



Louisiana Hospital Association

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Hospital Uninsured Billing and Collection Issues and Guidelines

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Hospital Uninsured Billing and Collection Guidelines

Introduction

In response to increased focus on hospital billing and collections practices to the uninsured, and at the direction of the LHA Legislative, Regulatory & Policy Council (LRPC), the LHA was charged with gathering and presenting information and data analysis related to the objectives outlined below.

Objective 1: Gather examples and develop a list of guidelines that could be utilized by member hospitals in developing and reviewing their internal policies and procedures related to these issues.

Objective 2: Analyze available data in order to identify and quantify what is actually occurring with respect to aggregate uninsured payment rates compared to other payors, and to dispute claims that hospital collection percentages for uninsured patients exceed other payors.

LHA staff, with the assistance and input of the LHA CFO Expert Panel members, developed this document to provide member hospitals with an internal review tool to be used when evaluating their policies and procedures related to these issues. In addition to this document, the American Hospital Association (AHA) has developed resource documents related to this issue. These documents are available on the AHA website to AHA member hospitals. Please take the time to review this document and the attachment with the appropriate personnel at your facility to ensure that your hospital has given thoughtful consideration to its policies and practices in this area.

NOTE: This document was prepared for internal LHA member use only, and should not be distributed to anyone without the permission of LHA.

Background

On July 16, the U.S. House of Representatives House Energy and Commerce Subcommittee on Oversight and Investigations launched a formal investigation into hospital billing and collection practices by sending a seven-page letter to 20 hospitals and health systems across the country. No specific hospitals in Louisiana received an inquiry, although national systems with facilities in Louisiana were included in the investigation.

Specifically, the Subcommittee's probe intends to uncover practices in which the uninsured may be expected to pay substantially higher amounts for medical services than private third-party health plans (medical insurers, HMO's, PPO's, etc.), or government health care programs. As a result of the probe the issues outlined below are getting increased public attention.

- Hospital charity care policies
- Hospital debt collection practices

- Hospital charges and the relationship of “charges” to “costs”
- Public disclosure of hospital charges (Charge Description Master)

In addition to this investigation, the Illinois Attorney General has also opened an inquiry into hospital billing practices concerning uninsured patients. Other groups have published investigative reports that apply case studies with individual testimonials on “price gauging” and “aggressive collection activities against the uninsured.” Below are some of the issues identified by the various reports.

- Uninsured patients pay higher prices than what a typical insurance company would pay for the same procedure and services.
- Hospitals have many written and unwritten rules and policies regarding their billing and collection practices.
- Hospital billing and collection practices lack consist application and policies are not followed.

Serving to complicate already complex issues are federal laws and regulations that seek to ensure that all patients receiving the same services are charged the same price, and that debt collection efforts for Medicare deductible and coinsurance amounts must be similar to the efforts made to collect from non-Medicare patients.

These investigations, and their results, will certainly generate questions from the public and the media regarding the policies of your organization and more broadly the industry. The questions and issues raised touch upon many of the challenges hospitals are facing particularly here in Louisiana where over 19% of Louisiana residents are uninsured.

As you know, there is wide variation between hospital’s in their application of policies and procedures in this area. The information presented in the remainder of this document outlines general principals, guidelines, questions and analysis. The information gathered focuses on the issues and allegations raised in various external reports some of which are outlined above.

Principals and Guidelines

The following principals and guidelines are intended to provide you with a sample of the guiding principals used by other hospitals when developing organizational policies related to assisting low-income patients and corresponding billing/collection procedures.

Assisting Low-Income Patients

LHA recommends that hospitals –

- Respond promptly to patient questions about their bill and to requests for financial assistance.
- Provide financial counseling about their hospital bills to patients who request it.
- Provide information on the availability of hospital-based and other known programs of financial assistance.
- Provide information regarding discount (prompt pay, special pricing, etc.) programs and payment plans.
- Communicate this information to patients in a way that is easy to understand, and in the most common languages used in their communities.
- Have written policies and procedures in place and available regarding the qualification for public assistance programs, hospital-based financial assistance programs, discount/special pricing programs, and payment plans.
- Have in place a process to assure that written policies for assisting low-income patients are applied consistently.

Collection Practices

LHA recommends that hospitals –

- Ensure that the collection of patient debt by the hospital is pursued according to the standards and guidelines established by law, and are based on the mission and values of the hospital.
- Define the standards and scope of practices to be used by outside collection agencies in the collection of debt on their behalf.
- Have in place written policies covering when and under whose authority patient debt is advanced to a collection agency or litigation.
- Have in place a process to assure that written policies for the collection of patient debt, collection agency practices and the advancement of patient debt to a collection agency or litigation are applied consistently.

