

SUBJECT: Ability to Pay Policy

AUTHORIZATION: **Policy Date:** 3/24/93 **Last Revision:** 2/11/09

POLICY:

Moses Cone Health System recognizes and is sensitive to the varying abilities of patients to pay for large and/or unexpected hospitalization expenses. The purpose of this policy is to establish a framework which the Health System can establish with each patient the extent in which the patient is expected to pay for services rendered given that particular patient’s ability to pay for those services.

Applicable services as it relates to this policy are defined as follows: Any service that is deemed to be non-elective and medically necessary. Medical services that are considered elective and/or not medically necessary, as outlined in the "Upfront Collection Policy" in effect at the time the medical service is provided, **are excluded** from this policy. The eligibility period for financial assistance is six months from the date of approval except for individuals with fixed incomes (social security, disability, retirement and VA Benefits) for which the eligibility approval period is twelve months. A new application is required for consideration of service dates after these periods have expired.

Patients with self-pay portions of their bill will be categorized into four groups. Our identification and payment expectations of these groups are shown below.

	Group	Identification Criteria	Expected Resolution of Debt
A.	Indigent	Income at or below 125% of the Federal Poverty Guidelines based on number in household.	Full indigent discount.
B.	Medically Indigent	Income between 125% and 200% of the Federal Poverty Guidelines based on number in household.	<u>Discount of debt</u> based on amount of income over the modified Federal Poverty Guidelines.
C.	Contract	Income between 200% and 400% of the Federal Poverty Guidelines.	Qualification for <u>interest-free extended payment plan</u> (generally a maximum of 36 months).
D.	Self-Pay	Uninsured Patients – Total Charges	10% discount on total charges if account is paid in full within 15 days of first patient statement or if total charges are known at the time of service (i.e. Clinics)
		Income over 400% of the Federal Poverty Guidelines or not willing to document earnings.	<u>Settlement in full</u> within 90 days of services. No indigent discount available; however, 10% prompt pay discount available if paid in full within 15 days of first patient statement.
E.	Catastrophic	See Addendum A	

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Patients for whom an ability to pay decision has been made will be subject to routine billing and collection activities to the extent of their established obligation to pay for services. Individuals who fail to pay as agreed will be subject to the Health System's delinquent account policy.

Patients for whom sufficient information is unavailable to make an ability to pay determination will be assumed to be fully able to pay. In the event that a patient who has been granted an inability to pay discount does not meet his/her obligation to pay the agreed portion of the account, only the portion the patient was determined to owe after the indigent discount was applied will be referred under the delinquent account policy for collection action.

In an effort to expedite the decision process in determining one's ability to pay, accounts with balances of \$100.00 or less may be categorized as full or partial indigent based on information obtained via telephone conversations from the patient or the responsible party regarding household income and number of members residing in the household. Based on that information, the appropriate account representative may make a responsible decision as to the individual's ability to pay. This is limited to accounts at or below \$100.00.

The effectiveness of this program will depend heavily on our ability to gather sufficient information to properly classify patients according to the criteria outlined above on or before the date of services and to communicate the elements of this program and our expectations. Effective preadmission and pre-registration programs for inpatient and outpatients respectively have been implemented.

Household is defined as: individual, spouse, minor children under the age of 18 years of which may include biological, step, and adoptive children. Other persons living in the home, including friends and/or other relatives, etc. will not be counted as household members unless the person is included as a dependent on the income tax filing forms of the person requesting financial assistance or if the person requesting financial assistance is included as a dependent on the income tax filing forms of another household member.

Household income is defined as: all wages, salary, tips, government benefits, pensions, support/alimony payments, roomer/boarder payments, work release checks, unemployment benefits, military allotments, regular contributions, and in-kind contributions.

Income Verification: Federal income tax form (1040) including schedule "C" if self-employed, bank statements, prior month's check stubs or statement on company letterhead, award letters, written statement from person assisting with living expenses, and/or a written statement of zero income (if applicable) by the applicant.

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Income Calculation:

Using Federal income tax return::

Regular employment - refer to form 1040, line 22 "total income".

Self-employment that involves the resale of purchased supplies and materials - refer to Schedule "C" (form 1040) line 7 "gross income".

