



Iowa Hospital Association Policy Statement on Hospital Billing and Collection Practices

Overview

When hospitals determine a patient is unable to pay for necessary health care services through insurance coverage or with personal resources, they provide financial assistance in the form of charity care. Hospitals have varying procedures for determining a patient's ability to pay and different policies for granting charity care. However, one thing is consistent: All 116 of Iowa's not-for-profit hospitals have a commitment to provide necessary health care for their communities, 24 hours a day, seven days a week, regardless of any individual's ability to pay. At the same time, Iowa hospitals have a fiduciary responsibility to seek payment for services from those who can pay in order to ensure the continued availability of health care in the community. Although it's become a prominent national issue with congressional hearings, legislative action, and media attention, most aspects of hospital billing and collection practices can and should be addressed at the community level.

Iowa Landscape

Ten percent of Iowa residents are uninsured, compared to the national average of 16%. However, Iowa has a higher percentage of individual health insurance policies rather than employer-sponsored health care insurance. Iowans also contribute the second-highest percentage of the annual cost of their employment-based health insurance. These statistics have implications for cost-sharing and higher amounts of uncollected co-insurance and deductible amounts, particularly as individuals choose plans with increased out-of-pocket costs in an attempt to address increases in health insurance premiums. In the absence of health insurance coverage, uninsured Iowans have access to care because of Iowa's network of community-based, not-for-profit hospitals, and safety-net programs that provide alternative coverage.

Prior to July 1, 2005, Iowa's unique Indigent Patient Care Program provided health care services to more than 7,000 Iowans through the University of Iowa Hospitals & Clinics. IowaCare, a replacement to the previous indigent care program, is a limited Medicaid expansion that provides hospital and physician services for people with incomes up to 200% of the federal poverty level, and has enrolled over 11,500 individuals within the first few months of the program. In addition, Iowa law places a requirement on Iowa's 43 county hospitals to provide free care and treatment to any indigent person who fulfills the residency requirements in the county maintaining the hospital. These county hospitals receive more than \$74 million annually in property tax support in exchange for the care they render as well as to support operations and provide other community benefits. Further, the Iowa Medicaid program covers 305,000 Iowa residents who meet income and resource requirements, and over 34,000 children in the state are covered by the Healthy and Well Kids of Iowa (*hawk-i*) program, which provides health care coverage for Iowa children who do not qualify for Medicaid.

Finally, Iowa hospitals provided more than \$402 million in uncompensated care in 2004, representing 8% of net patient revenue. Uncompensated care includes two components: charity care and bad debt. No reimbursement or payment is made to the hospital for services provided to patients who meet the facility's charity care policies, while bad debt is defined as amounts that are written off as uncollectible from individuals who are unable or unwilling to meet their personal responsibility for their care. The amount

of uncompensated care provided by Iowa hospitals has increased 46% in the past four years, while revenue for the same period grew 22%.

Principles

To assist Iowa hospitals in balancing their commitment to serve all patients with care and compassion, regardless of their ability to pay, while maintaining a financially viable operation, the Iowa Hospital Association (IHA) has developed the following principles for adoption by Iowa hospitals:

- All patients, regardless of their ability to pay, will be treated fairly and equitably, and with respect and compassion.
- Necessary health care services will not be denied based on the inability to pay. Hospitals should clearly communicate this message to prospective patients and to local community service agencies.
- Hospitals will have written financial aid policies and provide information on such policies and other known sources of assistance. Hospital policies will be clear and understandable, and consistent with the mission of the hospital. They should be communicated in a manner that is dignified and in languages appropriate to the communities and patients served.
- Hospital financial policies will balance a patient's need for assistance with the hospital's broader fiscal responsibilities to maintain a financially viable organization and continuous service to all its patients.
- Collection practices by both hospital staff and collection agencies hired by the facility will reflect the values of the hospital. Iowa hospitals will refrain from aggressive collection practices such as forcing the sale or foreclosure of a patient's primary residence if it is the sole real asset, and will not use body attachment procedures to require a patient to appear in court. Iowa hospitals will place emphasis on discerning financial assistance from bad debt.
- While policies will allow consideration of individual circumstances, financial assistance provided by hospitals is not a substitute for personal responsibility. Patients are expected to provide complete and accurate information regarding their financial status and to pay for their care based on their individual ability. In this way, applications for charity care can be accurately assessed, assistance can be managed fairly, and hospitals can meet their mission to provide care to all patients.

Setting Hospital Charges

Since 2003, negative publicity about hospital collection practices has ignited much debate about hospital charging, collections, and charity care policies. Media coverage often depicts hospitals as overcharging the uninsured and using overly aggressive methods to collect from patients with limited ability to pay. However, the situation is far more complex. Because payment from government sources (Medicare and Medicaid) and other insurance companies is inadequate for hospitals to remain financially viable over the long term, hospitals must secure financial support for needed services. Mitigation of such shortfalls results in "cost shifting." One definition of cost shifting is the "allocation of unpaid costs of care delivered to one patient population through above-cost revenue collected from other patient populations." The simple fact is that hospitals must raise their charges to cover the cost of providing patient care, maintaining essential public services (such as providing 24-hour emergency care), accessing the latest technology, maintaining their physical plants, and providing uncompensated care and other community benefits.

A June 2005 report from the Kaiser Family Foundation illustrates the significant impact of cost shifting. In 2005, health insurance premiums in Iowa for a family with private, employer-sponsored coverage are \$518 higher due to the unpaid cost of health care for the uninsured. Premiums for individual health insurance coverage in the state are \$200 higher in 2005. In Iowa, the cost of health care not paid out-of-

pocket by the uninsured will be nearly \$323 million this year, and is expected to rise to more than \$452 million by 2010, illustrating the dramatic cost of this problem.

Looking forward

Of the state's 302,000 uninsured individuals, nearly 76% have at least one full-time worker in their family, indicating the uninsured are not necessarily indigent. According to a recent report by the Kaiser Family Foundation on the Uninsured, the top two reasons why the uninsured population does not have coverage are because health insurance is too expensive, and their jobs do not offer coverage. This information, along with the fact that more and more individuals are making a personal choice not to maintain coverage, provides a significant opportunity to review the health insurance delivery system in Iowa and begin a public policy dialogue to identify ways in which health care providers, insurance companies, government, and employers can structure a system that offers all residents the prospect of obtaining affordable health care coverage. The end result of this action is improvement of the productivity of our schools, workplaces, and the state as a whole. IHA is committed to participating in a process that produces solutions for the uninsured, recognizing that assistance provided by hospitals does not eliminate the underlying problem caused by the lack of health insurance coverage.