE ITEMS LISTED BELOW	Operating plus nonoperating remainder	20,000,000
+/-EXTRAORDINARY ITEM	One time cash revenue or cash expenses	0
= NET REVENUE OR (EXPENSE)	Net cash remaining after all the transactions	20,000,000

How do Hospitals Report Charity Care and How is it Calculated?

The amount of charity care reported by hospitals is based on patient services revenue, or what is also called billed charges. These charges are based on the hospital's charge master rate sheet, which sets the price for every treatment and supply category a hospital uses. Every patient's total bill is comprised of the sum of the charge master rates of the various services or supplies during the stay before any adjustments based on insurance status. All patients, regardless of insurance status, receive the same billed charges for the same services.

The billed charges reflect a “markup” that varies among hospitals and is significantly higher than the amount the hospital actually expects to be paid. Medicaid and Medicare pay a set rate for services regardless of billed charges, and private insurance companies negotiate with hospitals for large discounts off the master rate sheet.

Charity care is the amount of billed charges an indigent patient incurs for appropriate hospital-based medical services. Since these charges include the markup, the dollar amount of charity care reported by hospitals overestimates the true cost of providing charity care to indigent patients.

2016 Washington State Charity Care Data

Statewide Charity Care Charges for Hospital Fiscal Year 2016

This report describes data collected from licensed Washington hospitals for their fiscal years (FY) ending in 2016. FY 2016 includes data for the 12 months prior to the end of each hospital’s fiscal calendar, including data for months in 2015 if the fiscal year end is prior to December 31, 2016.

All charity care data for FY 2016 were due to the department by June 30, 2017. Although the department provides reminders and follow-up by phone and in writing to hospitals that are late in reporting data, some hospitals still have not provided data for their 2016 fiscal year. For 2016, 89 of 99 hospitals reported charity care information in year-end financial reports in time to be used in this report. Of the 11 hospitals that did not provide year-end reports, we have provided annual financial estimates for four hospitals based on their quarterly financial reports or audited financial statements. For the other seven hospitals, no charity care data are available because no FY 2016 financial reports were submitted to the department.

Overall, Washington hospitals reported \$568 million of charity care charges written off in FY 2016. These charges amounted to 0.9 percent of total patient services revenue and 2.4 percent of adjusted patient services revenue. Adjusted patient services revenue is the amount of revenue for non-Medicare and non-Medicaid payers, which includes private insurance and self-pay. Looking at the adjusted patient services revenue allows a more meaningful comparison of charity care among hospitals.

From the years 2006 through 2016, statewide charity care charges increased by 11.5 percent over the 10-year period. Statewide hospital total patient services revenue, or billed charges, increased by 158 percent (Table 1). However, from 2013 to 2016, charity care decreased 60 percent while total patient services increased 27 percent. As a percent of total hospital patient services revenue, charity care charges dropped from 2.9 percent to 0.9 percent from 2013 to 2016 (Figure 1 and Table 1).

Figure 1. Statewide Hospital Charity Care in Washington as a Percent of Total Hospital Patient Service Revenue and as a Percent of Adjusted Patient Service Hospital Revenue, Fiscal Year 2006 - 2016.

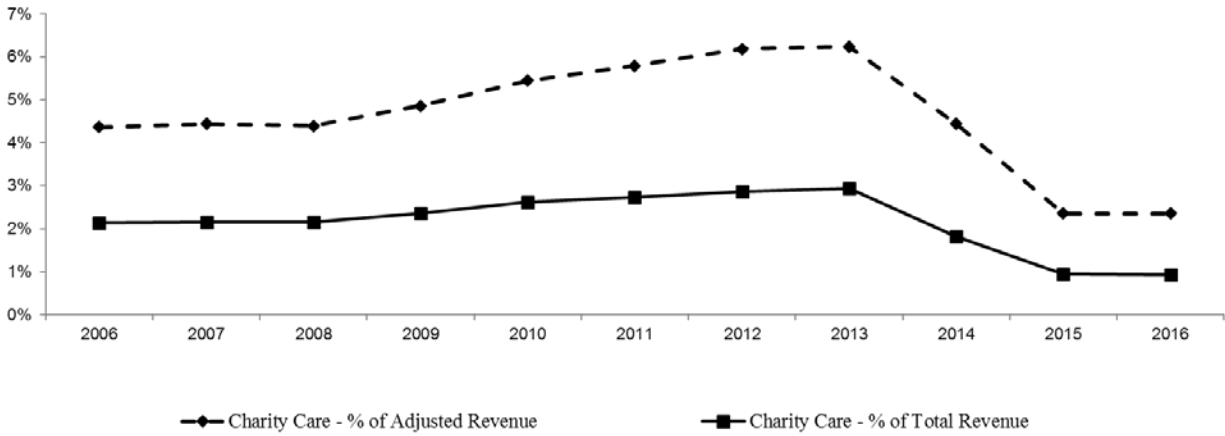


Figure 1 Notes: Adjusted patient service revenue is the total patient service hospital revenue minus Medicare and Medicaid patient service charges. Patient Service Revenue is the same as Billed Charges.

Table 1. Statewide Hospital Charity Care in Washington, Fiscal Year 2006-2016

Year	in Millions			Charity Care		Operating Margin %
	Total Patient Services Revenue	Adjusted Patient Services Revenue	Total Charity Care (Billed Charges)	% of Total Revenue	% of Adjusted Revenue	
2006	\$23,911	\$11,667	\$510	2.1%	4.4%	4.3%
2007	\$27,502	\$13,315	\$592	2.2%	4.4%	5.5%
2008	\$30,847	\$15,187	\$668	2.2%	4.4%	5.3%
2009	\$34,884	\$16,962	\$824	2.4%	4.9%	6.1%
2010	\$38,172	\$18,378	\$1,001	2.6%	5.4%	5.6%
2011	\$41,182	\$19,398	\$1,123	2.7%	5.8%	3.4%
2012	\$44,728	\$20,775	\$1,285	2.9%	6.2%	5.5%
2013	\$48,482	\$22,795	\$1,422	2.9%	6.2%	5.0%
2014	\$51,993	\$21,288	\$944	1.8%	4.4%	4.6%
2015	\$57,703	\$23,009	\$540	0.9%	2.3%	5.6%
2016	\$61,782	\$24,102	\$568	0.9%	2.4%	2.6%

Table 1 Notes: Adjusted patient service revenue is the total hospital revenue minus Medicare and Medicaid charges. Operating margin is the total hospital patient service operating revenue (net of deductions) minus total patient service operating expenses expressed as a percent. Note: Patient Service Revenue is the same as Billed Charges.

