

SYSTEM POLICY



CATHOLIC HEALTH EAST

POLICY NO.

313

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SUBJECT

CHARITY CARE

EFFECTIVE DATE

December 13, 2005

ORIGINATION DATE

October 25, 1999

Revised August 17, 2004

Revised December 13, 2005

APPROVED BY

Catholic Health East Board of Directors

RESPONSIBILITY

Catholic Health East Executive Vice President/Chief Financial Officer

PURPOSE:

Catholic Health East is a community of persons committed to being a transforming, healing presence in the communities we serve. Aligned with our Core Values, in particular that of Commitment To Those Who Are Poor, we provide care for persons who are in need and give special consideration to those who are most vulnerable, including those who are unable to pay and those whose limited means make it extremely difficult to meet the expenses incurred in receiving health care.

The purpose of this policy is to establish guidelines for Charity Care for patients who incur significant financial burden as a result of the amount they are expected to owe "out-of-pocket" for acute care health care services. In addition, this policy provides administrative and accounting guidelines for the identification, classification and reporting of patients as Charity Care as distinguished from Bad Debts.

Definition of Charity Care:

Charity Care is care provided to a patient with a demonstrated inability to pay. A patient is eligible for Charity Care consideration based upon meeting certain income eligibility criteria as established by the Federal Poverty Income Guideline Sliding Scale.

A patient whose family income is equal to or less than 200% of the most recent Federal Poverty Guidelines is eligible for a full discount off allowable charges.

A patient whose family income is greater than 200% of the most recent Federal Poverty Guidelines and less than a percentage determined by the Regional Health Corporation (RHC) or Joint Operating Agreement (JOA) appropriate to their local market qualifies for a Partial Charity Care discount off allowable charges. The payment that the RHC accepts from the patient for a service shall closely approximate, with the intent of not exceeding, the payment the hospital would have received from a public payer (RHC selects either: Medicare; Medicaid; or Workers Compensation).

Charity Care represents health care services that are provided but are never expected to result in payment. As a result, Charity Care does not qualify for recognition as receivable or net patient revenue in the financial statements.

Bad Debt is payment not received for service rendered for which payment was anticipated and credit extended. Bad Debt patients do not meet the criteria for Charity Care, that is, they are considered able to pay but unwilling to satisfy their outstanding obligations.

Charity Care data reporting for services provided is to be based on cost of patient care services, not charges, with costs being determined by application of the standard cost-to-charge ratio or the RHCs' cost accounting system. Charity Care write-offs are accounted for in separate deduction from revenue general ledger accounts. The transaction codes used for accounting for Charity Care and their mapping to the general ledger must be reviewed annually to ensure accuracy.

POLICY:

As members of the Catholic healthcare ministry who are deeply committed to caring for those who are poor, Catholic Health East (CHE) hospitals will establish respectful and effective procedures for addressing the needs of those persons who are unable to pay for all or most of their care. In order to preserve the dignity of these persons and to facilitate the process of securing necessary information, it is strongly preferred that a RHC perform financial screening upon scheduling, admission or registration (discharge processing in the emergency department) as part of the overall Financial Counseling process as described in the Key Performance Indicator System Policies. Patients who represent increased financial risk as a result of the amount they are expected to owe "out-of-pocket" should be referred to a Financial Counselor for assistance in applying for alternative payment programs (e.g., Medical Assistance) determining Charity Care eligibility, establishing payment plans or other financing arrangements. Financial Counseling services are to be made available to all elective, urgent and emergent patients.

Patients with insurance other than that afforded low income individuals should not have their patient liability unpaid balance, coinsurance or deductible written-off to Charity Care unless financial hardship can be proven.

Each RHC may establish a threshold for specialized, high-cost services (i.e., clinical trials, transplants, etc.) that otherwise might be eligible for Charity Care. This threshold is subject to the review by the RHC CEO, CFO, CMO and VP Mission Services. The threshold shall require CFO approval prior to the provision of service.

PROCEDURES:

Review

Each RHC is responsible to establish and periodically review its Charity Care policy or policies, revise where necessary, and obtain Board approval. The following elements, as described in *Always With Us - Caring for Those Who Are Poor*, should be contained in the RHC's Charity Care Policy:

- A statement of the organization's commitment to caring for those who are poor
- A values-based rationale for this policy
- The criteria for determining eligibility including reference to the state's determination regarding percentages of/above the national poverty level, and the organization's determination
- A reiteration of the system definitions of what is meant by:
 - Those who are poor
 - Charity Care
 - Bad Debt
- Procedures for administration of policy, approval of requests, review, and evaluation
- Indication of where administration of the policy is located, and who has responsibility for daily administrative oversight
- An annual, collaborative review between the Mission Executive and the Chief Financial Officer.
- Approval and reporting processes for local Board oversight and system accountability
- Where and how the policy is published and posted

Eligibility

Criteria for determination of Charity Care should be sensitive to:

- Single parents or individuals caring for elders
- Employment status and earning capacity
- Family size
- Other financial obligations
- The amount and frequency of billings for healthcare services (e.g., chronic, catastrophic)
- Patient's address (lives in a zip code known to have a per capita income below the Federal poverty level)
- Absence of an estate
- Emergency services

A patient whose household income is equal to or less than 200% of the most recent Federal Poverty Guidelines qualifies for a full Charity Care Discount. Each RHC/JOA will use a Statement of Financial Condition which should incorporate their Fiscal Intermediaries guidelines with respect to income and asset testing. Income is defined as annual earnings and cash benefits from all sources before taxes, less payments made for alimony and child support. Proof of earnings may be determined by annualizing pay at current earning rates.

