

# Hospital Billing Task Force

- KHA's Recommendations



- Kansas Attorney General's Recommendations



## Preamble

- Kansas hospitals exist to provide essential health care services for their communities, twenty-four hours a day, every day of the year. These essential services are provided regardless of a person's ability to pay; however, individuals have an obligation to pay for the services they receive or seek financial assistance when needed. It is the duty of hospitals to collect from those who have the ability and the resources to pay using collection practices that are allowed under Kansas and federal laws. Financial assistance programs offered by the hospital should not lessen the need to find solutions to expand access to appropriate health care coverage for all persons.

## **I. Guiding Principles**

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- The following principles and guidelines should be used to develop hospital billing, financial assistance and collection practices:
  - A. Access to Health Service
  - B. Mission and Values
  - C. Communication
  - D. Legal Compliance
  - E. Personal Responsibility

## I. Guiding Principles

### A. Access to Health Services

- A responsible party's inability to pay should not be a barrier to receiving essential health services. Hospitals should convey this message to responsible parties and local health and community service organizations.
- A responsible party's inability to pay should not be a barrier to receiving essential health services. Fear of a hospital bill should never prevent any Kansan from seeking health services. The hospital has the responsibility to convey this message to all responsible parties and local health and community service organizations.

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# I. Guiding Principles

## B. Mission and Values

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Hospitals should have billing, financial assistance and collection policies that are consistent with the mission and values of the hospital. The policies should take into consideration the responsible party's ability to contribute to the cost of the patient's care as well as the hospital's financial ability to provide the care.

- The hospital should have billing, financial assistance and collection policies that are consistent with the mission and values of the hospital. These policies, which should be broadly communicated, should reflect a commitment to provide financial assistance to patients who cannot pay for part or all of the care they receive.

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# I. Guiding Principles

## C. Communication

- Billing, financial assistance and collection policies should be communicated in a manner that is clear, understandable, respectful and in language(s) appropriate to the communities and patients and/or responsible parties served.
- The hospital is responsible for communicating all billing, financial assistance and collection policies in a manner that is clear, understandable, respectful and in language(s) appropriate to the communities, patients and/or responsible parties served.

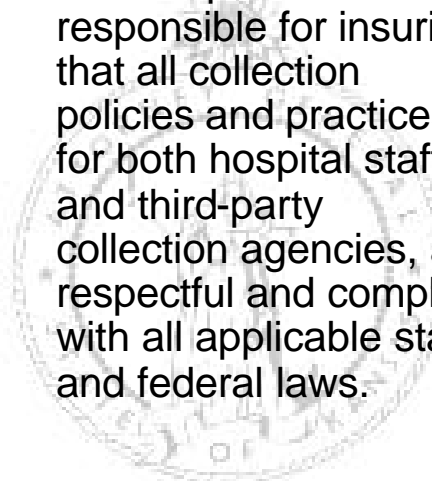
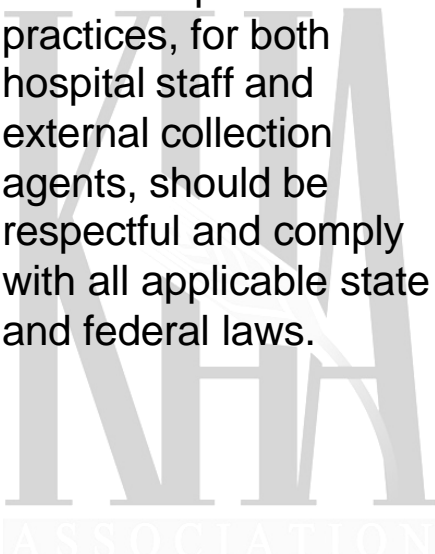
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# I. Guiding Principles