What Changed in 2016?

Some parts of the federal Patient Protection and Affordable Care Act (ACA) affecting health insurance coverage became effective in 2014. The ACA was signed into law on March 23, 2010, putting into place provisions for expanding healthcare coverage, controlling healthcare costs, and improving the healthcare delivery system in the United States. The law requires certain employers to offer healthcare insurance; requires citizens and legal residents to have health insurance; creates health benefit exchanges; expands Medicaid coverage; creates an essential benefits package and consumer protections; and establishes tax credits, premium credits and cost-sharing subsidies, along with many other requirements aimed at cost-containment, preventive wellness, and quality improvement.

On January 1, 2014, the healthcare coverage requirement became effective. According to the U.S. Internal Revenue Code Chapter 48 Section 5000A, “An applicable individual shall for each month beginning after 2013 ensure that the individual, and any dependent of the individual who is an applicable individual, is covered under minimum essential coverage for such month.” This means all affected individuals must have health insurance or pay a federal tax penalty.

As part of the ACA implementation, new private health insurance coverage options were offered through the marketplace, known as health benefit exchanges. The exchanges provide a one-stop shop for consumers to locate, compare, and enroll in ACA-qualified health plans, and to access financial assistance to make coverage affordable.¹ Some states chose to use the federal government exchange while other states created state-specific exchanges. Washington created the Washington Health Benefit Exchange, launched the Washington Healthplanfinder portal, and began open enrollment on October 1, 2013.

The ACA also expanded and simplified eligibility for Medicaid so that all adults with income up to 138 percent of the federal poverty level (FPL) have coverage under the program effective January 1, 2014. Washington was one of the states that expanded Medicaid coverage, thereby significantly increasing the number of people covered. As of October 2016, more than 601,000 adults in Washington had gained health coverage through the Medicaid expansion.²

Among the regulatory changes in the ACA that took effect in 2016 were expansion of the employer mandate to businesses with between 50 and 100 employees or full-time-equivalents and an increase in the tax penalty for individuals who chose not to purchase health insurance, both of which may have resulted in decreases in the number of uninsured in Washington.

¹ Advance-payment premium tax credit subsidies, available on a sliding scale to those with income between 100 percent and 400 percent of FPL, were put in place to reduce the monthly premium people pay for non-group coverage.

² Washington State Office of Financial Management (OFM), “The Affordable Care Act Post 2016: What’s at Stake for Washington State,” January 1, 2017, <https://ofm.wa.gov/washington-data-research/health-care/health-coverage>

How did the Affordable Care Act affect Charity Care in Washington State?

Because of the Medicaid expansion, patients who were not eligible for Medicaid in the past – and, therefore, were more likely to qualify for charity care – are now covered in Washington. According to various sources, the uninsured rate in Washington continued to decrease in 2016, continuing the significant decreases observed in 2014 and 2015 as compared to previous years. A report published by the Washington State Office of Financial Management estimates that 5.8 percent of the state’s population was uninsured in 2015, as compared to 8.2 percent in 2014, and 14 percent at the end of 2013.³ The growth of the insured population in Washington led to a 63 percent decline in the amount of hospital charges written off to charity care from 2013 to 2015.

In 2016, hospitals saw an end to recent large decreases in the proportion of self-pay patients (those who pay strictly out of pocket) and increases in the proportion of Medicaid patients. Hospitals report revenue to the department by the payer types of Medicare, Medicaid and Other. Normally, the patient service revenue associated with each payer type increases each year about the same as the overall rate of increase. From 2015 to 2016, the revenue reported as “Other payer,” which includes self-pay, increased by about 4.8 percent while Medicaid revenue increased by about 7.1 percent. In the prior 2014 to 2015 period, Other payer had increased by about 11.2 percent. This compares to the overall increase of total patient service revenue of 7.1 percent. The result of these changes is that the proportion of total revenue from the Other payer category decreased by 1 percent, the Medicaid proportion was virtually unchanged, and the Medicare proportion increased by 1 percent despite total revenue in all three categories increasing. These small shifts among payer proportions may indicate that the effects of the Affordable Care Act implementation, seen in prior years, are now permanent, barring any future changes to that act.

Distribution of Charity Care among Washington Hospitals

Charity care varied widely among hospitals, ranging from \$0 to \$67 million. The median amount of charity care per hospital was \$1.4 million; however, the average was much higher at \$5.7 million because several hospitals provided significant charity care. Amounts varied among hospitals in rural and urban areas and in different geographic areas of the state. These variations in charity care do not seem to be explained by population size. Some of the variation may be a function of the proportion of hospital revenue coming from Medicare and Medicaid.

Differences in charity care among hospitals may reflect demographic differences in service areas, hospital service availability, and differences in charity care practices within the hospital. A high level of reported charity care, for example, may reflect greater need for charity care in the community. Likewise, a low level of charity care may reflect a relative absence of need for charity care in a hospital’s service area.

³ OFM, Research Brief No. 80, “Second Year Impact of ACA on Washington State’s Health Coverage”, <https://ofm.wa.gov/sites/default/files/public/legacy/researchbriefs/2016/brief080.pdf>

Adjusting Billed Charges to Determine Actual Cost of Providing Charity Care

Because billed charges reflect “mark-ups” that vary between hospitals and are significantly higher than the expected payment, determining the actual cost of providing charity care to eligible patients is challenging. One way to estimate the cost of providing charity care is to use a cost-to-charge ratio⁴. The formula is total operating expenses (the actual cost of running the hospital and providing services) divided by total patient services revenue (billed charges).

As an example of how the cost-to-charge ratio works, if a hospital had billed charges of \$1,000,000 and a cost to charge ratio of .345, the actual cost for that hospital to treat patients is \$345,000. If that same hospital reported charity care billed charges of \$100,000, the cost of treating those patients is \$34,500. The higher the ratio, the closer the billed charges are to the actual cost of treating patients. This is only an estimate based on overall hospital performance.