Patients without a payment source are classified as Self-Pay until it is determined that they do not have a job, mailing address (residence) and insurance: then they can be re-classified as Charity Care. In many instances, these patients are homeless and have few resources to cover the cost of their care.

In determining whether an individual qualifies for Charity Care, other county or governmental assistance programs should also be considered. Many applicants are not aware that they may be eligible for assistance such as Medicaid, Healthy Families Program, Victims of Crime, State Children Services, etc. The RHC/JOA should assist individuals in determining if they are eligible for any governmental assistance.

There are some circumstances when patients may be excluded from Charity Care consideration. These may include:

- Individuals owing co-payments (unless financial hardship can be proven)
- Individuals owing deductibles (unless financial hardship can be proven)
- Individuals who did not follow their insurance policy rules (e.g., such as accessing participating providers, obtaining referrals, etc.)
- Guarantors refusing to provide information necessary to process a formal application (unless mentally incapacitated)
- Individuals eligible for administrative discounts
- Elective cosmetic surgery patients
- Any third parties who may be liable for payment for services

Administration

Each RHCs' administration of this Policy should:

- Ensure the dignity of the patient
- Encourage upfront financial counseling
- Be patient-centric and patient friendly
- Be culturally appropriate (provided in prevalent languages used in communities)
- Be widely known
- Be applied consistently
- Be easy to understand
- Be easy to administer
- Serve the emergency health care needs of everyone, regardless of ability to pay
- Reflect reasonable payment terms & discounts based on what the guarantor can afford
- Balance needed financial assistance with broader fiscal responsibilities

While it is desirable to determine the amount of Charity Care for which a patient is eligible as close to the time of service as possible, there is no rigid limit on the time when the determination is made. In some cases, eligibility is readily apparent and a determination can be made before, on, or soon after the date of service. In other cases, it can take investigation to determine eligibility, particularly when the patient has limited ability or willingness to provide needed information. Every effort should be made to determine a patient's eligibility for Charity Care at the earliest reasonable date.

Persons eligible for programs such as Medicaid but whose eligibility status is not established for the period during which the medical services were rendered, should be

granted Charity Care for those services. A RHC/JOA may make the granting of charity contingent upon applying for governmental assistance, unless the application of such assistance is contrary to the person's religious beliefs.

Patient accounts with applications pending for Charity Care or other assistance programs are held until the outcome of the application. A "pending application" is defined as an application that has been fully completed by the patient, submitted and is in the process of being determined for eligibility.

It is acceptable (but not preferable) to take an account through the full collection cycle and later reclassify it as Charity Care, as long as a consistent process is followed and a legitimate basis exists that the patient is unable to pay

In some cases, a patient eligible for Charity Care may not have been identified prior to initiating external collection action. Accordingly, each collection agency engaged should be made aware and be provided the Charity Care Policy. This allows the agency to report amounts that they have determined to be uncollectible due to the inability to pay in accordance with the Charity Care eligibility guidelines.

Collection agencies shall not, in dealing with patients identified as eligible for full or partial Charity Care, use or threaten to use wage garnishments or liens on primary residences as a means of collecting on unpaid hospital bills. RHCs must specifically authorize institutional litigation.

Data Compilation, Reporting, Public Notice and Posting Requirements

RHCs/ JOAs should provide public notice of the availability of financial assistance through each of the following means:

1. Posting notices in a visible manner in locations where there is a high volume of inpatient or outpatient admitting/registration, such as emergency departments, billing offices, admitting offices, and hospital outpatient service settings.
2. Including language on patient liability statements indicating:
 - that if the patient meets certain income requirements that the patient may be eligible for a government sponsored program or for financial assistance from the hospital, and
 - a hospital contact name and phone number that patients may call in order to gain information on the hospital's Charity Care, reduced payment, and other financial assistance policies.
3. Posting the availability of assistance and contact names and phone numbers on the RHC's web site and other applicable notices.
4. Upon request, a full text copy of the Charity Care policy should be made available.
5. Posting annually on the website or otherwise make available to the public on a reasonable basis:

- The costs of charity care provided
- The unreimbursed costs of care provided to beneficiaries of government programs that serve the poor (being defined as shortfalls between costs and offsetting reimbursement/revenue that a RHC experiences in providing care under the Medicaid and local/county indigent programs for care provided to Medicare beneficiaries who are dually eligible for Medicaid).

Posted notices (as listed above) shall be in the primary language(s) of the service area and in a manner consistent with all applicable federal and state laws and regulations.

Should any provision of this Policy conflict with the requirement of the law of the state in which the CHE facility operates, state law shall supersede the conflicting policy provision and the facility shall act in conformance with applicable state law.