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## Discounts sought for uninsured

### Guidelines would clarify hospital billing; reforms already under way here

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More than two years ago, Patricia Johnson of Wauwatosa got a \$2,000 bill for her 23-year-old son's trip to the emergency room. He had no health insurance.

She was willing to pay. But why couldn't she get the same discount that an insurance company gets?

"At least give us the same break," she said.

Now, the Wisconsin Hospital Association is recommending that all of its member hospitals do exactly that: give uninsured patients discounts similar to those given to health plans.

In the Milwaukee region, the new guidelines reflect practices already put in place by most health care systems in recent years. Wheaton Franciscan Healthcare, ProHealth Care and Columbia St. Mary's began changing their policies regarding uninsured patients in 2004 and 2005. Aurora Health Care and Froedtert & Community Health have since made similar changes.

But the guidelines could provide more clarity and consistency to billing policies that often are confusing and frustrating for patients.

"The key here is hospitals want to make their billing and collection policies more transparent," said George Quinn, executive vice president of the Wisconsin Hospital Association.

The guidelines come at a time when the non-profit tax status of health care systems is coming under increased scrutiny from the Internal Revenue Service and elected officials, in part because of the rising number of people without insurance.

In the past, hospitals billed uninsured patients their version of list price. Commercial health plans negotiated steep discounts for their subscribers.

The practice sparked lawsuits throughout the country, including the Milwaukee area, as well as congressional hearings and investigations by attorneys general in several states.

In Wisconsin, then-Attorney General Peg Lautenschlager filed complaints in 2005 against Wheaton Franciscan Healthcare-St. Joseph and the Wisconsin Heart Hospital for charging uninsured patients much higher prices than they charged health plans. Lautenschlager subsequently sent letters to other hospitals asking about their billing practices.

Wheaton Franciscan reached an agreement with the attorney general in May 2005 that provided uninsured patients with discounts of 45% off its list prices. It also put in place a clear-cut policy on charity care.

ProHealth Care and two other health care systems reached similar agreements with the state Justice Department in December 2006.

## **Discounts recommended**

The association's new guidelines recommend that every uninsured patient be given a discount, and that the discount should reflect those generally available in the community.

That would suggest that people without health insurance should pay rates similar to those paid by commercial health plans.

"That's certainly one way to interpret that," Quinn said. "We are not being prescriptive. But that's likely to be a fairly typical result."

Hospitals had paid scant attention to the practice of charging the uninsured higher rates, partly because they collected little from people without health insurance - about 5% of the actual bills, Quinn said.

Wisconsin hospitals incurred an estimated \$196.5 million in costs from bad debts in 2005. Some of that was from unpaid deductibles and co-pays from people with health insurance. But some also came from people who would qualify for charity care but didn't apply.

Another change in the hospital association's new guidelines is an emphasis on making sure that people know that charity care and financial assistance are available to people who qualify.

Wisconsin hospitals spent \$171.5 million on charity care in 2005, helping an estimated 250,000 patients.

Hospitals have long had financial counselors on their staffs to help people apply for public health programs and for charity care. But their complicated policies, varying from hospital to hospital, often have not been well understood - even at times by their own employees.

Quinn acknowledged that this stemmed partly from hospitals' wariness of advertising free care.

That's changing as more hospitals throughout the country promote the community benefits they provide, said Richard Gundling, vice president of the Healthcare Financial Management Association, a trade group for chief financial officers of health care systems.

They also are making it easier for people to apply for financial assistance.

"The reality is hospitals have found that for the patients who can't pay," Gundling said, "they aren't going to get paid anyway."

The changes also include more emphasis on training for employees and monitoring their policies.

"That was not as big a focus before," Gundling said.

## **Guidelines for aid**

The Wisconsin Hospital Association is also recommending that hospitals provide financial assistance to patients with household incomes up to 300% of the federal poverty level, or \$61,950 for a family of four.

Nearly all the health care systems in the Milwaukee area already exceed that. Many will provide free care to an uninsured family of four that has a household income of up to \$41,300 a year, and some financial assistance if the family's income is as high as \$82,600.

The association also recommends that hospitals consider assistance for uninsured patients with catastrophic medical bills, such as the person with an income of \$50,000 a year but \$100,000 in bills.

That recommendation should be welcomed by people who are solidly middle class but uninsured because of pre-existing medical conditions. That often prevents them from buying individual insurance policies. And insurance from the state's high-risk pool can be prohibitively expensive.

### **A lot of scrutiny**

Hospitals account for less than one-third of health care spending, but they draw more attention than physicians' clinics, ambulatory surgical centers or imaging centers.

Those providers, though, can control the number of uninsured patients they see. In contrast, hospitals must at least evaluate anyone who comes to an emergency room.

And health care systems have repeatedly noted that their new policies are only modified or more formal versions of what they have always done.

Despite the new guidelines, the hospital association doesn't want to give people the impression that they don't need health insurance.

Some people - no one knows exactly how many - simply opt not to buy coverage. This is most common among people under 35 with moderate incomes, a market segment known in the industry as the "young invincibles." Many of them could afford relatively inexpensive, high-deductible policies.

"If people have the ability to pay, they should pay," Quinn said.

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