Policy and Procedure – Checklist

The following checklist is intended to serve as a guide as you review specific policies and practices in place at your hospital.

Does your hospital --

- ❑ Screen all “self-pay” patients for eligibility in
 - Medicaid
 - Hospital-Based Financial Assistance Programs (Charity Care)
 - Other programs for financial assistance

- ❑ Maintain documentation related to the screening process and/or attempts to provide this assistance

- ❑ Make available eligibility criteria in the above programs to “self-pay” patients
 - How is this presented to patients (verbal, posted, in writing at time of registration, by mail, other)
 - Is this done in a consistent manner for all “self-pay” patients

- ❑ Make available what information is required from the patient to determine eligibility in any of the above programs
 - How is this presented to patients (verbal, posted, in writing at time of registration, by mail, other)
 - Is this done in a consistent manner for all “self-pay” patients

- ❑ Offer payment plans, prompt pay discounts or special pricing programs for “self-pay” patients that do not qualify for Medicaid or Financial Assistance programs
 - How are these programs presented to patients (verbal, posted, in writing at time of registration, by mail, other)
 - Is this done in a consistent manner for all “self-pay” patients
 - If discounts or special pricing programs are offered, are the discounts pre-determined or applied on a case-by-case basis
 - If applied on a case-by-case basis, who within the organization has the authority to set discount amounts

- ❑ Are payment plans, prompt pay discounts or special pricing programs offered to insured patients with substantial co-payments/co-insurance amounts (insurance coverage does not necessarily patients have sufficient financial resources)
 - How are these programs presented to patients (verbal, posted, in writing at time of registration, by mail, other)
 - How are these patients identified (co-payment/co-insurance in excess of \$ amount)
 - Is a financial screening process similar to “self pay” patients utilized
 - Is this done in a consistent manner for all patients
 - If discounts or special pricing programs are offered, are the discounts pre-

- determined or applied on a case-by-case basis
 - If applied on a case-by-case basis, who within the organization has the authority to set discount amounts
- Utilize a sub-contracted eligibility vendor to perform screening
 - If so, what controls are in place to ensure the vendor is applying the hospital policies consistently
- Utilize patient debt collection methods that involve (patient statements, collection letters, phone calls, personal contacts, wage garnishment, liens, litigation, etc.)
 - If so, what controls are in place to ensure that these efforts are done according to the standards and guidelines established by law
 - If so, are these methods applied in a consistent manner for the collection of all patient debt or are methods applied differently on a case-by-case basis
 - If applied on a case-by-case basis, who within the organization authorizes prescribed methods
- Utilize a sub-contracted collection agency to perform all or part of patient debt collection activities
 - If so, what controls are in place to ensure the collection agency is applying the hospital policies consistently
 - What controls are in place to ensure their behavior reflects the policies and values of the hospital

Analysis of Actual Payment Rates

LHA staff with the assistance and input of the CFO Expert Panel developed an aggregate high-level analysis that compared actual payment rates across the major payor classes. This analysis was done using the CY 2002 LHA Financial DATABANK program. The LHA Financial DATABANK program is a voluntary hospital financial and utilization reporting initiative that collects various financial, payor, utilization and personnel data. The 2002 Financial DATABANK database, which this analysis is based on, includes 74 hospitals in Louisiana that represent over 60% of the licensed hospital beds in the state.

The intent of the payment rate analysis is to examine in greater detail the contention that self-pay or uninsured patients pay higher prices for health care services than a typical insurance company would pay. The analysis considers contractual adjustments and allowances for bad debt and charity care in calculating the true net collections for services delivered. The comparisons made utilize adjusted patient days as the unit of service common denominator. The adjusted patient day statistic is a common healthcare benchmarking statistic that is utilized when comparing revenues and expenses across various payors and providers.

While the analysis could not dispute any specific individual or hospital experience it does illustrate that overall, hospitals are not collecting more from self-pay or uninsured patients than from other payors. In fact, the analysis illustrates that payments from self-pay and uninsured patients typically only cover approximately 33% - 39% of operating expenses. In aggregate, payments from Medicare, Medicaid, Commercial Insurance and Managed Care typically cover between 80% - 124% of operating expenses.

Contact Information

If you have any questions regarding the contents of this report please contact Tatsy Jeter or Paul Salles at 225-928-0026.