

	St. James Mercy Hospital Policy	Developed by: Dave Capone
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	Policy Name: Charity Care/Financial Assistance	Page 1 of 13

## PURPOSE

St. James Mercy Health (SJM) is committed to being a transforming, healing presence in the communities we serve. The primary service area of SJM is defined as Steuben County and all contiguous counties. Aligned with our core value 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 healthcare.

The purpose of this policy is to establish guidelines for Charity Care/Financial Assistance for patients within SJM's primary service area as defined above, who incur significant financial burden as a result of the amount they are expected to owe "out-of-pocket" for acute health care services. This policy incorporates the requirements of New York State Public Health Law 2807-K, which took effect on January 1, 2007. The purpose of 2807-K is to establish Financial Aid policies and procedures for reducing charges otherwise applicable to low-income individuals without health insurance, or who have exhausted their health insurance benefits, and who can demonstrate an inability to pay full charges.

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/Financial Assistance:**

Charity Care/Financial Assistance is provided to a patient with a demonstrated inability to pay. A patient is eligible for Charity Care/Financial Assistance consideration based upon meeting certain income eligibility criteria as established by the Federal Poverty Income Guideline Sliding Scale, Per NYS PHL 2807-K, this considers patients whose household income is up to 300% of the most recent Federal Poverty Guidelines.

All uninsured, low income patients within SJM's primary service area who can demonstrate an inability to pay charges may apply for Charity Care/Financial Assistance for adjustments to their balances for all medically necessary

healthcare services, provided that a member, in good standing, of SJMH's medical staff determines the need for such medical care treatment.

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

- Elective abortions
- Voluntary sterilization procedures
- Reversal of voluntary sterilization procedures
- Examinations for the purpose of certifying health status to an external agency
- Elective cosmetic surgery patients
- Long Term Care inpatient services
- Personal care or convenience items (i.e., television, telephone)
- Services to achieve pregnancy and/or surrogate motherhood
- 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
- Any third parties, including Health Savings Accounts, who may be liable for payment for services

All other medically necessary healthcare services, including dental services, are eligible for consideration to qualified applicants under SJMH's Charity Care/Financial Assistance policy.

Charity Care/Financial Assistance represents health care services that are provided but are never expected to result in payments. As a result, Charity Care/Financial Assistance does not qualify for recognition as receivable or net patient revenue in the financial statements. Charity Care/Financial Assistance may include unpaid coinsurance and deductibles services if the patient meets the Charity Care eligibility criteria. 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/Financial assistance, that is, they are considered able to pay but unwilling to satisfy their outstanding obligations.

Charity Care/Financial Assistance data reporting for services provided is based on the cost of patient care services, not charges, with costs being determined by application of the standard cost-to-charge ratio or SJMH's cost accounting system.

## **POLICY**

As a member of the Catholic healthcare ministry who are deeply committed to caring for those who are poor, SJMH has established respectful and effective procedures for addressing the needs of those persons who are unable to pay for all or some of their care. In order to preserve the dignity of these persons and to facilitate the process of securing necessary information, SJMH strongly prefers to perform financial screening upon scheduling, admission or registration (discharge processing in the ED) as part of the overall financial counseling process. Patients who represent increased financial risk as a result of the amount they are expected to owe “out-of-pocket” will be referred to a Financial Counselor for assistance in applying for alternative payment programs (e.g., Medical Assistance/Family Health Plus/Child Health Plus) determining Charity Care/Financial Assistance eligibility and in establishing payment plans, or other financing arrangements. Financial counseling services are to be made available to all elective, urgent and emergent patients (**Exhibit F**). The provision of emergency or urgent healthcare is never delayed pending a Charity Care determination.

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

## **PROCEDURES**

I. **Eligibility Criteria:** Excluded from coverage are any third parties who may be liable for payment for services.

A. Charity Care Application: (**See Exhibit A**)

1. Any individual who indicates the financial inability to pay a bill for a medically necessary service shall be evaluated for Charity Care/Financial Assistance.
2. The Financial Assistance Application (**Exhibit A**) is used to document each patient’s overall financial situation. This application will be available in the primary language(s) of the service area. SJMH contracts with an external vendor to provide interpreter services to its patients. In 2006, there were only two (2) documented requests for interpreter services logged by the vendor. As a result of this experience, English has been determined to be the primary language of SJMH’s primary service area.