Washington hospitals’ cost-to-charge ratios range from .15 to 1.49. The statewide average was .35 with a majority of hospitals between .29 and .59. Below are some examples of cost-to-charge ratios for Washington hospitals, including a high, average, and low cost-to-charge ratio. Cost-to-charge ratios for all hospitals are listed in Appendix 2.

Hospital	Charity Care Charges	Cost-to-Charge Ratio	Estimated Cost of Charity Care
UW Medicine/Harborview	67 Million	.411	28 Million
Kadlec Medical Center	18.8 Million	.368	6.6 Million
Quincy Valley Hospital	109,917	.941	103,391

Contribution of all Purchasers of Care to Hospital Charity Care

Charity care as a percent of adjusted (non-Medicare, non-Medicaid) revenue increased from 4.4 percent to 6.2 percent from FY 2006 through FY 2013, then declined to 4.4 percent in FY 2014, and declined to 2.4 percent in both FY 2015 and FY 2016. Because charity care is unreimbursed, all payers – including insurance companies and patients who self-pay – contribute to the cost of charity care to the hospital. Throughout this time, fluctuations in the statewide operating margin, which is a measure of hospital profitability, do not appear to have adversely affected the amount of charity care provided in Washington (Table 1).

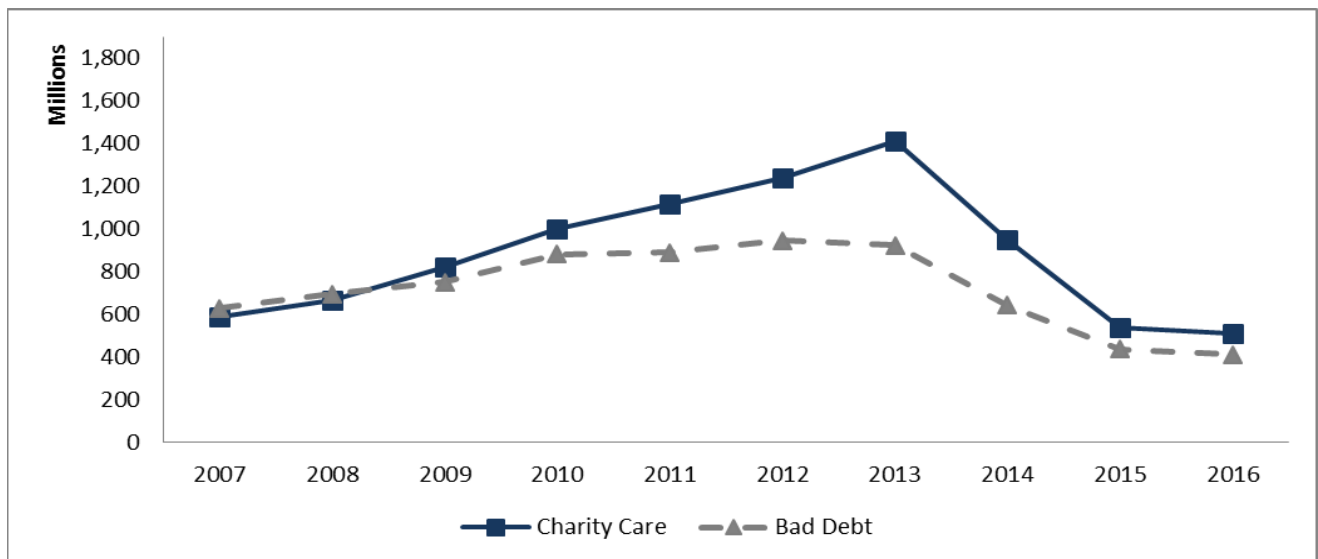
⁴ <http://medical-dictionary.thefreedictionary.com/hospital+cost-to-charge+ratio>

Uncompensated Care in Washington

Uncompensated care includes both charity care and bad debt. Looking at uncompensated care gives us a bigger picture of the impact of the ACA and a way to compare Washington State to other states.

In 2016, the amount of charity care and bad debt stabilized after several years of decline due to the increase in patients with healthcare insurance. Both charity care and bad debt had been increasing over the past 10 years. In recent years, charity care was rising faster than bad debt (Figure 2). Both had more than doubled between FY 2004 and FY 2013.

Figure 2. Hospital Charity Care and Bad Debt Patient Service Charges in Washington, Fiscal Year 2007 - 2016



How does Washington Compare to the U.S. in Uncompensated Care?

No national charity care data are available to draw comparisons between Washington State and the rest of the U.S. However, national data are available for uncompensated care, which includes both charity care and bad debt. The national uncompensated care number is built using a formula that includes a cost-to-charge ratio that translates the billed charges written off to uncompensated care into a “cost” or expense. The result is a proxy with which uncompensated care expenses are then compared to total operating costs, not total patient services revenue. The Washington State uncompensated care number is built using the same formula.

Uncompensated care as a percent of hospital expenses is lower in Washington than it is in the U.S. as a whole (Figure 3). In both Washington and the U.S., uncompensated care remained relatively steady over most of the past 10 years, declining from 2013 onward. In the U.S., uncompensated care accounted for 4.2 percent of hospital expenses in FY 2015, the most recent year of data available. In Washington, uncompensated care accounted for 1.6 percent of hospital expenses in FY 2016. (Figure 3).

Figure 3. Hospital Uncompensated Care in Washington and the U.S. as a Percent of Hospital Expenses, Fiscal Years 2006 - 2016