Self-employment that involves service related activities, i.e. independent truck driver or consultant - refer to Schedule "C" (form 1040) line 7 less applicable Schedule "C" part II expenses with Patient Accounting Supervisor's approval.

If income tax filing is not applicable for regular employment, use 30 days gross income (from the date of application), and for self-employment use 30 days gross income from available documentation.

Reserve Property, Life Insurance, Checking, Savings: The following are considered along with income: property (other than primary residence and contiguous property); life insurance if the cash value exceeds \$10,000; retirement benefits in excess of \$5,000; Certificates of Deposits (CDs), stocks, checking and savings accounts in excess of \$500.

A. Full Indigent Discount

A full indigent discount write-off of an account is available to those with incomes at or below 125% of the Federal Poverty Guidelines and with no other available sponsorship or property assets other than the primary homestead.

Criteria:

1. Is household income per family size at or below 125% of the Poverty Income Guidelines?

Yes - Go to number 2 No - Not eligible

2. Is other sponsorship available and/or property assets other than primary homestead?

Yes - Apply for other sponsorship and/or explore sale of property to satisfy debt.

No - Process full indigent discount

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B. Partial Discount Plan

Patient Accounting staff responsible for account collections are consistently faced with establishing satisfactory payment arrangements when an individual's income is above 125% of the Poverty Guidelines, but payment in full at the time of service is impractical.

This plan addresses the size of the household unit and the income coming in to that household. This plan focuses on the percentage of the household income that is above the modified Poverty Income Guidelines, but no greater than 200% of the guidelines per family size (rounded to the nearest whole number).

For those under 200% of the Poverty Income Guidelines, but above the 125% modified guidelines, the amount of the discount is predicated on the percentage of the gross household income above the modified Poverty Guidelines per household size. The following example depicts a household size of four whose annual household income is above the modified Poverty Income Guidelines.

Example:

Family Size = 4

Household Income = \$32,000.00

Modified Poverty Guidelines = \$27,562.50

% of Discount per Guideline Scale = 80%

Patient Bill Amount = **\$3,581.00**

Discount Amount (Adjustment) = \$3,581.00 x 80% = **\$2,864.80**

Patient Owes = \$3,581.00 - \$2,864.80 = **\$716.20**

The attached schedule depicts an escalated income spread in increments up to 200% of the Poverty Income Guidelines. Also included is a protocol to follow in selecting the proper action to be taken.

Discount / Payment Plan Protocol:

1. Is income per household size at or below the modified Poverty Income Guidelines?

Yes - Go to number 2

No - Go to number 3

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2. Is State / Federal sponsorship applicable?

Yes - Apply for sponsorship program applicable

No – Is there any property other than homestead owned by responsible party?

Yes – Consider liquidation to satisfy debt. No – Process full discount.

3. Is income at or below 200% of the Poverty Income Guidelines, but more than the 125% modified guidelines, per household size?

Yes - Discount available - Go to number 5

No - No discount - Payment plan may be available - Go to number 4

4. Is income 400% of Poverty Income Guidelines per household size?

Yes - No discount - No payment plan available - Payment in full within 90 days of discharge.

No - No discount available - Evaluate against payment plan criteria

5. Determine the household income amount above the modified FPG. Using the current "Modified Federal Poverty Guidelines" sliding scale, apply the percentage discount associated with the closest lesser amount of income. Example: Household income for a family of 4 = \$32,000, apply a discount of 80%.

Discount Plan Process

Step 1:

Patient and/or guarantor applies for assistance by completing a Request for Financial Assistance evaluation form (attached).

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Step 2:

Financial counselor reviews application if account is not final billed.

The Patient Accounting collection representative reviews the application if the account is final billed. The application is processed taking appropriate action per protocol. If approved for discount by supervisor and:

- A. A portion of the balance is owed by the guarantor; a contract will be written. The discounted amount will be adjusted off as an indigent discount with procedure code “59001”.
- B. The full amount is eligible for a total indigent adjustment. The discounted amount will be adjusted off as an indigent discount with procedure code “59001”.