3. Credit reports may be used, when appropriate, to verify an individual's financial circumstances.
4. Income, asset, and liability criteria are used to determine the financial assistance adjustment.
5. A patient's employment status and earning capacity is taken into consideration when evaluating a Charity Care/Financial Assistance request.
6. The data used in making a determination concerning eligibility for Charity Care should be verified to the extent practical in relation to the amount involved. See documentation list **(Exhibit B)**. Excluded assets are primary residence; personal car(s); tax deferred retirement plan; and college savings plan(s) such as a 529.
7. Once a determination has been made a notification form is provided to each applicant advising them of the decision within 30 days of receipt of a completed application.

B. Full Charity Care: 100% Discount

Consistent with the Catholic Health East (CHE) Policy 313, a patient whose income levels is equal to or less than 200% of the most recent Federal Poverty Level **(Exhibit C)** is eligible for a 100% adjustment, thus, incurring no patient liability.

C. Partial Charity Care:

A patient whose household income is between 201% and 250% of the most recent Federal Poverty Level qualifies for a Partial Charity Care discount. The patient liability is 40% of the rate of reimbursement SJMH would have received from its "highest volume payor" (Excellus Blue Cross) for like services (Inpatient, Outpatient, ED). The patient is eligible for a charity care discount equal to the difference between charges and 40% of the Excellus Blue Cross rate.

A patient whose household income is between 251% and 300% of the most recent Federal Poverty Level qualifies for a Partial Charity Care discount. The patient is responsible for paying the Excellus Blue Cross rate. The Charity Care discount would equal the difference between charges and the Excellus Blue Cross rate.

SJMH determined that Excellus Blue Cross is the “highest volume” payor as referenced in the NYS statute 2807-K. Therefore, for uninsured patients with household incomes below 300% of the most recent Federal Poverty Level, the patient responsibility will not exceed the rate of reimbursement SJMH would have received from Excellus Blue Cross.

D. Medicaid Denied Patient Days Services:

Medicaid patients are eligible for Charity Care write-offs related to denied stays and denied days of care. These Treatment Authorization Request (TAR) denials and any lack of payment for services provided to Medicaid patients are to be classified as charity.

E. Catastrophic Charity Care:

In order to qualify for catastrophic charity care circumstances the patient’s allowable medical expenses must exceed 30% of household income as described below:

1. The Hospital multiplies the household income by 30%.
2. The Hospital determines the patient’s allowable medical expenses.
3. The Hospital compares 30% of the household income to the total amount of the patient’s allowable medical expenses. If the total of the allowable medical expenses is greater than 30% of the household income, then the patient meets the catastrophic charity care qualification. The Hospital subtracts 30% of the household income from the allowable medical expenses to determine the amount by which the allowable medical expenses exceed the available income; this amount is then eligible for a charity care write-off.

Unusual and extensive catastrophic circumstances may apply for some patients and will be treated as a special circumstance on a case by case basis and deferred to the Chief Financial Officer for further discounting decision making and approval.

F. Persons Who Are Homeless:

Homeless patients without a payment source are classified as Charity Care if they do not have a job, mailing address, residence, or insurance. Consideration must also be given to classifying patients who do not provide adequate information as to their financial status after attempts to find the information has failed. In many instances, these patients are homeless and have few resources to cover the cost of their care. These cases are evaluated on an individual basis.

G. Special Circumstances:

1. Deceased patients without an estate or third party coverage are eligible for Charity Care.
2. Patients who are in liquidation or reorganization bankruptcy or recently completed bankruptcy are considered for Charity Care/Financial Assistance.
3. On rare occasions, a patient's individual circumstances may be such that while they do not meet the regular Charity Care criteria in this policy they do not have the ability to pay their hospital bill. In these situations, with the approval of management, part or all of their cost of care may be written off as Charity Care/Financial Assistance. There must be complete documentation of why the decision was made to do so and why the patient did not meet the regular criteria.

All special circumstances will be reviewed and approved in accordance with Section II below (Approval Matrix).

