

**Statement of
Principles and Guidelines
for
Hospital Billing and Collection Practices**

**Prepared by :
New Jersey Hospital Association**



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Preamble

New Jersey's acute care hospitals are charitable organizations with missions to provide the highest quality, most comprehensive care to the members of their community on a 24 hour a day, seven-day a week basis. However, in recent years the ability of these hospitals to fulfill their mission has been placed in jeopardy by a payment system that is severely broken.

It is not sufficient for New Jersey's hospitals to simply cover their day-to-day expenses year after year. Hospitals need to generate a reasonable surplus in order to have the necessary funds to maintain their physical plant, acquire new medical technology, support capital expenditures, and pay competitive salaries to allow employees to maintain their own cost of living. In recent years, most major payers (Medicare, Medicaid, Managed Care, etc.) have negotiated payments for services below hospitals' actual cost. The fact that New Jersey's hospitals were recently identified, in a study entitled "Leveling the Playing Field: Analysis of Hospital Cost Efficiency, as the sixth most efficient providers of hospital care in the country, only serves to magnify the inadequacy of the payments they receive. Even with those efficiencies in place New Jersey's hospitals have collectively lost money from operations in two of the last six years and as a group have barely exceeded break even performance in the other four. Add the skyrocketing costs related to the nursing shortage and rising medical malpractice costs and New Jersey hospitals are financial and operational risks.

Complicating this risk is the cost of caring for the uninsured. On an annual basis New Jersey hospitals absorb more than \$1 billion in uncompensated care and are underpaid by the state an additional \$400 million for services provided to the charity care population that they are mandated to provide. The charity care population are predominantly the working uninsured that do not qualify for Medicaid but still lack health insurance coverage. Our hospitals are committed to serving these patients whether or not they can pay for part or all of the essential care they receive. Understanding the broken nature of the payment system they operate under, hospitals still remain committed to treating all patients with compassion. This compassion extends beyond the bedside and into the billing office. However, this broken payment system is challenging hospitals' ability to satisfy public need. In order to meet state mandates, hospitals must receive adequate payments for the services they provide.

On December 17, 2003 the American Hospital Association released a white paper on hospital billing and collection practices. In that paper the AHA identified the national struggles associated with trying to care for 43 million uninsured and listed the federal regulations that hamper hospitals' efforts to assist patients who lack insurance. With 1.2 million, or 15percent of our own 8 million New Jersey residents lacking health insurance, NJHA endorses AHA's efforts in this area and echoes its sentiment that the federal and state government should eliminate regulations that make it more difficult than it should be to extend free or reduced cost care to patients when appropriate.

Access to comprehensive and high quality healthcare cannot exist without there also being financial stability for the hospitals providing that care. With the financial health of our hospitals remaining precarious at best, it is essential that payers operating in New Jersey be required to pay the true cost of care and that efforts be made to have as many New Jersey residents as

possible insured. NJHA and its member hospitals have never waived from their support for expanding health care coverage for as many residents as possible.

The following principles and guidelines are provided to assist hospitals with their efforts to better serve their patients and to offer new ways in which to better meet their patients needs.

Principles:

- Hospitals should treat all patients with dignity, respect and compassion.
- Hospitals should serve the emergency healthcare needs of everyone, regardless of a patient's ability to pay.
- Hospitals should facilitate assistance to patients with an inability to pay for part or all of the care they receive.
- Hospitals should never allow a patient's fear of a hospital bill to get in the way of a New Jersey resident receiving essential health services. Hospitals should convey this message to prospective patients and local community service agencies.
- Hospitals should adopt financial aid policies that are consistent with the mission and values of the hospital and that take into account each individual's ability to contribute to the cost of his or her care and the hospital's financial ability to provide the care, recognizing there is a difference between a patient that has the resources and refuses to pay and a patient that does not have the resources and cannot pay.
- Hospital's financial aid policies should be clear, understandable, and communicated in a manner that is dignified and in language(s) appropriate to the communities and patients served.
- Hospital debt collection practices should reflect the mission and values of the hospital, as well as abiding by all applicable legal requirements. Hospitals should require adherence to these policies by external collection agencies.
- Financial assistance provided by the hospital should not be a substitute for employer and government responsibility to provide and expand access to health care coverage for all New Jersey residents.
- Financial aid policies do not eliminate personal responsibility. Eligible patients may or may not be expected to access public or private insurance options in order to qualify for financial aid. However, all patients are expected to contribute to their care based on their individual ability to pay.
- Hospitals are encouraged to provide financial counseling to patients on an as requested basis.

