



London M. Breed
Mayor

Greg Wagner
Chief Financial Officer

MEMORANDUM

February 13, 2019

TO: President Ed Chow and Honorable Members of the Health Commission

FROM: Greg Wagner, Acting Director of Health and Chief Financial Officer

RE: ZSFG Patient Billing and Financial Assistance Update

As background to the Health Commission's meeting on February 19, 2019, this memo provides information about billing and financial assistance policies and procedures at Zuckerberg San Francisco General Hospital (ZSFG).

Balance Billing at Zuckerberg San Francisco General Hospital

In recent weeks and months, there has been increased scrutiny of the process known as "balance billing," where a patient's insurance covers only a portion of a hospital bill and the patient becomes responsible for the remainder. In some circumstances, this practice can leave patients with unmanageable medical expenses or, even in circumstances where billing issues are resolved favorably for the patient, lead to a stressful, anxious and frustrating experience.

As several individual patients' experiences with balance billing at ZSFG have been recently highlighted, it has become clear that our current financial assistance policies and procedures are inadequate to protect the financial well-being of those receiving care at ZSFG. As currently constructed, these policies at times may lead to outcomes at odds with the values of ZSFG and the Department of Public Health (DPH).

Balance billing applies to a subset of patients who are commercially insured under certain insurance plans, in cases when the insurance company is unwilling to cover the full cost of care for the patient. The majority of patients at ZSFG are unaffected by balance billing. In FY 2017-18, 94% of patients at ZSFG were covered either by Medicare, Medi-Cal, or existing financial assistance policies for the uninsured. The remaining 6% were commercially insured.

In FY 2017-18, DPH estimates that 73% of this subset of commercially insured patients were not candidates for balance billing, while up to 27% (approximately 1,700 patients, or 1.6% of total patients) were potentially affected by balance billing. Despite the relative infrequency of this practice at ZSFG, for those individuals who are impacted by balance billing, the financial hardship and stress of the experience are very real.

On February 1, Mayor Breed, in conjunction with DPH, announced that DPH is placing a temporary hold on balance billing for 90 days and is undertaking a comprehensive review of billing and collections practices.

The Department of Public Health's goal is to protect patients while also fulfilling our financial responsibilities to the City. We are committed to making improvements to ensure that patients are not caught in the middle of a billing dispute between their provider and their insurance plan. At the February 19 Health Commission meeting, staff will present plans for this review process and strategies to address these issues. We will return to the Health Commission for a future hearing after a set of final recommended changes has been developed.

Gaps in Patient Financial Assistance Programs

DPH has identified several gaps in our patient financial assistance programs that in some cases affect patient financial well-being:

1. While the hospital has several existing programs that cover most individuals with incomes up to 500% of the Federal Poverty Level (FPL), there remain gaps within and among these programs that in some cases prevent patients from seamlessly qualifying for assistance. These programs include ZSFG's sliding scale, charity care, and discount programs.
2. Existing programs provide inadequate financial assistance options for those earning above 500% of FPL. Policies must be strengthened to protect patients with high medical bills that exceed the patient's ability to pay.
3. Even in cases where financial issues are ultimately resolved, DPH can increase efforts to improve the patient's experience in navigating the financial aspects of care at ZSFG. Improved processes for communication, information distribution and assistance can help remove the stress and uncertainty patients experience regarding hospital bills and insurance coverage.

Key Principles Informing Review Process and Policy Development

DPH will consider the following principles as it completes the review process to determine appropriate strategies:

- Protect patient financial well-being, while still ensuring commercial insurance companies pay a fair rate for services
- Implement an income-based scale of financial assistance programs, where lower income applicants receive a greater discount than higher income applicants
- Ensure fairness in application of asset tests so that non-liquid assets won't unfairly prevent low- and moderate-income patients from qualifying for assistance
- Establish appropriate and fair caps on out-of-pocket payments by patients
- Comply with local, state and federal laws
- Make the financial assistance process as easy, fair, and transparent as possible for patients

Efforts to Address Patients who may be Balance Billed

The following activities are underway to address patients who are balance billed:

Immediate Changes

Temporarily halt all balance billing of patients

- Effective immediately until a detailed set of recommended changes is finalized

Make financial assistance easier to get

- Proactively begin the process of assessing a patient's eligibility for assistance, rather than waiting for them to apply

Improve patient communications

- Proactively reach out to patients who are receiving large bills to explain the situation, remove the element of surprise, and offer to help
- Create a Frequently Asked Questions document to clear up many of the routine questions about billing and financial assistance
- Publicize the patient financial services hotline, (415) 206-8448, so that people know where to go for help
- Increase communication with patients and provide information about financial assistance opportunities

Additional elements of a comprehensive plan to be developed within 90 days**Make financial assistance easier to get**

- Adjust charity care and sliding scale policies to expand the number of people who are eligible
- Revise ZSFG catastrophic high medical expense program to support more patients who are faced with high, unexpected bills for catastrophic events
- Streamline the process of applying for assistance

Protect patients' financial health

- Establish an out-of-pocket maximum for patient payments to ZSFG
- Pursue agreements with private insurance companies
- Work with state partners to explore additional efforts to improve insurance payments

Ensure ZSFG prices and practices are fair

- Undertake a study of hospital charges regionally, comparing trauma centers, academic medical centers, San Francisco and Bay Area hospitals
- Research billing and financial assistance practices of California public hospitals to identify opportunities for improvement
- Conduct financial analysis of impact on the City of proposed changes

The February 19 hearing will be a discussion item. Staff hopes to use this opportunity to hear thoughts and feedback from the Commission and the public on the proposed approach during the upcoming 90-day period. We will return at a future hearing to discuss more detailed recommendations and request action on any items that require Health Commission approval to move forward.