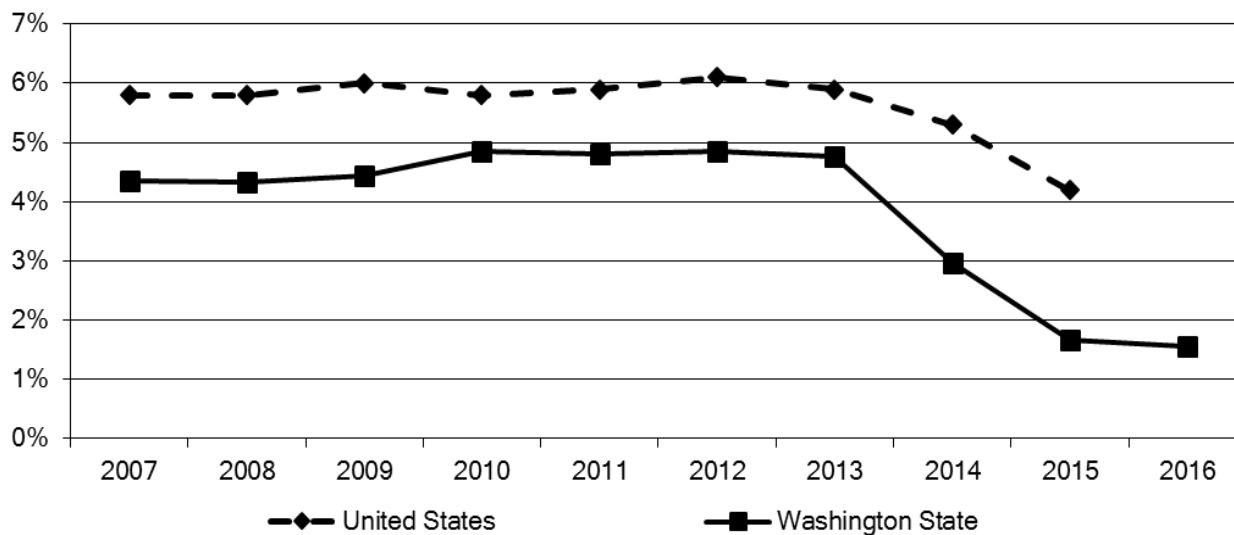


Figure 3 Notes: Uncompensated care includes bad debt and charity care. Uncompensated care as a percent of hospital expenses is calculated by multiplying uncompensated care by the ratio of total expenses to gross patient and other operating revenues. Uncompensated care data for 2016 are not yet available for the U.S. The U.S. data were derived from an American Hospital Association report⁵.

Summary

Implementation of the ACA has changed the landscape of charity care in Washington State. More patients have health coverage, either through Medicaid expansion or through purchase of private coverage. As a result, Washington saw the first decline in the amount of charity care reported by hospitals since the department began gathering these data in 1989.

The ACA has not been fully implemented, and certain requirements may or may not become effective over the next few years depending upon the Trump Administration and the new Congress’s actions related to ACA. One major phase set for 2018 is the introduction of a penalty if an employer provides a high-cost health insurance plan. Also in 2018, all health insurance plans must cover approved preventive care and checkups without co-payment. If the ACA becomes fully effective, and the number of insured stabilizes, we will likely see only minor changes in charity care in Washington over the next few years, rather than the sharp changes that occurred in the early years of the ACA’s implementation. Conversely, repeal or significant roll-back of ACA could cause charity care to revert to pre-2014 levels.⁶

⁵ <http://www.aha.org/content/16/uncompensatedcarefactsheet.pdf>

⁶ The Pew Charitable Trusts, “Costs of Care for Uninsured Would Rise Steeply with Repeal of ACA,” January 6, 2017, <http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/01/06/costs-of-care-for-uninsured-would-rise-steeply-with-repeal-of-aca>

Appendix 1 Charity Care by Hospital by Region by Adjusted Patient Service Revenue

Total Patient Service Revenue, Adjusted Patient Service Revenue, and Amount of Charity Care as a Percent for Washington Hospital Fiscal Years Ending During Calendar Year 2016

