

March, 2004

TO: WHA Board

FROM: George Quinn, Senior Vice President

SUBJECT: Uncompensated Care Policy

The issue of hospital billing and collection practices has become politically prominent in recent months. The American Hospital Association and several state hospital associations have taken steps to publicize the extent to which hospitals already provide uncompensated care and to encourage member hospitals to refute anecdotal reports of abusive collection policies. To that end, many associations have developed voluntary guidelines related to billing and collection practices. The purpose of these materials is to outline the issue from the perspective of the environment in Wisconsin, and to propose a suggested set of uncompensated care guidelines for our member hospitals.

This memorandum and the attached paper contain the following:

- ✓ Information about uncompensated care in Wisconsin, specifically, hospitals' publicly reported uncompensated care policies. A benefit of Wisconsin's mandated reporting requirements is that it allows us to say that the issue of uncompensated care is already a public one, where all hospitals make available both the cost of that care and the related billing policies. *We have nothing to hide.*
- ✓ Suggested voluntary guidelines for Wisconsin hospitals related to billing and collection practices. These policies and practices are meant to ensure that the public is aware that Wisconsin hospitals:
 - *Are prepared to provide needed care to all - regardless of ability to pay*
 - *Will use collection policies that are consistent with their missions and will maintain their financial viability.*

Wisconsin Hospitals' Publicly Reported Uncompensated Care Policies

Every Wisconsin hospital is required by law to annually submit an uncompensated health care plan to WHA Information Center. Previously the Bureau of Health Information (BHI) collected this information.

Each hospital reports the following information:

- Definitions of terms used in the hospital's uncompensated health care plan.
- An indication of whether a hospital includes a provision for charity care as part of its mission statement.

- A summary of the procedures used to determine a patient's ability to pay.
- A description of the hospital's charity care program.
- A summary of the procedures followed to verify financial information provided by the patient.
- A description of the procedure, if any, for informing the public about the availability of charity care.

According to *Uncompensated Health Care Report, Wisconsin Hospitals, Fiscal Year 2002*, recently released by BHI:

- Many hospitals include a provision for charity care as part of their mission statements.
- Nearly every hospital has a procedure to determine a patient's ability to pay. In general, the steps that hospitals use are as follows:
 1. Hospital identifies any uninsured, underinsured or self-pay patients.
 2. Patient completes application/determination of eligibility form.
 3. Patient completes financial statement that includes income, assets, and liabilities. Patient supplies documentation of resources (e.g., W-2 pay stubs, tax forms) and outstanding obligations (e.g., bank statements, loan documents).
 4. Hospital considers federal poverty guidelines and family size.
 5. Designated hospital staff person interviews patient to assess if the patient:
 - ✓ Has the ability to pay in full
 - ✓ Has the ability to pay reasonable monthly installments
 - ✓ Qualifies for General Relief (based on state statutes).
 6. Hospital attempts to secure federal, state, or local funding, if applicable.
 7. After the hospital makes its initial determination, the case becomes eligible for final review, often by a committee comprised of administrative, business office, social services, and nursing staff. Occasionally, hospital board members serve on these committees.
- Nearly all hospitals reported having procedures to inform the public about the availability of charity care at their facilities. In general, hospitals provide information and

applications for charity care at the time of registration, in their emergency rooms and in their fiscal services offices.

- Many hospitals publish brochures or pamphlets describing the availability of charity care and identifying the criteria for qualification.

The following *Guidelines*, based on Wisconsin hospitals' current policies, underscore hospitals' outstanding record of providing more than \$428 million in uncompensated care annually and reiterate their commitment to providing care at reasonable cost, sensitive to low-income patients' ability to pay.

In other parts of the country, anecdotal reports of hospitals' billing and collection practices have come under intense public scrutiny over the past year. Such reports have not involved Wisconsin hospitals.

Wisconsin's hospitals are proud of their mission of providing quality around-the-clock care to persons in need, regardless of their ability to pay. Wisconsin is different from many states in that all hospitals are required to publicly report both the amount of uncompensated care (charity care and bad debt) that they deliver and their policies related to uncompensated care. Detailed reports are published annually and are available free of charge in electronic form.

While primarily reaffirming the commitment of Wisconsin hospitals to provide accessible and affordable care, the *Guidelines* also emphasize the role of government in adequately funding the cost of care delivered to beneficiaries of government health programs, as well as the personal responsibility of patients to pay for care they receive to the extent they are able.

The rationale for the *Guidelines* is succinctly summarized in the first principle: "Concern regarding a hospital bill should not get in the way of patients receiving essential health services."

The *Guidelines* suggest minimum income eligibility levels (e.g., a multiple of federal poverty level), the need to ensure that discounted bills to low-income, uninsured patients are not inconsistent with amounts charged to a typical insured patient, and several specific collection practices that should be avoided. Each of the suggested recommendations address concerns raised in other states by public agencies, advocacy organizations, or the media.

Billing and Collection Guidelines for
Wisconsin Hospitals

**Guidelines from the
Wisconsin Hospital Association**

March 2004



Billing and Collection Guidelines for Wisconsin Hospitals

Guidelines from the Wisconsin Hospital Association

BACKGROUND

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

In 2002, Wisconsin hospitals provided uncompensated care to almost 2,300 patients EACH DAY at a cost of more than \$1.2 million. In all, over 836,000 individuals received over \$428 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 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 200% 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 low-income uninsured:

- Hospitals may apply discounts to fixed standards (e.g., related to Medicaid or third-party payer rates, etc., federal rules and regulations permitting) as opposed to charges; or
- Hospitals may choose to continue to rely on discounts from charges, ensuring that discount scales are regularly monitored and adjusted to ensure that the resulting discounted charge is not inconsistent with prices charged to a typical, insured patient.

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.

Different discount scales may apply to different categories of services (e.g., ambulatory or clinic care). For example, a sliding scale of fixed fees may be applied to clinic or outpatient care.

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:

- 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 should define the standards and scope of practices to be used by their outside (non-hospital) collection agencies, and should obtain written agreements from such agencies that they will adhere to such standards and scope of practices.
- 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.

Implementation

In order to properly implement financial aid policies, the Wisconsin Hospital Association recommends that hospitals address three issues: (1) communication of the policy to patients; (2) identification of appropriate personnel to administer the policy; and (3) administration of the policy fairly, respectfully, and consistently. Specifically, the Wisconsin Hospital Association recommends:

Communicate the Availability of Financial Aid

- 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.

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.

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.