

February 12, 2008

Implementing a No-Charge Policy for Serious, Adverse Events

AT A GLANCE

The Issue:

America's hospitals are committed to delivering safe care. On the rare occasion when a serious, adverse event that could have been prevented occurs, hospitals have undertaken a variety of strategies to support the injured patient and his or her family, including not charging the patient for the costs of care related to the event. Recently, the AHA Board of Trustees adopted a set of principles articulating when hospitals would not expect payment from patients or their insurers or employers for care related to preventable serious, adverse events. Now, the AHA is asking hospitals to implement a no-charge policy for patients and insurers for serious, adverse events that is appropriate for their communities and the patients they serve.

What You Can Do:

- ✓ Share this advisory with your senior managers.
- ✓ Review your own policies on not charging for serious, adverse events and examine whether they agree with the AHA's principles.
- ✓ Begin to think about how your hospital would implement a standardized policy for not charging for certain adverse events if you do not already have one in place.
- ✓ Engage your medical staff in reviewing and developing your policy and in a discussion of how physicians' charges should be handled.
- ✓ Download additional information about implementing a no-charge policy for serious, adverse events from the AHA Quality Center Web site at <http://www.ahaqualitycenter.org/ahaqualitycenter/jsp/home.jsp>.
- ✓ If your state hospital association is working to adopt a no-charge policy, look to them for further communication and information.

Further Questions:

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BACKGROUND

Every day, America's hospitals work to provide the best care possible to patients through the use of sophisticated systems, information technology and care protocols. Hospitals continue to work hard to put preventive systems in place and make the changes necessary to keep patients safe from harm. Unfortunately, human error can and does occur. In the rare cases when patients are harmed, we must do the right thing for those patients and their families. Information about serious, adverse errors should be quickly and openly communicated to patients and their families. And, the purchasers of those health care services – patients, insurers or employers – should not be charged for that care. It is our responsibility and an integral component of the public's trust in America's hospitals.

AT ISSUE

New Attention Focused on Foregoing Payment for Certain Events

Despite hospitals' best efforts, serious and tragic errors sometimes occur while caring for patients. The AHA supports the Institute of Medicine's (IOM) recommendation that errors and adverse events that occur during the delivery of health care services be reported in a systematic way so that we can learn from those errors and events and work to prevent repeating them. Since the IOM's recommendation, hospitals have taken important steps to communicate openly about these errors with affected patients and their families. In addition, many hospitals have policies for addressing billing issues when serious harm in care delivery could have been prevented; but these policies are not widely known, or may be applied to patients and not insurers or self-insured employers.

Following the IOM's report, the National Quality Forum identified a set of 27 events to form the basis of a national reporting system for errors and adverse events. More recently, insurers, employer groups and even the president and Congress have focused their attention on a small set of serious, adverse events, or so-called "never events," and have stated they would no longer pay part or all of the costs of the care needed as a result of such errors. Additionally, the Centers for Medicare & Medicaid Services (CMS) issued final regulations implementing a policy for which a patient may not be classified into a higher

paying diagnosis-related group if a reasonably preventable complication in care occurs. CMS has approved eight conditions for which higher Medicare payment would be prohibited, beginning October 1.

AHA Principles for Identifying Serious, Adverse Events for which Payment or Partial Payment Might Be Withheld

Recently, the AHA, working with its governing councils, committees, Regional Policy Boards and Board of Trustees, discussed the best way for hospitals to serve patients and their communities, including purchasers and payers, around this issue. Based on these policy deliberations, the AHA Board of Trustees in July 2007 adopted a set of principles that provide guidance on when a hospital should forego payment from patients, insurers and employers for the costs associated with a serious event that occurred to a patient during the course of care. The principles can assist hospitals as they refine or develop their own policies for their communities. The principles, which specifically describe the types of errors for which hospitals should forego payment, are:

- 1. The error or event must be preventable.** Where there are practices that are effective in preventing a particular harm from occurring, and they could have been implemented by the hospital, the error or event would be considered preventable.
- 2. The error or event must be within the control of the hospital.** Errors that may have occurred in the manufacture of drugs, devices or equipment, well before the materials reached a hospital's doors, are examples of events that would be outside of the hospital's control.
- 3. The error or event must be the result of a mistake made in the hospital.** These include errors in which a hospital failed to successfully carry out a practice that would have, in all probability, prevented harm to the patient.
- 4. The error or event must result in significant harm.** The list of events should be limited to those that yield very serious results.
- 5. The error or event must be clearly and precisely defined in advance.** A great level of specificity is required to identify events that could result in a hospital foregoing payment.

We, as health care leaders, need to address how our organizations respond when a patient sustains a serious and likely preventable injury while being cared for in our hospitals. In the interest of public accountability, hospitals must appropriately respond to the concerns of patients, employers and insurers and affirmatively indicate the circumstances under which we will not expect payment for care required when one of these serious, adverse errors occurs.

NEXT STEPS

Implementing a No-Charge Policy

Many hospitals have implemented a no-charge policy for certain events on an ad-hoc basis. Now, we are asking all AHA member hospitals to review their policies and consider any changes that may be warranted. The AHA's principles will help you evaluate the events to include in your policy, and we will provide technical assistance on how to implement this policy. The AHA Quality Center will have several resources available at

<http://www.ahaqualitycenter.org/ahaqualitycenter/jsp/home.jsp>, including a set of PowerPoint slides to explain the principles and assist you with refining and developing your policy.

- Begin to think about how you would implement a no-charge policy for certain adverse events in your hospital and discuss your approach with your hospital leadership, medical staff and board of trustees.
- Review your organization's policies on the handling of bills for individuals suffering from a serious, adverse event and consider making any needed amendments to your policies.
- Review the procedures you have in place to notify the billing office when these kinds of rare events occur and an adjustment will be necessary to the bill sent to the patient, insurer or employer.
- Look for invitations for future AHA member calls featuring hospitals and state hospital associations that have begun to implement a no-charge policy to further learn about the issues you may face as you work through this initiative.

We understand that putting this policy into action may require a different process in each hospital. Some state associations have begun discussions or have already taken action on this issue, as have some health systems. Your leadership is needed so that we continue to enhance the trust and respect of the patients and communities we serve.