Revenue Categories - Patient Service Revenue - (Billed Charges)							
Region/Hospital	Total Patient Service Revenue	(Less) Medicare Revenue	(Less) Medicaid Revenue	Adjusted Patient Service Revenue	Charity Care	Charity Care as a % of Total Patient Service Revenue	Charity Care as a % of Adjusted Patient Service Revenue
KING COUNTY (N=22)							
Cascade Behavioral Health	61,420,825	32,173,325	18,107,450	11,140,050	63,662	0.10%	0.57%
CHI/Highline Community Hospital	798,326,360	344,975,088	208,924,227	244,427,045	5,671,186	0.71%	2.32%
CHI/Regional Hospital	43,260,243	28,283,106	3,015,215	11,961,922	572,927	1.32%	4.79%
CHI/Saint Elizabeth Hospital	167,076,159	51,734,651	31,144,706	84,196,802	933,623	0.56%	1.11%
CHI/Saint Francis Community Hospital	1,033,489,775	394,445,456	240,328,951	398,715,368	7,735,739	0.75%	1.94%
EvergreenHealth/Kirkland	1,679,133,006	666,019,454	159,183,966	853,929,586	5,297,622	0.32%	0.62%
Kindred Hospital Seattle	133,697,043	58,383,534	5,690,325	69,623,184	-	0.00%	0.00%
MultiCare/Auburn Regional Medical Center*	737,095,750	310,109,245	191,216,827	235,769,678	11,525,196	1.56%	4.89%
Navos	19,032,466	4,020,410	11,966,287	3,045,769	510,435	2.68%	16.76%
Overlake Hospital Medical Center	1,386,652,700	602,235,299	93,955,422	690,461,979	11,444,129	0.83%	1.66%
Providence/Swedish - Cherry Hill	1,865,265,137	940,361,492	237,012,759	687,890,886	16,837,565	0.90%	2.45%
Providence/Swedish - First Hill	4,008,121,018	1,432,010,588	646,534,485	1,929,575,945	32,993,281	0.82%	1.71%
Providence/Swedish - Issaquah	636,917,207	215,975,377	65,415,507	355,526,323	5,291,909	0.83%	1.49%
Seattle Cancer Care Alliance	869,814,662	289,996,212	85,004,360	494,814,090	6,888,227	0.79%	1.39%
Seattle Children's Hospital	2,172,801,730	32,441,581	1,008,623,685	1,131,736,464	27,203,739	1.25%	2.40%
Snoqualmie Valley Hospital	44,025,060	24,184,769	4,787,158	15,053,133	1,550,969	3.52%	10.30%
UHS/BHC Fairfax Hospital	Hospital Late in Reporting to Department of Health						
UW Medicine/Harborview Medical Center	2,226,302,661	635,600,992	747,249,570	843,452,099	67,254,350	3.02%	7.97%
UW Medicine/Northwest Hospital	1,075,874,468	466,195,007	141,760,528	467,918,933	8,882,127	0.83%	1.90%
UW Medicine/University of Washington	2,445,382,841	818,866,064	456,721,543	1,169,795,234	23,330,084	0.95%	1.99%
UW Medicine/Valley Medical Center	1,686,484,731	571,907,496	397,877,920	716,699,315	7,423,198	0.44%	1.04%
Virginia Mason Medical Center	2,041,725,972	895,574,867	144,005,857	1,002,145,248	15,250,158	0.75%	1.52%
KING COUNTY TOTALS	25,131,899,814	8,815,494,013	4,898,526,748	11,417,879,053	256,660,126	1.02%	2.25%
PUGET SOUND REGION (Less King Co. N=22)							
Cascade Valley Hospital	72,816,806	25,440,266	18,896,769	28,479,771	147,881	0.20%	0.52%
CHI/Harrison Memorial Hospital	1,730,727,601	894,943,613	319,998,632	515,785,356	5,049,406	0.29%	0.98%
CHI/Saint Anthony Hospital	616,227,557	291,959,852	106,136,604	218,131,101	2,978,478	0.48%	1.37%
CHI/Saint Clare Hospital	766,839,963	320,369,215	233,426,285	213,044,463	5,392,532	0.70%	2.53%
CHI/Saint Joseph Medical Center - Tacoma	2,681,161,532	1,274,664,242	552,713,202	853,784,088	14,189,379	0.53%	1.66%
EvergreenHealth/Monroe	114,991,430	38,786,335	29,840,541	46,364,554	318,107	0.28%	0.69%
Forks Community Hospital	41,615,944	14,929,197	10,658,452	16,028,295	260,395	0.63%	1.62%
Island Hospital	230,346,305	94,641,006	13,696,894	122,008,405	395,654	0.17%	0.32%
Jefferson Healthcare	173,008,558	96,385,515	31,861,217	44,761,826	927,129	0.54%	2.07%
MultiCare/Good Samaritan Hospital	1,723,649,960	749,275,908	354,881,073	619,492,979	25,362,565	1.47%	4.09%
MultiCare/Mary Bridge Children's Health	708,466,104	442,421	426,111,563	281,912,120	5,251,149	0.74%	1.86%
MultiCare/Tacoma General - Allenmore*	2,852,339,813	1,130,576,772	760,459,078	961,303,963	48,835,827	1.71%	5.08%
Olympic Medical Center	328,380,822	194,996,299	52,103,913	81,280,610	1,605,502	0.49%	1.98%
PeaceHealth/Peace Island Medical Center	23,300,467	11,420,520	3,394,064	8,485,883	179,449	0.77%	2.11%
PeaceHealth/Saint Joseph Hospital	1,237,850,206	618,928,068	246,490,024	372,432,114	8,506,855	0.69%	2.28%
PeaceHealth/United General Hospital	88,367,103	44,633,232	18,054,544	25,679,327	1,287,149	1.46%	5.01%
Providence/Regional Medical Center Everett	2,101,844,782	947,998,028	394,796,423	759,050,331	23,900,061	1.14%	3.15%
Providence/Swedish - Edmonds	794,948,750	356,183,753	141,981,922	296,783,075	10,473,450	1.32%	3.53%
Skagit Valley Hospital	1,013,946,788	444,093,980	166,363,321	403,489,487	2,937,279	0.29%	0.73%
UHS/BHC Fairfax Hospital - North	Hospital Late in Reporting to Department of Health						
UHS/BHC Fairfax Hospital - Monroe	Hospital Late in Reporting to Department of Health						
Whidbey General Hospital**	238,065,609	107,129,524	38,090,497	92,845,588	964,742	0.41%	1.04%
PUGET SOUND REGION TOTALS	17,538,896,100	7,657,797,746	3,919,955,018	5,961,143,336	158,962,989	0.91%	2.67%

**Total Patient Service Revenue, Adjusted Patient Service Revenue, and Amount of Charity Care as a Percent
for Washington Hospital Fiscal Years Ending During Calendar Year 2016**

