

California Hospital Billing and Collection Practices

Voluntary Principles and Guidelines for Assisting Low-Income Uninsured Patients

Adopted by the CHA Board of Trustees on February 6, 2004

California hospitals are on the front lines — delivering high-quality health care to millions of people every day. They operate around-the-clock emergency rooms and trauma centers, offer the latest medical technologies and save lives every hour of every day. By mission and by law, hospitals provide care to anyone who needs help, regardless of their ability to pay.

Unfortunately, California's health care system is fragmented — with millions of people unable to afford the health care services they need. Nearly 7 million Californians — one out of every five people — have no health insurance, and another 3 million residents are underinsured. California hospitals provide nearly \$4 billion annually in uncompensated care.

While some uninsured individuals have the financial resources to pay for the health care services they need, many do not. The financial challenges faced by the growing number of low-income uninsured are real. Ultimately, the only true solution to this problem is for all Californians to have a basic level of health insurance coverage available to them, and for governmental and private payers to pay hospitals the true cost of providing care.

In the absence of universal health care coverage and adequate funding, California hospitals must find the financial resources to serve low-income uninsured patients. Unfortunately, a confusing array of governmental laws, rules and regulations currently make it difficult for hospitals to respond to the needs of those patients who truly cannot afford the health care services they receive.

Regulatory reform is needed to enable hospitals to effectively respond to the individual needs of low-income uninsured patients. CHA anticipates that the U.S. Department of Health and Human Services will shortly provide guidance on how hospitals across the country can appropriately bill the uninsured. CHA will provide further information as it becomes available, and will make any revisions that may be necessary to these *Voluntary Principles and Guidelines*.

In the meantime, CHA urges its member hospitals to adopt the following principles and guidelines to better meet the needs of those patients who truly cannot afford the health care services they receive.

PRINCIPLES

California hospitals are united in providing care based on the following principles:

- Fear of a hospital bill should never prevent any Californian from seeking emergency health care services.
- Each hospital should have financial assistance policies that are consistent with the mission and values of the hospital. These policies, which should be broadly communicated, should reflect a commitment to provide financial assistance to patients who cannot pay for part or all of the care they receive.
- Financial assistance policies must balance a patient's need for financial assistance with the hospital's broader fiscal responsibilities.
- All patients should be treated fairly, with dignity, compassion and respect.
- Debt collection policies — by both the hospital and its external collections agencies — must reflect the mission and values of the hospital.
- Financial assistance provided by the hospital is not a substitute for personal responsibility. All patients should be expected to contribute to the cost of their care, based upon their individual ability to pay.

GUIDELINES

Financial Assistance Policies for Low-Income Uninsured Patients¹

- Each hospital should maintain understandable, written financial assistance policies for low-income uninsured patients, addressing both the hospital's charity care policy, as well as its discount payment policy for the low-income uninsured.
- Each hospital's financial assistance policies should clearly state the eligibility criteria (i.e., income, assets) and the process used by the hospital to determine whether a patient is eligible for financial assistance. Such process should take into account where and how far a particular patient falls relative to existing Federal Poverty Levels (FPL).

¹ Low-Income Uninsured Patient is defined as a patient who is at or below 300 percent of the Federal Poverty Level (FPL). In 2003, 300 percent of FPL was \$55,200 for a family of four.

- Patients who are at or below 300 percent of the FPL are eligible to apply for financial assistance under each hospital's charity care policy or discount payment policy.
- Absent any regulatory prohibition, each hospital should limit expected payments from these patients eligible for financial assistance to amounts that do not exceed the payment the hospital would receive from Medicare, other government-sponsored health programs, or as otherwise deemed appropriate by the hospital.
- Hospitals should use their best efforts to ensure all financial assistance policies are applied consistently.
- In determining a patient's eligibility for financial assistance, hospitals should assist the patient in determining if he/she is eligible for government-sponsored programs.

Communication of Financial Assistance Policies with Patients and the Public

- Each hospital should post notices regarding the availability of financial assistance to low-income uninsured patients. These notices should be posted in visible locations throughout the hospital such as admitting/registration, billing office, emergency department and other outpatient settings.
- Every posted notice regarding financial assistance policies should contain brief instructions on how to apply for charity care or a discounted payment. The notices also should include a contact telephone number that a patient or family member can call to obtain more information.
- Hospitals should ensure that appropriate staff members are knowledgeable about the existence of the hospital's financial assistance policies. Training should be provided to staff members (i.e., billing office, financial department, etc.) who directly interact with patients regarding their hospital bills.
- When communicating to patients regarding their financial assistance policies, hospitals should attempt to do so in the primary language of the patient, or his/her family, if reasonably possible, and in a manner consistent with all applicable federal and state laws and regulations.
- Hospitals should share their financial assistance policies with appropriate community health and human services agencies and other organizations that assist such patients.

Billing and Collection Practices

- Hospitals should have written policies about when and under whose authority patient debt is advanced for collection, and should use their best efforts to ensure that patient accounts are processed fairly and consistently.
- Hospitals should define the standards and scope of practices to be used by their outside (non-hospital) collection agencies, and should obtain written agreements from such agencies that they will adhere to such standards and scope of practices.
- At time of billing, hospitals shall provide to all low-income uninsured patients the same information concerning services and charges provided to all other patients who receive care at the hospital.
- When sending a bill to a patient, hospitals should include a) 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; and b) a statement that provides the patient with the name and telephone number of a hospital employee or office from whom or which the patient may obtain information about the hospital's financial assistance policies for patients and how to apply for such assistance.
- Any patient seeking financial assistance from the hospital (or the patient's legal representative) shall provide the hospital with information concerning health benefits coverage, financial status and any other information that is necessary for the hospital to make a determination regarding the patient's status relative to the hospital's charity care policy, discounted payment policy, or eligibility for government-sponsored programs.
- For patients who have an application pending for either government-sponsored coverage or for the hospital's own charity care and financial assistance program, a hospital should not knowingly send that patient's bill to a collection agency² prior to 120 days from time of initial billing.
- If a patient qualifies for assistance under the hospital's financial assistance policy and is reasonably cooperating with the hospital in an effort to settle an outstanding bill, the hospital should not send the unpaid bill to any outside collection agency if the hospital knows that doing so may negatively impact a patient's credit.

² A collection agency is defined as an outside, non-hospital agency engaging in bad-debt collection activities as opposed to an outside agency simply carrying out the hospital's normal billing function.

- The hospital or outside collection agency operating on behalf of the hospital shall not, in dealing with low-income uninsured patients, use wage garnishments or liens on primary residences as a means of collecting unpaid hospital bills. This requirement does not preclude hospitals from pursuing reimbursement from third-party liability settlements or tortfeasors or other legally responsible parties.
- Eligibility for charity care and discount payments may be determined at any time the hospital is in receipt of all the information needed to determine the patient's eligibility for its financial assistance policies.
- Any extended payment plans offered by a hospital to assist low-income uninsured patients in settling past due outstanding hospital bills shall be interest-free.

Implementation of Voluntary Principles and Guidelines

Most California hospitals have been using responsible guidelines for years as they work with uninsured patients who have limited financial resources. To the extent that changes are necessary, however, it understandably may take several months to retool billing and information systems to be in full compliance with these guidelines. Nonetheless, California hospitals are committed to be in full compliance with these voluntary principles and guidelines by the end of 2004.