Step 3:

If a balance remains that is owed by the guarantor, a message will be entered into the system indicating the date the contract was arranged, the extent of the patient’s payment responsibility, i.e. \$1,500 outstanding debt, patient required to pay \$500.

If a balance remains that is owed by the guarantor, the account will be established as a “contract” account and the collection representative will then monitor the account in the normal fashion until the contractual amount is paid or written off as bad debt.

C. Criteria for Extended Payment Terms

Payment is expected from each patient for services received; payments are due and payable at the time of service. For patients who are unable to pay at the time of service, the Health System will extend payment terms for a reasonable period of time. However, this extended payment arrangement is available only after sufficient information has been provided by the patient by completing a Request for Extended Payments evaluation form in order for the Health System to determine the patient’s actual ability to pay, and/or the patient’s need for extended payment terms in lieu of payment at the time of service (attached). Payment terms will not normally be extended beyond 36 months. The maximum acceptable payment term is shown below. The ability to pay is to be determined from the attached schedule. Approval of any exceptions to this must come from a supervisor or manager.

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MONTHLY PAYMENT SCHEDULE

<u>Balance</u>	(a) <u>Expected Terms</u>	(b) Modified Terms for amounts under \$250 <u>(no extended pmt form needed)</u>
Under \$25	No payment plan available	2 months
\$25 - 124	3 months	6 months
\$125 - 250	6 months	12 months
\$251 - 500	9 months	
\$501 - 750	12 months	
\$751 - 1,000	15 months	
\$1,001 - 1,250	18 months	
\$1,251 - 1,500	21 months	
\$1,501 - 2,000	24 months	
\$2,001 - 3,000	30 months	
\$3,001 and over	36 months	

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Special Situations

Occasionally, accounts may qualify for extended payment, but cannot be paid in full within the payment criteria established in the monthly payment schedule. Similarly, some patients may be limited in their ability to pay immediately following hospitalization, but their ability to pay will improve over time as they are able to return to work. In such cases, the determination of income should be based on a reasonable assumption about the individual's long-term earning capacity and not based on the short-term earning immediately post discharge. However, such an analysis may result in a payment arrangement which cannot be reasonably met by the patient immediately following discharge. In such cases, requirements for payment will be relaxed in the early months with a "balloon" payment due within the overall timeframe allowed by the extended payment terms shown in Section II of the Income Scale. Collection representatives will then be at liberty to renegotiate arrangements of the balloon amount for one additional term.

Criteria for Contract Payments:

Is income over 200% of the Federal Poverty Guidelines, but under 400%?

Yes - Establish extended payment plan

No - Not eligible for extended payments unless qualified for Catastrophic account processing. See Addendum A.

CATASTROPHIC ACCOUNT PROCESSING

If an individual's bill is significant, in that it is equal to or more than the patient's total annual household income as previously defined by this policy, the patient may qualify for assistance beyond the standard ability to pay criteria for eligible applicants through this addendum which addresses catastrophic situations.

To qualify for Catastrophic account processing, the patient (or legally financially responsible party for the account), must fully complete the financial assistance application and provide verifiable income documentation.

Any patient of medically necessary services can qualify for the Catastrophic policy even if they do not meet the traditional indigent guidelines. If they would qualify for assistance based only on their non-income information AND their bill is equal to or more than their annual household income for their household size, we would only require a specific percentage of the **household income** to settle the debt. See scale below:

<u>% of Bill to Income</u>	<u>% of Income Owed</u>
100% - 125%	20%
126% - 150%	15%
151% - 175%	10%
176% or greater	5%

Repayment of the debt would be eligible for interest-free payments per the current monthly payment schedule.

Example: If a person's outstanding account balance is \$60,000 and their verifiable income for a family of 4 is \$47,000 per year. This person would not normally qualify for an indigent discount, however, because the bill is more than their annual yearly income the patient would qualify for Catastrophic account processing.

\$60,000 outstanding bill divided by \$47,000 annual income = 128%
 \$47,000 income x 15% (from chart above) = \$7,050 patient owes to settle debt

Any adjustments applied under this Addendum must have the approval of the Director of Patient Accounting and the Executive Director of Patient Financial Services.