Revenue Categories - Patient Service Revenue - (Billed Charges)							
Region/Hospital	Total Patient Service Revenue	(Less) Medicare Revenue	(Less) Medicaid Revenue	Adjusted Patient Service Revenue	Charity Care	Charity Care as a % of Total Patient Service Revenue	Charity Care as a % of Adjusted Patient Service Revenue
SOUTHWEST WASHINGTON REGION (N=14)							
Capella/Capital Medical Center	485,493,630	194,579,622	9,213,516	281,700,492	1,613,094	0.33%	0.57%
Grays Harbor Community Hospital	391,746,763	171,965,122	109,171,921	110,609,720	994,697	0.25%	0.90%
Klickitat Valley Hospital	38,605,770	18,242,810	10,376,874	9,986,086	314,872	0.82%	3.15%
Legacy/Salmon Creek Hospital	802,370,748	342,263,327	182,873,838	277,233,583	12,899,883	1.61%	4.65%
Mason General Hospital	194,903,864	83,103,045	59,658,746	52,142,073	2,575,947	1.32%	4.94%
Morton General Hospital	40,522,574	20,318,422	8,654,486	11,549,666	190,823	0.47%	1.65%
Ocean Beach Hospital	40,426,631	28,382,348	640,395	11,403,888	123,208	0.30%	1.08%
PeaceHealth/Saint John Medical Center	682,804,440	326,155,932	197,966,246	158,872,262	2,100,336	0.31%	1.32%
PeaceHealth/Southwest Medical Center	1,632,784,110	748,884,783	389,317,079	494,582,248	9,767,992	0.60%	1.97%
Providence/Centralia Hospital	634,800,410	317,400,439	150,709,775	166,690,196	9,270,701	1.46%	5.56%
Providence/Saint Peter Hospital	1,797,651,011	955,139,040	308,322,587	534,189,384	17,145,353	0.95%	3.21%
Skyline Hospital	27,605,942	12,656,658	2,867,031	12,082,253	74,898	0.27%	0.62%
Summit Pacific Medical Center	60,561,650	23,081,534	20,374,948	17,105,168	734,790	1.21%	4.30%
Willapa Harbor Hospital	29,073,670	15,427,643	6,015,087	7,630,940	385,786	1.33%	5.06%
SOUTHWEST WASH REGION TOTALS	6,859,351,213	3,257,600,725	1,456,162,529	2,145,587,959	58,192,380	0.85%	2.71%
CENTRAL WASHINGTON REGION (N=21)							
Ascension/Lourdes Counseling Center	40,598,424	7,098,522	24,708,079	8,791,823	134,907	0.33%	1.53%
Ascension/Lourdes Medical Center	253,364,524	98,337,409	53,650,291	101,376,824	3,892,912	1.54%	3.84%
Cascade Medical Center	19,552,147	10,548,571	2,473,807	6,529,769	138,951	0.71%	2.13%
CHS/Toppenish Community Hospital	100,797,668	19,775,729	59,026,083	21,995,856	592,274	0.59%	2.69%
CHS/Yakima Regional Medical Center	589,241,602	296,353,882	151,397,770	141,489,950	2,502,476	0.42%	1.77%
Columbia Basin Hospital	21,366,133	8,975,727	6,414,041	5,976,365	87,633	0.41%	1.47%
Confluence/Central Washington Hospital	738,545,665	397,016,135	140,237,896	201,291,634	5,074,041	0.69%	2.52%
Confluence/Wenatchee Valley Hospital	532,838,609	199,402,866	61,906,079	271,529,664	3,519,977	0.66%	1.30%
Coulee Community Hospital	36,862,214	12,538,851	11,651,101	12,672,262	132,404	0.36%	1.04%
Kittitas Valley Hospital	125,025,454	52,672,425	22,989,232	49,363,797	633,490	0.51%	1.28%
Lake Chelan Community Hospital	45,397,256	18,175,682	1,378,236	25,843,338	236,150	0.52%	0.91%
Mid Valley Hospital	59,433,096	23,349,327	17,699,775	18,383,994	830,605	1.40%	4.52%
North Valley Hospital	37,374,840	15,908,175	12,977,826	8,488,839	389,166	1.04%	4.58%
PMH Medical Center	94,616,962	30,051,463	33,904,821	30,660,678	1,080,561	1.14%	3.52%
Providence/Kadlec Medical Center	1,532,173,652	605,007,584	354,770,500	572,395,568	18,810,897	1.23%	3.29%
Quincy Valley Hospital	10,328,626	2,590,429	584,299	7,153,898	109,917	1.06%	1.54%
Samaritan Hospital	202,505,594	62,436,140	11,124,847	128,944,607	3,344,999	1.65%	2.59%
Sunnyside Community Hospital	234,938,144	74,399,569	94,409,519	66,129,056	1,531,368	0.65%	2.32%
Three Rivers Hospital	20,186,221	7,023,919	1,674,605	11,487,697	696,387	3.45%	6.06%
Trios Health	509,331,295	204,618,555	122,412,383	182,300,357	2,999,362	0.59%	1.65%
Yakima Valley Memorial Hospital	1,036,380,679	439,872	254,617,552	781,323,255	9,334,277	0.90%	1.19%
CENTRAL WASH REGION TOTALS	6,240,858,805	2,146,720,832	1,440,008,742	2,654,129,231	56,072,754	0.90%	2.11%

**Total Patient Service Revenue, Adjusted Patient Service Revenue, and Amount of Charity Care as a Percent
for Washington Hospital Fiscal Years Ending During Calendar Year 2016**

Revenue Categories - Patient Service Revenue - (Billed Charges)							
Region/Hospital	Total Patient Service Revenue	(Less) Medicare Revenue	(Less) Medicaid Revenue	Adjusted Patient Service Revenue	Charity Care	Charity Care as a % of Total Patient Service Revenue	Charity Care as a % of Adjusted Patient Service Revenue
EASTERN WASHINGTON REGION (N=21)							
Adventist West/Walla Walla General Hospital	Hospital Late in Reporting to Department of Health						
CHS/Deaconess Hospital	1,313,193,544	626,837,469	288,889,093	397,466,982	3,639,297	0.28%	0.92%
CHS/Valley Hospital	608,055,223	272,642,243	136,663,004	198,749,976	2,462,386	0.40%	1.24%
Dayton General Hospital	17,060,469	7,721,121	1,582,901	7,756,447	32,687	0.19%	0.42%
East Adams Rural Hospital	9,516,335	3,015,066	1,238,298	5,262,971	79,647	0.84%	1.51%
Ferry County Memorial Hospital	Hospital Late in Reporting to Department of Health						
Garfield County Memorial Hospital	Hospital Late in Reporting to Department of Health						
Lincoln Hospital*	25,532,523	12,150,850	5,706,938	7,674,735	85,122	0.33%	1.11%
Newport Community Hospital	42,261,450	19,226,041	10,221,150	12,814,259	395,798	0.94%	3.09%
Odessa Memorial Hospital	5,018,751	1,326,988	1,542,856	2,148,907	20,209	0.40%	0.94%
Othello Community Hospital	Hospital Late in Reporting to Department of Health						
Providence/Holy Family Hospital	602,242,727	269,957,105	158,790,006	173,495,616	6,150,925	1.02%	3.55%
Providence/Mount Carmel Hospital	99,717,689	49,176,346	25,238,467	25,302,876	859,048	0.86%	3.40%
Providence/Sacred Heart Medical Center	2,392,929,594	1,023,188,977	588,801,230	780,939,387	14,270,184	0.60%	1.83%
Providence/Saint Joseph's Hospital	39,452,982	21,539,591	9,764,746	8,148,645	332,182	0.84%	4.08%
Providence/Saint Mary Medical Center	471,145,324	238,936,270	75,342,852	156,866,202	5,843,465	1.24%	3.73%
Pullman Regional Hospital	103,562,910	32,919,191	13,471,531	57,172,188	484,562	0.47%	0.85%
Saint Luke's Rehabilitation Institute	89,805,484	50,613,809	15,442,478	23,749,197	418,792	0.47%	1.76%
Shriners Hospital for Children - Spokane	27,545,341	-	13,086,798	14,458,543	2,265,574	8.22%	15.67%
Tri-State Memorial Hospital	128,042,282	74,124,615	15,131,278	38,786,389	1,046,885	0.82%	2.70%
Whitman Medical Center	36,234,354	17,263,922	6,417,479	12,552,953	41,793	0.12%	0.33%
EASTERN WASH REGION TOTALS	6,011,316,982	2,720,639,604	1,367,331,105	1,923,346,273	38,428,556	0.64%	2.00%
STATEWIDE TOTALS (N=99)	61,782,322,914	24,598,252,920	13,081,984,142	24,102,085,852	568,316,805	0.92%	2.36%

*Hospital late in reporting final data to Department of Health. Amounts displayed are estimates calculated from quarterly reports.

