

Billing and Collection Guidelines for Wisconsin Hospitals

**Guidelines from the
Wisconsin Hospital Association**

Updated in 2007



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BACKGROUND

Wisconsin hospitals have a long tradition of providing needed health care to their communities, 24 hours a day, seven days a week. That care is provided regardless of ability to pay.

Each day in 2005, Wisconsin hospitals provided uncompensated care to almost 2,600 patients at a cost of more than \$1.5 million. In all, over 965,000 individuals received over \$550 million in uncompensated care.

Hospitals are committed to serving patients whether or not they can pay for part or all of the essential care they receive. Hospitals are committed to treating all patients with compassion, from the bedside to the billing office. At the same time, hospitals have a responsibility to all patients and payers to attempt to obtain payment from those able to pay. The financial viability of hospitals is affected by whether hospitals are successful in obtaining payment from those responsible.

To help provide guidance in balancing the responsibilities outlined above, the Wisconsin Hospital Association has developed the following principles to communicate what Wisconsin patients can expect from their hospitals.

PRINCIPLES

- Concern regarding a hospital bill should never get in the way of a patient receiving essential health services. Hospitals should convey this message to prospective patients and local community service agencies.
- Hospitals should have financial aid policies that are consistent with the mission and values of the hospital. These policies, which should be broadly communicated, should reflect a commitment to provide financial assistance to patients' ability to contribute to the cost of his or her care.
- Financial aid policies should be clear, understandable, and communicated in a manner that is dignified and in languages appropriate to the communities and patients served.
- Debt collection policies—by both hospital staff and external collection agencies—must reflect the mission and values of the hospital.
- Financial aid policies must balance a patient's need for financial assistance with the hospital's broader fiscal responsibilities.

- Financial aid provided by the hospital is not a substitute for the responsibility of government to adequately fund coverage for participants in government health care programs.
- Financial aid policies do not eliminate personal responsibility. Eligible patients may or may not be expected to access public or private insurance options in order to qualify for financial aid. However, all patients are expected to contribute to their care based on their individual ability to pay.

GUIDELINES

Eligibility for Financial Aid

Financial aid is intended to assist those individuals who do not otherwise have the ability to pay their full obligation as determined under the hospital's qualification criteria. It should take into account each individual's ability to contribute to the cost of his or her care.

Consideration should also be given in providing financial assistance on a case-by-case basis to patients who have exhausted their insurance benefits and/or whose income or assets exceed financial eligibility criteria but face extraordinary medical costs. Hospital financial aid is not a substitute for employer-sponsored, public, or individually purchased insurance.

Wisconsin Hospital Association recommends that all hospitals' policies should, at a minimum:

- Plainly state the eligibility criteria to receive financial aid.
- Assert that financial assistance will be provided to the lowest-income individuals – those below 300 percent of the federal poverty level (FPL) – with collection practices that recognize the limited financial capacity of those individuals. Hospitals may consider providing financial assistance to those who earn more than the stated income threshold and may establish collection policies and practices based on those patients' ability to pay. Hospitals may also consider additional criteria to ensure ease of implementation.
- Explain whether and how assets will be used in determining eligibility for financial assistance.
- Define the type and scope of essential services eligible for financial aid.
- Clearly state if the charity care/financial aid policy applies only to patients from certain hospital service areas and, if so, define those areas.
- Result in similar financial aid determinations for similarly situated patients.
- Make a determination in a timely way.

While it is incumbent upon hospitals to have, and fairly implement financial aid policies for the poorest patients, it is equally true that financial aid applicants must cooperate with the hospital's need for accurate and detailed financial information. Therefore, the hospital should make clear that any patient seeking financial aid shall comply with hospital assistance application requirements, including the production of necessary documentation, and will provide the hospital with any and all financial and other information needed to enroll in a publicly sponsored insurance program (e.g., Medicaid, BadgerCare, Healthy Start, General Assistance, HIRSP), if required.

Discount/Payment Policies

Hospitals' policies for offering payment discounts to eligible patients should reflect the mission and values of the organization. Hospitals should determine sliding-scale discounts in a reasonable manner based on what low-income patients can afford to pay.

For all uninsured patients – Hospitals should have a standard discount for all uninsured patients that represents the discounts typically granted in the community. WHA recommends that hospitals consider the following alternative approaches:

- A flat discount amount for all uninsured patients
- A discount similar to discounts given to commercial payers in the community
- A minimum discount based on the highest payer with a meaningful amount of volume

Discount for those patients with incomes between 100 percent and 300 percent of the Federal Poverty Level (income only) – Hospitals should consider the following alternative approaches:

- A flat discount amount greater than the standard discount
- Adjustable discounts that change with the income level of the uninsured patient (an asset test can also be considered when determining the applicable discount)

It should be noted that hospitals may consider providing financial assistance to those who earn more than the stated income threshold and may establish collection policies and practices based on those patients' ability to pay.