Guidelines

Helping Patients with Financial Assistance

Financial aid is intended to assist those low-income, uninsured and underinsured individuals who do not otherwise have the ability to pay all, or part, of their hospital bill based on the hospital's qualification criteria. Hospital assistance with financial aid should not be viewed as a substitute for employer-sponsored, public, or individually purchased insurance.

NJHA recommends that the following elements should be included in hospital financial assistance policies:

- Hospitals should make information on hospital financial assistance policies and other known financial assistance programs easily available.
- The eligibility criteria to receive financial aid should be communicated to patients in a way that is easy to understand, culturally appropriate, and in the most prevalent language(s) used in their communities.
- Hospitals should attest that access to financial assistance or counseling will be provided to the lowest income individuals – those individuals that lack health insurance and don't qualify for Medicaid, Family Care, Charity Care or other low income programs - with collections practices that recognize the limited financial capacity of those individuals. Hospitals may consider providing financial assistance and may establish collections policies and practices based on those patients' ability to pay. Federal and state laws and regulations should be considered in identifying these criteria. Hospitals may also consider additional criteria to ensure ease of implementation.
- Hospitals should identify the type and scope of essential services that are eligible for financial aid.

NJHA believes it is the responsibility of hospitals to have and fairly implement financial aid policies for their most financially challenged patients. It is equally fair to say that financial aid applicants must cooperate with the hospital's need for accurate and detailed financial information. Therefore, the hospital should make clear that any patient seeking financial aid shall comply with hospital assistance application requirements, including the production of necessary documentation, and will provide the hospital with any and all financial and other information needed to first enroll in a publicly sponsored insurance program (e.g., Medicaid, Family Care, or Charity Care).

Discount/Payment Policies

Hospital policies for offering payment discounts to low-income uninsured or other eligible patients should reflect the mission and values of the organization. When establishing these policies, hospitals should consider the following:

- Hospitals should determine sliding scale discounts in a reasonable manner based on what low-income patients can afford to pay.
- Hospitals can choose to apply discounts to patient bills (federal rules and regulations permitting).

NJHA Proposed Efforts to Ensure Fair Billing and Collection Practices

In an effort to ensure that financial aid policies are appropriately implemented, NJHA recommends that hospitals address the following key points:

1. Hospitals should determine how their policies will be communicated to patients.
2. Staff charged with administering the policies should be identified.
3. All policies should be administered fairly, respectfully and consistently.

Financial Assistance

- Communications to the public regarding financial assistance should be written in consumer-friendly terminology and in a language that the patient can understand.
- Hospital bills should include information related to the availability of financial aid and how patients can obtain further information and apply for financial aid.
- Information on financial assistance policies should be posted in appropriate areas with instructions on how patients can apply for or how they can obtain further information on financial assistance.
- Patients should also be educated about their own responsibilities, the potential financial obligation they may incur, their obligations for completing eligibility documentation and the hospital's billing and collection policies.

Expectations Related to Hospital Employees

- Hospitals should provide training to staff that interact with patients about financial aid availability, how to communicate that availability to patients, and how to direct patients to appropriate financial aid staff.
- Staff should be trained to treat applicants with courtesy, confidentiality and cultural sensitivity.
- Translation services should be available as needed.

Collection Policy

Hospitals should have collection policies that reflect the mission and values of the hospital. Hospitals should also be accountable for ensuring that debt collection activities exercised by outside collection agencies are consistent with the hospital's mission, values and directions.

When necessary and appropriate:

- Hospitals should work with the patient to establish a reasonable payment plan.
- Legal action may be taken by the hospital when there is evidence that the patient or responsible party has income and/or assets to meet his or her obligation. However, hospitals should not force the sale or foreclosure of a patient's primary residence to pay an outstanding medical bill, nor should they use other means to require the patient or responsible party to appear in court.
- Hospitals should ensure that reasonable efforts are undertaken to provide that financial assistance was offered (and/or if financial assistance is appropriate) before any collection agency assignment.
- Hospitals should direct their collection agencies to follow these guidelines.

Summary

New Jersey's hospitals exist first and foremost to serve the residents of their communities. Their ability to provide efficient and quality services is built on a long-standing relationship of trust with the goal of delivering compassionate care. Hospitals recognize that they are the primary care givers in their communities and don't want financial need to become a barrier to access that care. The principles and guidelines included in this document are proposed to assist hospitals in their efforts to strengthen that relationship and remove any roadblocks that stand in the way of a patient's ability to receive treatment. They are also designed to reassure the public that regardless of their ability to pay, New Jersey's hospitals will be there for them.