## D. Legal Compliance

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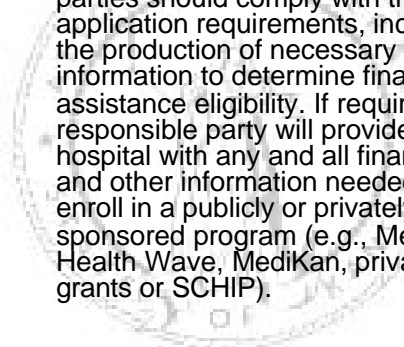
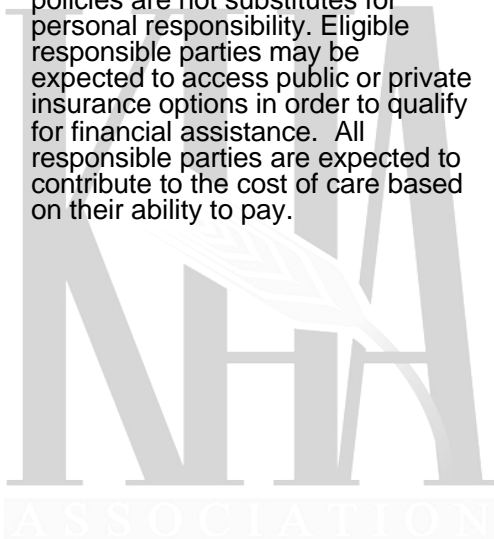
- Collection policies and practices, for both hospital staff and external collection agents, should be respectful and comply with all applicable state and federal laws.
- The hospital is responsible for insuring that all collection policies and practices, for both hospital staff and third-party collection agencies, are respectful and comply with all applicable state and federal laws.



# I. Guiding Principles

## E. Personal Responsibility

- Financial assistance and collection policies are not substitutes for personal responsibility. Eligible responsible parties may be expected to access public or private insurance options in order to qualify for financial assistance. All responsible parties are expected to contribute to the cost of care based on their ability to pay.
- Financial assistance and collection policies are not substitutes for personal responsibility. All responsible parties are expected to contribute to the cost of care based on their ability to pay. Responsible parties should comply with the application requirements, including the production of necessary information to determine financial assistance eligibility. If required, the responsible party will provide the hospital with any and all financial and other information needed to enroll in a publicly or privately sponsored program (e.g., Medicaid, Health Wave, MediKan, private grants or SCHIP).





# Responsibilities of Hospitals and Responsible Parties

- The collection of hospital bills is a complex task. While it is incumbent upon hospitals to have and uniformly implement financial assistance policies for the responsible parties least able to pay, it is equally incumbent upon responsible parties to cooperate with the hospital's need for accurate and detailed financial and insurance information at the earliest possible time. Therefore, hospitals should clearly state that any responsible party seeking financial assistance must comply with the application requirements, including the production of necessary documentation. If required, the responsible party will provide the hospital with any and all financial and other information needed to enroll in a publicly or privately sponsored program (e.g., Medicaid, Health Wave, MediKan, private grants or SCHIP).



## II. Financial Assistance

- The hospital's board of directors should adopt financial assistance policies consistent with the hospital's mission and values as well as local community standards. Hospitals should develop policies to aid those individuals who do not otherwise have the ability to pay in a timely manner for health care services received. Hospitals should review and evaluate financial assistance policies on a regular basis. Hospital financial assistance is not a substitute for employer-sponsored, public, private or individually purchased insurance.
- Hospitals should consider the following when adopting financial assistance policies:
  - A. Communication
  - B. Financial Assistance for Low-Income Individuals
  - C. Asset Evaluation
  - D. Extraordinary Circumstances

The hospital's board of directors should adopt financial assistance policies consistent with the hospital's mission and values as well as local community standards. Hospitals should develop policies to aid those individuals who do not otherwise have the ability to pay in a timely manner for health care services received. Hospitals should review and evaluate all financial assistance policies on a yearly basis. Hospital financial assistance is not a substitute for employer-sponsored, public, private or individually purchased insurance.

- Hospitals should consider the following when adopting financial assistance policies:
  - A. Communication
  - B. Financial Assistance for Low-Income Individuals
  - C. Financial Assistance for Self Pay Individuals
  - D. Financial Evaluation
  - E. Extraordinary Circumstances

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## II. Financial Assistance

### A. Communication

- Provide financial assistance and counseling in a clear and concise manner to all responsible parties without regard to race, ethnicity, gender, religion or national origin. Hospitals should communicate these policies in a manner that is respectful and in language(s) appropriate to the communities and the patients and/or responsible parties served. Attachment A is an example of such communication.
- The hospital should maintain understandable, written financial assistance policies for low-income and uninsured patients. The hospital should provide financial assistance counseling in a clear and concise manner to all responsible parties without regard to race, ethnicity, gender, religion or national origin. The hospital should communicate these policies in a manner that is respectful and in language(s) appropriate to the communities, patients and/or responsible parties served. Attachment A is an example of such communication.
- The hospital should post financial assistance notices in visible locations throughout the hospital such as admitting/registration, billing office, emergency department and other outpatient settings. Financial assistance applications should be readily available to responsible parties, and should clearly state the eligibility criteria and the process used by the hospital to determine whether a patient is eligible for financial assistance.