Some examples of special circumstances and relevant considerations include:

- Single parents or individuals caring for elders
- Other financial obligations
- The amount and frequency of billings for healthcare services

- Type of services provided (e.g., elective vs. emergency)
  - Change in employment status (i.e., loss of job)
  - Patient's address (lives in a zip code known to have a per capita income below the Federal poverty level)
  - Extent of catastrophic circumstances
  - Religious beliefs that prohibit membership in government or other programs
  - If an installment plan is agreed to, the monthly payment to SJMH may not exceed 10% of the verified gross monthly income of the patient. Interest will not be charged.
4. In completing the financial assessment the following assets will be excluded: The patients' primary residence, personal car(s), tax-deferred retirement fund(s), and college savings plans (i.e. 529 Programs).

H. Special Qualifications:

Charity Care/Financial Assistance discounts will not be denied due to a patient's inability to submit required documentation. These cases will be evaluated on an individual basis and approved by the Director of Revenue Cycle and VP of Mission.

Some examples of special qualifications are:

- Migrant workers
- International patients
- Homeless persons

I. Governmental Assistance:

1. In determining whether each individual qualifies for Charity Care/Financial Assistance, other county or governmental assistance programs will 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. Patients receive a notice, upon registration, of the various options available.

2. SJMH will assist the individual in determining if they are eligible for any governmental assistance.
3. Persons eligible for programs such as Medicaid/Family Health Plus, but whose eligibility status is non-covered for the period during which the medical services were rendered, will be granted Charity Care for those services upon receipt of a copy of the denial letter. Granting of charity/financial assistance is contingent upon applying for governmental assistance. This may be prudent, especially if the particular patient requires ongoing services. Patients are required to complete a Medicaid/Family Health Plus application.

J. Hospital Collection Efforts:

Self-pay balances are transferred to outside collection agencies when the accounts complete a patient statement dunning cycle (3 statements, 40 days) with no payment from the patient or proof of eligibility for Charity Care/Financial Assistance or other programs. Accounts with applications pending for Charity Care/Financial Assistance or other assistance programs are held until the outcome of the application has been determined. A "pending application" is defined as an application that has been fully completed by the patient, submitted and is in the process of being evaluated for eligibility.

1. It is acceptable (but not preferable) to take an account through the full collection cycle and later reclassify it as Charity Care within 3 months, as long as a consistent process is followed and a legitimate basis exists that the patient is unable to pay.

K. Collection Agency:

All institutional litigation will be authorized by SJMH and require the signature of the Director of Revenue Cycle, prior to initiating such action.

SJMH will provide patients with a 30 day notice prior to referring an account for collection.

Collection agencies and outsourcing vendors will be informed that they must follow SJMH's Charity Care/Financial Assistance Policy, including providing information to patients on how to apply for financial assistance.



Collection actions will not be permitted against Medicaid patients for services that are covered by Medicaid.

If a collection agency identifies special circumstances demonstrating a particular patient as being unable (versus unwilling) to pay their bill, their liability may be considered Charity Care/Financial Assistance, even if they were originally classified as a Bad Debt. The patient should be reclassified to Charity Care/Financial Assistance.

L. Eligibility Period:

The eligibility period is one year from the date of the initial eligibility determination. It is understood that future coverage can be reduced if the patients circumstances (i.e., employment, insurability, etc.) changes. SJMH requires patients to re-verify their income status before discounting inpatient accounts.

M. Time Requirements for Determination:

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 are timelines on when the determination is to be 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 may require additional investigation to determine eligibility, particularly when the patient has limited ability or willingness to provide needed information.

In accordance with NYS Statue 2807-K, the patient will have 90 days from the date of service to apply for Financial Assistance. The patient will have 20 days to provide the required documentation in support of the application. SJMH will notify the applicant, in writing, within 30 days of receipt of the completed application as to approval or denial. **(Exhibit E)**

N. Definition of Income:

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.

## **II. Approval Matrix:**

**Exhibit D** depicts the approval matrix for Charity Care which was developed based upon hospital structure, levels of management and amount of the account. Financial Counselors will approve each others adjustments up to \$1,000. The Business Office Manager will approve adjustments from \$1,001 up to \$10,000. The Director of Revenue Cycle will approve adjustments from \$10,001 up to \$25,000. SJMH's CFO and CEO will approve all adjustments over \$25,000.

