

Issue: Uninsured Patients – Charges & Billing Practices

Framing the Issue

How hospitals charge and bill uninsured patients and others with little or no ability to pay has become a controversial topic that has received media attention around the nation.

Over the past few years, stories in national news media and large metropolitan newspapers allege that some hospitals unfairly charge the full “list price” for services to uninsured patients and others with limited financial resources while regularly discounting the price of these services to HMOs, insurers, and government.

Further, this news coverage asserts that when uninsured patients can't pay these charges, hospitals often employ collection agencies. These collection agencies are portrayed as using “strong-arm collection tactics” such as wage garnishing, liens on patients' property, and steep interest rates.

A couple of these news stories describe overwhelming medical bills as a devastating form of personal debt over which poor patients have no control, unlike most personal debt consumers choose to incur. The articles often suggest that because of these special circumstances such debt collection techniques are inappropriate.

A few articles even go so far as to suggest that hospitals may wittingly or unwittingly be discriminating against minorities since many of the uninsured belong to minority ethnic groups.

Uninsured patients are presented as sympathetic figures hounded by big, uncaring hospitals trying to collect staggering hospital charges the patients have little ability to pay. Such unsympathetic portrayals of the hospitals are the norm in this coverage.

In these news stories, hospital spokespersons assert that federal Medicare law dictates how hospitals bill the uninsured, suggesting that the hospitals' hands are tied. This contention is

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undermined in the same articles with examples of hospitals discounting an uninsured patient's bill, but only after being pressured to do so by advocates for the uninsured or by the news coverage itself.

Bottom line impression: Hospitals are depicted as trying to recover the discounts they give HMOs, insurers, and government on the backs of the uninsured.

St. Luke's Position & Practices

St. Luke's is a nonprofit "community service" hospital system that provides medically necessary health care to everyone *regardless of their ability to pay*. Responsibly fulfilling this essential community charter requires that the hospital maintain the financial strength to adequately serve the community's current and anticipated health care needs. This financial responsibility includes seeking reimbursement for hospital charges to the extent appropriate and reasonable for each set of patient circumstances.

To maintain its financial strength, a nonprofit community service hospital must spread across its base of patients the portion of hospital charges for which it is not reimbursed, including uncompensated care provided to patients with little or no ability to pay. This reality must be balanced against the hospital's obligation to do all it reasonably can to minimize the amount of uncompensated care¹ that paying patients essentially subsidize.

How the Hospital Charges

Hospital charges are set based on a variety of complex factors and realities including the hospital's need to cover the cost of providing its services and to generate sufficient excess revenue, 100% of which is reinvested in the hospital's nonprofit community service mission. Such reinvestment enables the nonprofit hospital to provide the professional staff, best technology, and necessary facilities required to keep pace with the community's growing health care needs.

St. Luke's does not charge for its health care services based on a patient's ability to pay. One charge is established for every service the hospital provides. A patient with substantial financial resources or insurance coverage is charged the same preset amount for a particular service as a patient with limited personal financial resources and few payment assistance options.

¹ In addition to patients with little or no ability to pay their hospital bill, "uncompensated care" includes charges not fully reimbursed by: Medicare and Medicaid; contractual adjustments for patients covered by large-volume health care service purchasers such as commercial insurers, HMOs, and governments; and patients with the ability to pay at least a portion of their bill but who choose not to.

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For example, if St. Luke's charges \$100 for a particular medical procedure performed in the Emergency Department, then every patient who has that procedure performed in the Emergency Department is charged \$100 regardless of how much of the bill the patient can pay from his or her own resources or with payment assistance options.

Further, St. Luke's does not give its medical providers information regarding patients' ability to pay at the time of treatment, thereby decreasing any opportunity to make treatment decisions based on this factor. These dedicated professionals treat patients based on their best professional medical judgment.

How Much the Patient Pays

The portion of hospital charges a patient ultimately pays and how much of that payment must be covered by personal resources varies depending on individual patient circumstances, including insurance coverage. Historically, for patients unable to pay their hospital bills, St. Luke's has reduced that debt by up to 100% based on individual circumstances.

The hospital's reimbursement may be less than its preset charges for a variety of reasons including a patient's inability to pay, and reimbursement limits imposed by Medicare and Medicaid.

Payment Assistance Options

Patients who do not have group or individual private insurance (e.g., Blue Cross or Blue Shield) may qualify for other assistance in paying all or part of their hospital bill. Such assistance may come from one or more of these resources:

- Medicare or Medicaid
- Veterans Administration
- Workers compensation
- County Medically Indigent Program (CMIP)
- Other government-funded programs

St. Luke's diligently works with patients with limited ability to pay to help them find the appropriate payment assistance options for which they may qualify.² Of the patients with little

² Occasionally, a patient with limited ability to pay will choose not to participate or choose to withdraw from a payment assistance program they find objectionable. Some of these programs can require disclosing a great deal of personal information, which some patients or their families are unwilling to do. Patients' objections to some of these program requirements can result in their harboring resentment against St. Luke's even though St. Luke's doesn't create the conditions.

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or no ability to pay their hospital bill, relatively few are unable to qualify for any of these “safety net” payment assistance programs for at least a portion of their bills.

Charity Care

Charity care is “free or discounted health and health-related services provided to persons who cannot afford to pay.”³ Patients who in the final analysis have little or no ability to pay their hospital bill on their own, and who don’t qualify for any of the variety of payment assistance programs, are officially designated as “charity care.”

In fiscal year 2005, St. Luke’s treated nearly 383,000 patients. Approximately 5,600 of these patients were provided \$9.4 million of hospital services ultimately designated as “charity care.”

Payment Collection Practices

Some hospitals use what have been characterized as aggressive tactics to force reimbursement from patients with limited or no ability to pay and from those with resources who refuse to pay. St. Luke’s chooses not to employ such tactics.

St. Luke’s uses collection agencies only for those patients who are able to pay their hospital bill, but refuse to do so. St. Luke’s does not levy finance charges on a patient’s unpaid balances.

A local group that advocates for health care for the uninsured in Idaho has promoted St. Luke’s practices as the way hospitals should work with uninsured patients.



³ VHA Mountain States *Community Benefit Reporting, 2003 Recommendations and Standard Definitions.*