

# Types of Hospitals

Georgia law defines health care institutions, including hospitals, under O.C.G.A. § 31-7-1(4) (A); however, the classification of a health care institution as a hospital is determined by rules promulgated by the Georgia Department of Community Health.

## Hospital Classifications

An acute care hospital provides treatment for a brief but severe injury, episode of illness, conditions that result from disease or trauma, or during recovery from surgery. Acute care is generally provided by a variety of clinical staff. There are 103 general acute care hospitals in Georgia.<sup>2</sup>

A **not-for-profit hospital** is an organization that can demonstrate that no part of its net earnings is given to a shareholder or individual. This type of hospital is exempt from most federal and state taxes due to its charitable status but is not exempt from employment taxes (e.g., Social Security and Medicare taxes). The term “non-profit” does not mean that the hospital does not make a profit. Instead, profits of the hospital are returned to the control of the hospital for operations rather than to shareholders.

**Some hospitals are affiliated with a hospital authority.** This is a local governmental entity and statutorily created public corporation that is authorized to create and operate a hospital in a county or municipality. Many hospital authorities use a not-for-profit management company to handle daily operations.

For **investor-owned (for-profit) hospitals**, the profit or loss of the hospital is a direct profit or loss for the shareholders (owners) of the hospital. In 2018, 42 Georgia hospitals reported being for-profit. In Georgia, these facilities may be publicly traded or privately owned and pay taxes on hospital property and purchases.

**Prospective Payment System (PPS) hospitals** are acute care hospitals that are reimbursed by Medicare based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups for inpatient hospital services).

Established under the federal Balanced Budget Act of 1997, **Critical Access Hospitals (CAH)** are limited-service, acute-care hospitals located in rural areas. CAH is a special Medicare designation for payment that is limited to hospitals with no more than 25 beds and an average length of stay fewer than four days. There is a state and federal approval process required by the Georgia Department of Community Health and the Centers for Medicare and Medicaid Services for this designation. Under Medicare, CAHs are paid at 101 percent of Medicare cost instead of a diagnosis-related group (DRG), as with other hospitals. (DRGs are discussed in more detail on page 18 of this publication.) Further, there are some differences in regulatory requirements. There are 30 critical access hospitals in Georgia compared with 34 only a few years ago.

**Specialty hospitals** are acute care hospitals that provide a limited service for one of the following types of care: children’s medical; long-term acute care; psychiatric; or rehabilitative.

A **hospital system** is a collection of hospitals previously described, such as for-profit, not-for-profit, acute medical surgical, specialty or critical access, that are all operating under a single corporate entity. Additionally, a hospital system may own or operate other lines of business, like a skilled nursing facility, pharmacy, or physicians’ practice.

**State hospitals** are owned by the State of Georgia. Likewise, federal hospitals, such as veterans’ hospitals, are owned by the federal government. Georgia owns five state regional hospitals for behavioral health;<sup>3</sup> one acute care hospital<sup>4</sup> and two specialty hospitals.<sup>5</sup> Georgia has three Veterans Administration hospitals.<sup>6</sup>

**Teaching hospitals** are facilities that have been approved to participate in residency training by the Accreditation Council for Graduate Medical Education<sup>7</sup> and/or have a residency or internship program(s) approved by the American Osteopathic Association and/or are members of the Council of Teaching Hospitals.

**Psychiatric hospitals** are facilities that provide care and treatment to patients affected with acute or chronic mental illness.<sup>8</sup>



## Inside the H

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