Financial Assistance for catastrophic health care bills – Hospitals should have a policy that would provide financial assistance (discounts and/or extended payment terms) in those cases where the hospital bill is large in comparison to the uninsured patient's assets or income (means).

Hospitals should take the following factors into account in determining eligibility for catastrophic financial assistance:

- The amount owed by the patient in relation to his/her total means.
- The medical status of the patient or of his/her family.
- The employment potential of the patient in light of his/her medical condition and/or skills in the job market.
- Whether the patient lives on a fixed income.
- Existing liabilities such as a mortgage, school tuition, or automobile or college loan.
- Level and type of assets.

In addition, all policies should:

- Incorporate flexible payment plans (e.g., extended payment terms) as appropriate.
- Clearly state if a minimum payment is required (to ensure patients recognize the value of medical care and use the health care system responsibly).
- Be evaluated on a regular basis.

Collection Policy

Although clear and consistent financial aid policies will go far toward promoting access to care and minimizing bad debts, hospitals must have collection policies that reflect the mission and values of the hospital. Hospitals are also accountable for ensuring that debt-collection activities exercised by outside collection agencies comport with their mission, values, and directions.

The Wisconsin Hospital Association recommends the following:

- **Selecting and Hiring Outside Agency** – Hospitals should obtain written assurances that the selected organization complies with the Fair Debt Collection Practices Act and the ACA International’s Code of Ethics and Professional Responsibility (see Appendix). These criteria should be considered as minimum, as hospitals should ensure that the collection agency’s practices will reflect the values of the hospital.
- **Review and Assessment of Collection Agency** – Hospitals should periodically review the performance of the outside collection agency to ensure that it is adhering to its own code of ethics and the hospital’s policies.
- Hospitals should provide to all patients the same information concerning services and charges.
- Hospitals should include information about the availability of financial aid for low-income patients and instructions on how to obtain apply for such aid.
- Hospitals should work with the patient to establish a practical payment plan consistent with financial aid policies. Payment plans may include reasonable interest charges, with interest charges clearly indicated.
- For a patient who has an application pending for either government-sponsored coverage or for the hospital’s own financial aid program, a hospital should not knowingly send that patient’s bill to a collection agency before the initial eligibility determination has been made.
- When there is evidence that the patient or responsible party has income and/or assets to meet his or her obligation, legal action, including the garnishment of wages, can be taken by the hospital.

- Hospitals should not force the sale or foreclosure of a patient's primary residence to pay an outstanding medical bill.
- Hospitals should have written policies about when and under whose authority patient debt is advanced for collection, and should use their best efforts to ensure that patient accounts are processed fairly and consistently.
- Hospitals should review the patient's record to determine if reasonable efforts were undertaken to ensure that financial assistance was offered and/or if financial assistance is appropriate before any collection agency assignment.
- Hospitals will not request law enforcement authorities to take a patient into custody as a means of requiring the patient to appear in court.

Accountability/Advocacy

- Hospital boards should be provided with details on the extent of the charity care and financial aid provided, as well as the administration of the financial aid policy at least once annually.
- Hospital boards should determine if additional guidelines are needed.
- Hospitals should use their community service plans as a vehicle for publicly communicating the extensive community and patient benefits and services they provide.
- Hospitals are committed to working with government, payers, business, consumer groups, and others to address the underlying problem of the uninsured.

Transparency

Hospital should notify prospective patients that the hospital will provide upon request an estimated price or price range for the contemplated services.

Hospitals should develop a process to provide potential patients with price information. During 2007, the WHA Council on Finance and Payment will assist in identifying best practices.

Communicate the Availability of Financial Aid

- **Publicly Displaying Billing and Collection Policies** – Hospitals should display and/or make available their billing and collection policies, including discount and charity care policies. Suggested venues might include the patient registration area and the hospital's web site.
- **Communication with Patients** – Hospitals should provide information on the policies within the patient registration packet. They are also encouraged to have counselors communicate the policies. Hospitals should try to make this information available though out the entire billing and collection cycle.

- Communications to the public regarding financial assistance should be written in consumer-friendly terminology and in a language that the patient can understand. (See attached suggested sample notice of financial aid availability for use in circumstances where patients seek financial aid or otherwise as appropriate.)
- Information should be included in hospital bills about the availability of financial aid and how to obtain further information and apply for financial aid.
- Information on financial aid policies should be posted in key public areas with instructions on how to apply or obtain further information.
- Patients should be educated about their responsibilities, the potential financial obligation they may incur, their obligations for completing eligibility documentation, and the hospital's bill collection policies.
- Patients should be referred to and/or provided with assistance regarding applying for Medicaid, BadgerCare, Healthy Start, General Assistance and/or HIRSP for future care needs. In addition, hospitals should educate patients about their responsibility to obtain available insurance.