All special circumstances require the approval of the Director of Revenue Cycle.

## **III. Accounting for Charity Care:**

Charity Care/Financial Assistance write-offs are accounted for in separate deduction from revenue general ledger accounts. One account should be used to track Charity Care/Financial Assistance given under the Full and Partial Charity Care provision; the other account should be used to track Charity Care given under the catastrophic coverage component. This allows tracking and monitoring of the amount and type of Charity Care/Financial Assistance being granted. The transaction codes used for accounting for Charity Care/Financial Assistance and their mapping to the General Ledger must be reviewed annually to ensure accuracy.

Patients may be approved by SJMH for Financial Assistance at three (3) different levels as explained in section 1C.

- Household income equal to or less than 200% of the Federal Poverty Level
- Household income between 201% and 250% of the Federal Poverty Level
- Household income between 251% and 300% of the Federal Poverty Level

## **IV. Roles and Responsibilities:**

A collaborative review between the VP of Mission and the Chief Financial Officer shall be made of this policy annually. Approval and reporting to the local Board occurs to ensure oversight and accountability.

## **V. Recordkeeping:**

Records relating to potential Charity Care/Financial Assistance patients will be readily obtainable. A central file of the Financial Assistance Application and other Charity Care/Financial Assistance summary forms will be readily accessible and retained for a minimum of 6 years after the Cost Report filing.

In addition, notes relating to the Charity Care/Financial Assistance application and approval or denial will be entered on the patient's account in SJMH's patient accounting system, along with the date when the application was provided; the date the application was returned by the patient; and the date the final determination was made.

## **VI. Public Notice and Posting:**

- Public notice of the availability of assistance through this policy is made through each of the following means: Posting notices in a visible manner in locations where there is a high volume of Inpatient or outpatient admitting/registrations, such as emergency departments, billing offices, admitting offices, and hospital outpatient service settings.
- Informational brochure that describes the income levels used to determine eligibility for assistance, the primary service area of SJMH, and the means of applying for assistance.
- Posting notice of the availability of assistance and contact names and phone numbers on SJMH's web site.
- Providing uninsured patients a matrix that outlines the types of financial assistance available. Upon request, a full text copy of the Charity Care/Financial Assistance policy will be made available.
- Posting annually on the website or otherwise make available to the public on a reasonable basis:
  - The costs of charity care provided
  - The un-reimbursed costs of care provided to beneficiaries of government programs that serve the poor (being defined as shortfalls between costs and off-setting reimbursement/revenue that SJMH 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) will be in the primary language(s) of the service area and in a manner consistent with all applicable federal and state laws and regulations.

## **VII. Additional Considerations**

Revenue cycle staff will be trained in the application of this Financial Assistance Program. Collection agencies and outsourcing vendors will be informed of this Financial Assistance Policy and will be required to comply with its requirements in dealing with SJMH patients.

## **VIII. Appeal Process**

Should a patient not agree with the determination issued by SJMH regarding their application for Financial Assistance, they may appeal the decision.

**STEP I.** Patient may request a review, in writing, within 15 days of receipt of the denial letter. A review of the application will be conducted by SJMH's Revenue Cycle Director. A decision will be made within 15 days of the request for review/appeal and the patient will be informed, in writing, if the appeal is sustained or overturned.

**STEP II.** If the patient still disagrees with the determination of their application for Financial Assistance, they will have 15 days from the date of the first level appeal decision letter to submit a second level appeal, in writing, to SJMH. A review of the case and the reasons for the appeal will be considered by SJMH's Chief Financial Officer (CFO). A decision will be rendered, upholding the previous determination or overturning it within 15 days of the request for the second level review. The patient will be notified in writing.

**STEP III.** A third and final level of appeal regarding an application for Financial Assistance may be submitted, in writing, within 15 days of the dated letter informing the patient of the second level appeal determination. This final review will be conducted by SJMH's VP of Mission and Chief Executive Officer (CEO). The VP of Mission and CEO will render a final decision within 15 days of receipt of the third level appeal request. The patient will be notified of the final decision, in writing.

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