**Hospital late in reporting final data to Department of Health. Amounts displayed are estimates calculated from audited financial statements.

Appendix 1 notes: Group Health Central Hospital is not included in this report because healthcare charges are prepaid through member subscriptions; therefore, uncompensated healthcare is generally not incurred. State-owned psychiatric hospitals, federal Veterans Affairs hospitals, and federal military hospitals are also excluded.

Appendix 2 Charity Care Adjusted for Cost to Charge Ratio

Total Patient Service Revenue, Total Operating Expense, Cost to Charge Ratio and Mark-Up
for Washington Hospital Fiscal Years Ending During Calendar Year 2016

Region/Hospital	Total Patient Service Revenue	Operating Expense	Cost to Charge Ratio	Mark-Up	Charity Care as reported by the hospital	Charity Care after modified by Cost to
Adventist West/Walla Walla General Hospital	Hospital Late in Reporting to Department of Health					
Ascension/Lourdes Medical Center	253,364,524	99,302,336	0.392	1.551	3,892,912	1,525,767
Ascension/Lourdes Counseling Center	40,598,424	18,968,864	0.467	1.140	134,907	63,033
Capella/Capital Medical Center	485,493,630	93,159,189	0.192	4.211	1,613,094	309,529
Cascade Behavioral Health	61,420,825	30,223,861	0.492	1.032	63,662	31,327
Cascade Medical Center	19,552,147	15,805,198	0.808	0.237	138,951	112,323
Cascade Valley Hospital	72,816,806	25,089,502	0.345	1.902	147,881	50,953
CHI/Harrison Memorial Hospital	1,730,727,601	451,164,176	0.261	2.836	5,049,406	1,316,274
CHI/Highline Community Hospital	798,326,360	188,537,563	0.236	3.234	5,671,186	1,339,341
CHI/Regional Hospital	43,260,243	17,157,645	0.397	1.521	572,927	227,231
CHI/Saint Anthony Hospital	616,227,557	122,869,491	0.199	4.015	2,978,478	593,878
CHI/Saint Clare Hospital	766,839,963	136,572,467	0.178	4.615	5,392,532	960,398
CHI/Saint Elizabeth Hospital	167,076,159	50,126,176	0.300	2.333	933,623	280,105
CHI/Saint Francis Community Hospital	1,033,489,775	196,936,956	0.191	4.248	7,735,739	1,474,086
CHI/Saint Joseph Medical Center - Tacoma	2,681,161,532	623,880,198	0.233	3.298	14,189,379	3,301,730
CHS/Deaconess Hospital	1,313,193,544	280,259,463	0.213	3.686	3,639,297	776,692
CHS/Valley Hospital	608,055,223	90,115,602	0.148	5.748	2,462,386	364,933
CHS/Yakima Regional Medical Center	589,241,602	106,644,962	0.181	4.525	2,502,476	452,915
Columbia Basin Hospital	21,366,133	17,279,014	0.809	0.237	87,633	70,870
Confluence/Central Washington Hospital	738,545,665	293,911,229	0.398	1.513	5,074,041	2,019,263
Confluence/Wenatchee Valley Hospital	532,838,609	333,329,153	0.626	0.599	3,519,977	2,202,001
Coulee Community Hospital	36,862,214	28,925,225	0.785	0.274	132,404	103,895
Dayton General Hospital	17,060,469	14,343,084	0.841	0.189	32,687	27,481
East Adams Rural Hospital	9,516,335	9,664,507	1.016	(0.015)	79,647	80,887
EvergreenHealth - Kirkland	1,679,133,006	652,967,918	0.389	1.571	5,297,622	2,060,160
EvergreenHealth - Monroe	114,991,430	45,156,081	0.393	1.547	318,107	124,918
Ferry County Memorial Hospital	Hospital Late in Reporting to Department of Health					
Forks Community Hospital	41,615,944	27,811,066	0.668	0.496	260,395	174,017
Garfield County Memorial Hospital	Hospital Late in Reporting to Department of Health					
Grays Harbor Community Hospital	391,746,763	104,081,245	0.266	2.764	994,697	264,276
Island Hospital	230,346,305	96,264,635	0.418	1.393	395,654	165,349
Jefferson Healthcare	173,008,558	85,967,961	0.497	1.012	927,129	460,690
Kindred Hospital Seattle	133,697,043	42,191,580	0.316	2.169	-	-
Kittitas Valley Hospital	125,025,454	71,512,727	0.572	0.748	633,490	362,347
Klickitat Valley Hospital	38,605,770	21,788,101	0.564	0.772	314,872	177,706
Lake Chelan Community Hospital	45,397,256	27,142,190	0.598	0.673	236,150	141,190
Legacy/Salmon Creek Hospital	802,370,748	272,546,514	0.340	1.944	12,899,883	4,381,788
Lincoln Hospital*	25,532,523	22,027,987	0.863	0.159	85,122	73,438
Mason General Hospital	194,903,864	94,142,627	0.483	1.070	2,575,947	1,244,236
Mid Valley Hospital	59,433,096	30,372,636	0.511	0.957	830,605	424,472
Morton General Hospital	40,522,574	23,732,151	0.586	0.707	190,823	111,756
MultiCare/Auburn Regional Medical Center*	737,095,750	188,234,956	0.255	2.916	11,525,196	2,943,233
MultiCare/Good Samaritan Hospital	1,723,649,960	407,905,771	0.237	3.226	25,362,565	6,002,110
MultiCare/Mary Bridge Children's Health	708,466,104	209,024,716	0.295	2.389	5,251,149	1,549,291
MultiCare/Tacoma General - Allenmore*	2,852,339,813	778,707,410	0.273	2.663	48,835,827	13,332,500
Navos	19,032,466	10,575,542	0.556	0.800	510,435	283,627
Newport Community Hospital	42,261,450	28,666,215	0.678	0.474	395,798	268,472
North Valley Hospital	37,374,840	21,884,630	0.586	0.708	389,166	227,874
Ocean Beach Hospital	40,426,631	21,673,484	0.536	0.865	123,208	66,054
Odessa Memorial Hospital	5,018,751	7,469,934	1.488	(0.328)	20,209	30,079
Olympic Medical Center	328,380,822	163,086,626	0.497	1.014	1,605,502	797,354
Othello Community Hospital	Hospital Late in Reporting to Department of Health					
Overlake Hospital Medical Center	1,386,652,700	496,267,641	0.358	1.794	11,444,129	4,095,727

