

Standard Business Practices Governing the Billing of And Payment for Services Provided to Low-Income Uninsured Patients



Adopted by the Alliance Board of Directors ■ February 9, 2004

A. Financial Assistance Policy For Low-Income Uninsured Patients

- Every hospital shall have a policy governing the billing and payment for services provided to low-income uninsured patients. This policy shall provide for financial assistance to low-income uninsured patients. The policy shall also outline the hospital's policies for: a) the availability and reporting of charity care; and b) financial assistance for "underinsured" patients[†].
- The hospital's financial assistance policy must include an explanation/description of:
 - 1) the financial criteria and the procedure used by the hospital to determine whether a low-income uninsured patient is eligible for financial assistance through the hospital's charity care policy or reduced-payment option;
 - 2) the process by which the hospital reviews its eligibility decisions for financial assistance;
 - 3) how the hospital's financial assistance policy will be communicated to patients (see Sections B and C below); and
 - 4) when a hospital will send unpaid balances to outside collection agencies and the directions that the hospital will give to such collection agencies (see Section C below).
- Each hospital's policy shall provide that for any uninsured patient at or below 300 percent of the Federal Poverty Level (FPL)^{*}, the reimbursement the hospital accepts for a service rendered shall not exceed the payment the hospital would receive for that service from one of the following public payers: Medicare, Medi-Cal or Workers Compensation.^{**} Additionally, the hospital will notify the patient that he/she may qualify for financial assistance under the hospital's charity care policy, or reduced payment option. (See sections B and C below.)
- The hospital shall not, in dealing with uninsured patients at or below 300 percent FPL, use wage garnishments or liens on primary residences as a means of collecting on unpaid hospital bills. This requirement does not preclude hospitals from pursuing reimbursement from third-party liability settlements.[‡]
- Hospitals may take additional measures on behalf of low-income uninsured patients.

[†] These guidelines are not intended to supercede hospital responsibility to meet government rules and regulations.

^{*} \$46,000 per year for a family of three.

^{**} The hospital has the option of selecting the public payer (Medicare, or Medi-Cal, or Workers Compensation) it wishes to use as the ceiling for the payment it receives from its uninsured patients who are at 300 percent or less of the FPL.

[‡] Hospitals should draft their policy so as to exclude third parties, such as liability insurers, from benefiting from their financial assistance policies. Hospitals can do this by including a statement in the eligibility criteria excluding from eligibility any third parties who may be liable for payment for services to a patient who otherwise would qualify for financial assistance.

- For policy implementation purposes, a hospital shall define charity care in the following manner:
 - 1) Charity care is that portion of patient care services provided by a hospital for which a third-party payer is not responsible and a patient has the inability to pay. Charity care does not include bad debt, contractual adjustments, or unreimbursed costs (payment shortfalls). Charity care may include unpaid coinsurance, deductibles, and non-covered services if the patient meets the hospital's charity care eligibility criteria.
 - 2) Any portion of costs that a patient is unable to pay can count as charity care.
 - 3) A hospital may determine or re-determine a patient's eligibility for charity care any time information on the patient's eligibility becomes available.
 - 4) Charity care data for services provided to low-income uninsured patients must be based on costs of patient care services, not charges, with costs being determined by application of the standard cost-to-charge ratio or by the hospital's cost accounting system.
- A hospital shall provide, at patient request, a copy of the full text of the financial assistance policy.

B. Public Notice, Posting, And Communication With Patients

- A hospital shall post a notice regarding the availability of financial assistance for the payment for services provided to low-income uninsured patients. Notices shall be posted in a visible manner in locations where there is a high volume of inpatient or outpatient admitting/registration, such as emergency departments, billing offices, admitting offices, and hospital outpatient service settings.
- Posted notices shall contain the following:
 - 1) a statement indicating that the hospital has a financial assistance policy for low-income uninsured patients who may not be able to pay their bill and that this policy provides for charity care and reduced-payment for health care services; and
 - 2) Identification of a hospital contact phone number that a patient can call to obtain more information about the financial assistance policy and about how to apply for such assistance.
- In providing oral and written communication to low-income uninsured patients regarding the availability of and application process for financial assistance for the payment for services, a hospital shall do so in the primary language(s) of its service area and in a manner consistent with all applicable federal and state laws and regulations. In particular, any primary language should be used on items such as: posted notices, application forms required to be filled out by a patient, and the text of the financial assistance policy itself. In addition, a hospital shall provide, in the primary language, a written notice on the billing statement itself or in an insert to the billing statement informing the patient that financial assistance may be available either from a government program or under the hospital's own financial assistance policy.

C. Billing & Collections

- At time of billing, a hospital shall provide to all uninsured patients the same information on services and charges that the hospital provides to all other patients receiving care at the hospital.

- When sending a bill to an uninsured patient, a hospital shall include with the bill all of the following information:
 - 1) A statement that indicates that if the patient meets certain income requirements the patient may be eligible for a government-sponsored program or for financial assistance from the hospital for help in paying for the services that were provided; and
 - 2) A statement that provides the patient with a hospital contact resource from which the patient may obtain information about the hospital's financial assistance policy for low-income uninsured patients and how to apply for such assistance for the payment of services that were provided.
- A hospital shall not send patient bills to a collection agency (meaning an outside agency engaging in "hard" or "bad debt" collections activity as opposed to an outside agency simply carrying out the hospital's normal billing function) prior to 120 days from time of initial billing for those patients with a pending application for a government program serving the low-income or a pending application for charity care or reduced-payment for health care services under the hospital's own financial assistance policy for low-income uninsured patients.

For purposes of this requirement, a "pending application" is defined as an application that has been fully completed by the patient, submitted to the relevant public agency in the case of government programs and to the hospital in the case of the hospital's financial assistance policy, and is in the process of being determined for eligibility.

- If a patient qualifies for the hospital's financial assistance policy for low-income uninsured patients and is cooperating with the hospital with regard to efforts to settle an outstanding bill within a reasonable time period, a hospital or its agent shall not send, nor intimate that it will send, the unpaid bill to any outside agency if doing so may negatively impact a patient's credit. At such time as a hospital sends the uncollected account to an outside collection agency, the amount referred to the agency shall reflect the reduced-payment level for which the patient was eligible under the hospital's financial assistance policy for low-income uninsured patients.
- Any extended payment plans offered by a hospital in settling the outstanding bills of low-income patients who qualify for financial assistance shall be interest-free.

D. Data Compilation And Reporting Requirements

- A hospital shall post on its website or otherwise make available to the public on a reasonable basis a copy of its financial assistance policy for low-income uninsured patients.
- A hospital shall annually compile and post on its website or otherwise make available to the public on a reasonable basis the following data:
 - 1) the cost of charity care provided
 - 2) the unreimbursed costs of care provided to beneficiaries of government programs that serve the poor, with this item being defined as the shortfalls between costs and off-setting reimbursement/revenue that a hospital experiences in providing care under the Medi-Cal and local county indigent programs and for care provided to Medicare beneficiaries who are dually eligible for Medicaid.