Implementation

Educate and Train Staff to Meet the Expectations of the Hospital

- Hospitals should provide training to personnel who interact with patients about financial aid availability, how to communicate that availability to patients, and how to direct patients to appropriate financial aid staff.
- Personnel should be trained to treat applicants with courtesy, confidentiality, and cultural sensitivity.
- Translation services should be available as needed.

Administer Financial Aid Policies Fairly, Respectfully, Consistently

- Policies should be reasonable, simple, respectful, and promote appropriate access to care and responsible utilization of services.
- Documentation requirements should be easy to follow (e.g., require documents such as pay stubs, tax returns, mortgage papers, rent receipts, etc.).
- Hospitals should make correct, timely, and consistent financial aid decisions.

APPENDIX A

Model Patient Notice of Financial Aid

Developed by the Wisconsin Hospital Association

[NAME OF HOSPITAL] is proud of its mission to provide around-the-clock quality care to all who need it.

If you do not have health insurance and worry that you may not be able to pay in full for your care, we may be able to help. [NAME OF HOSPITAL] provides financial aid to patients based on their income, assets, and needs. In addition, we may be able to help you identify other available resources or work with you to arrange a manageable payment plan.

It is important that you let us know if you will have trouble paying your bill; federal law requires hospitals to apply their billing and collection criteria consistently to all patients. Unpaid bills may ultimately be turned over to a collection agency, which could affect your credit status.

For more information, please contact [NAME OF PERSON] in our financial counseling office at [PHONE NUMBER]. We will treat your questions with confidentiality and courtesy.

APPENDIX B

Definition of Uninsured

Uninsured - People who lack public or private health insurance.

Underinsured - People with public or private insurance policies that do not cover all necessary health care services, resulting in out-of-pocket expenses that exceed their ability to pay.

Collection Agency Relationships

Fair Debt Collection Practices Act and the ACA International's Code of Ethics and Professional Responsibility:

The **Fair Debt Collection Practices Act** (or **FDCPA**), 15 U.S.C. § 1692 et seq., is a United States statute added in 1978 as Title VIII of the Consumer Credit Protection Act. Its purposes are to eliminate abusive practices in the collection of consumer debts, to promote fair debt collection and to provide consumers with an avenue for disputing and obtaining validation of debt information in order to ensure the information's accuracy. The Act creates guidelines under which debt collectors may conduct business, defines rights of consumers involved with debt collectors, and prescribes penalties and remedies for violations of the Act. It is sometimes used in conjunction with the Fair Credit Reporting Act

ACA International's Code of Ethics and Professional Responsibility Upon becoming a member of ACA International and as a condition of membership renewal, each member of the association agrees to abide by the association's Code of Operations, Code of Ethics and Professional Responsibility and Procedural Rules of Ethics and Professional Responsibility Committee.

It shall be deemed professional misconduct for a member:

- To knowingly violate the United States Fair Debt Collection Practices Act (FDCPA) with reckless disregard for provisions. To knowingly violate any federal or state law pertaining to collection and credit industry practices and procedures with reckless disregard for its provisions.
- To admit or consent to or be convicted of any crime under the laws of the U.S. jurisdiction which is a felony, a misdemeanor, an essential element of which is dishonesty, or of any crime which directly related to collection and credit industry practices and procedures.
- Engage in conduct involving dishonesty, fraud, deceit or misrepresentation including misrepresentation for the purpose of obtaining a license, certificate, or business related insurance.
- To harass a person on the basis of race, sex, age, creed, religion, color, national origin, disability, sexual preference or marital status in connection with a member's professional business, association activities or while acting in a representative capacity of the Association.
- To engage dishonorable, unethical or unprofessional conduct of a character likely to deceive, defraud or harm the public.

- To knowingly misrepresent an institution or organization for which the member is affiliated or conversely to knowingly represent that it is affiliated with an institution or organization when such an affiliation does not in fact exist.
- The Ethics and Professional Responsibility Committee is responsible for carrying out the duties set forth in the Procedural Rules for the Ethics and enforcing the association's Code of Ethics and Professional Responsibility, in the association.

Background on Collection Agencies:

This is a background paper written by the Association of Credit and Collection Professionals

<http://www.acainternational.org/images/6532/WhitePaperFinalversion.pdf>