**Total Patient Service Revenue, Total Operating Expense, Cost to Charge Ratio and Mark-Up
for Washington Hospital Fiscal Years Ending During Calendar Year 2016**

Region/Hospital	Total Patient Service Revenue	Operating Expense	Cost to Charge Ratio	Mark-Up	Charity Care as reported by the hospital	Charity Care after modified by Cost to
PeaceHealth/Peace Island Medical Center	23,300,467	16,965,310	0.728	0.373	179,449	130,659
PeaceHealth/Saint John Medical Center	682,804,440	263,899,209	0.386	1.587	2,100,336	811,765
PeaceHealth/Saint Joseph Hospital	1,237,850,206	493,283,337	0.399	1.509	8,506,855	3,389,982
PeaceHealth/Southwest Medical Center	1,632,784,110	566,163,640	0.347	1.884	9,767,992	3,387,026
PeaceHealth/United General Hospital	88,367,103	43,781,826	0.495	1.018	1,287,149	637,723
PMH Medical Center	94,616,962	44,282,438	0.468	1.137	1,080,561	505,722
Providence/Centralia Hospital	634,800,410	158,726,612	0.250	2.999	9,270,701	2,318,062
Providence/Holy Family Hospital	602,242,727	200,025,333	0.332	2.011	6,150,925	2,042,932
Providence/Kadlec Medical Center	1,532,173,652	538,064,052	0.351	1.848	18,810,897	6,605,953
Providence/Mount Carmel Hospital	99,717,689	45,137,086	0.453	1.209	859,048	388,847
Providence/Regional Medical Center Everett	2,101,844,782	719,755,695	0.342	1.920	23,900,061	8,184,337
Providence/Sacred Heart Medical Center	2,392,929,594	910,516,396	0.381	1.628	14,270,184	5,429,845
Providence/Saint Joseph's Hospital	39,452,982	22,505,027	0.570	0.753	332,182	189,485
Providence/Saint Mary Medical Center	471,145,324	180,521,719	0.383	1.610	5,843,465	2,238,953
Providence/Saint Peter Hospital	1,797,651,011	462,193,645	0.257	2.889	17,145,353	4,408,238
Providence/Swedish - Cherry Hill	1,865,265,137	510,267,926	0.274	2.655	16,837,565	4,606,138
Providence/Swedish - Edmonds	794,948,750	259,117,689	0.326	2.068	10,473,450	3,413,876
Providence/Swedish - First Hill	4,008,121,018	1,324,069,195	0.330	2.027	32,993,281	10,899,219
Providence/Swedish - Issaquah	636,917,207	235,041,450	0.369	1.710	5,291,909	1,952,872
Pullman Regional Hospital	103,562,910	60,093,183	0.580	0.723	484,562	281,171
Quincy Valley Hospital	10,328,626	9,715,406	0.941	0.063	109,917	103,391
Saint Luke's Rehabilitation Institute	89,805,484	45,300,836	0.504	0.982	418,792	211,252
Samaritan Hospital	202,505,594	71,743,648	0.354	1.823	3,344,999	1,185,066
Seattle Cancer Care Alliance	869,814,662	473,690,648	0.545	0.836	6,888,227	3,751,246
Seattle Children's Hospital	2,172,801,730	1,163,228,376	0.535	0.868	27,203,739	14,563,759
Shriner Hospital for Children - Spokane	27,545,341	22,251,553	0.808	0.238	2,265,574	1,830,166
Skagit Valley Hospital	1,013,946,788	329,561,548	0.325	2.077	2,937,279	954,699
Skyline Hospital	27,605,942	18,237,119	0.661	0.514	74,898	49,479
Snoqualmie Valley Hospital	44,025,060	38,183,401	0.867	0.153	1,550,969	1,345,172
Summit Pacific Medical Center	60,561,650	28,372,366	0.468	1.135	734,790	344,240
Sunnyside Community Hospital	234,938,144	82,837,674	0.353	1.836	1,531,368	539,950
Three Rivers Hospital	20,186,221	12,822,952	0.635	0.574	696,387	442,368
Toppenish Community Hospital	100,797,668	19,838,767	0.197	4.081	592,274	116,570
Trios Health	509,331,295	204,679,849	0.402	1.488	2,999,362	1,205,323
Tri-State Memorial Hospital	128,042,282	68,669,419	0.536	0.865	1,046,885	561,447
UHS/BHC Fairfax Hospital	Hospital Late in Reporting to Department of Health					
UHS/BHC Fairfax Hospital - Monroe	Hospital Late in Reporting to Department of Health					
UHS/BHC Fairfax Hospital - North	Hospital Late in Reporting to Department of Health					
UW Medicine/Harborview Medical Center	2,226,302,661	915,104,140	0.411	1.433	67,254,350	27,644,370
UW Medicine/Northwest Hospital	1,075,874,468	380,120,452	0.353	1.830	8,882,127	3,138,171
UW Medicine/University of Washington	2,445,382,841	1,138,250,000	0.465	1.148	23,330,084	10,859,432
UW Medicine/Valley Medical Center	1,686,484,731	551,065,209	0.327	2.060	7,423,198	2,425,558
Virginia Mason Medical Center	2,041,725,972	1,005,615,788	0.493	1.030	15,250,158	7,511,194
Virginia Mason Memorial Hospital	1,036,380,679	411,638,707	0.397	1.518	9,334,277	3,707,469
Whidbey General Hospital**	238,065,609	99,789,949	0.419	1.386	964,742	404,391
Whitman Medical Center	36,234,354	27,025,301	0.746	0.341	41,793	31,171
Willapa Harbor Hospital	29,073,670	19,536,512	0.672	0.488	385,786	259,235
Statewide Totals	61,782,322,914	21,387,178,593	0.346	2.889	568,316,805	196,734,154

*Hospital late in reporting final data to Department of Health. Amounts displayed are estimates calculated from quarterly reports.

**Hospital late in reporting final data to Department of Health. Amounts displayed are estimates calculated from audited financial statements.

Appendix 2 notes: Cost-to-Charge formula is total operating expense / total patient services revenue while Mark up is total patient services revenue/total operating expense.