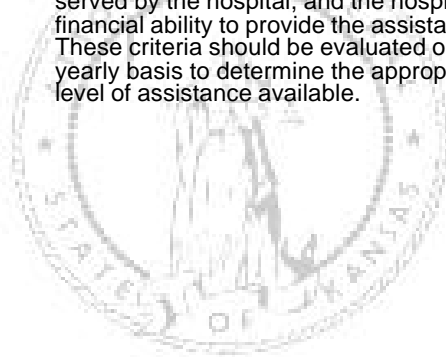
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## II. Financial Assistance

### B. Financial Assistance for Low-Income Individuals

- Establish criteria to provide financial assistance to low income individuals using guidelines such as the Federal Poverty Level (FPL) with collection practices that recognize limited financial capacity. The hospital should base the amount of the assistance on the demographics of the patient population served by the hospital and the hospital's financial ability to provide the assistance. For example, it might be appropriate for one hospital to provide assistance to anyone at or below 200% of the FPL, while it might be appropriate for another hospital to provide assistance to anyone at or below 100% of the FPL.
- The hospital should establish criteria to provide financial assistance to low-income and uninsured patients using guidelines such as the Federal Poverty Level (FPL). The hospital should also base the amount of the assistance on the demographics of the patient population served by the hospital, and the hospital's financial ability to provide the assistance. These criteria should be evaluated on a yearly basis to determine the appropriate level of assistance available.

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## II. Financial Assistance

### C. Financial Assistance for Self-Pay Individuals.

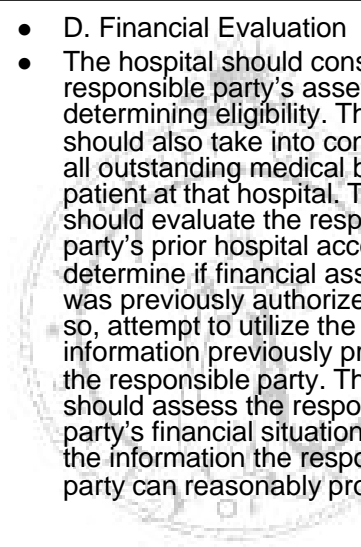
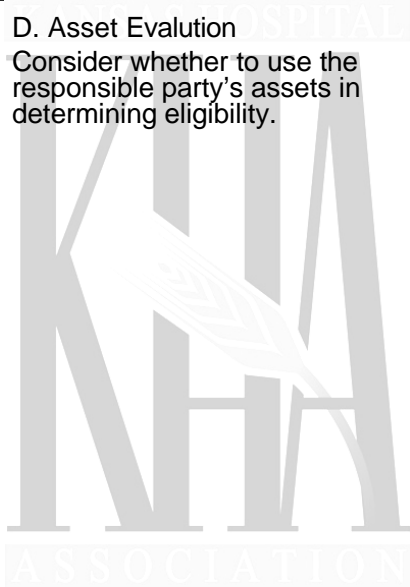


- Uninsured patients should not be billed at a rate exceeding the maximum rate that the hospital actually bills any insurance company for the same product or service. Hospitals are encouraged to introduce programs that reduce this maximum rate to the mean rate actually billed to insurance companies.

## II. Financial Assistance

### D. Asset/Financial Evaluation

- D. Asset Evaluation
- Consider whether to use the responsible party's assets in determining eligibility.
- D. Financial Evaluation
- The hospital should consider the responsible party's assets in determining eligibility. The hospital should also take into consideration all outstanding medical bills of the patient at that hospital. The hospital should evaluate the responsible party's prior hospital accounts to determine if financial assistance was previously authorized, and if so, attempt to utilize the financial information previously provided by the responsible party. The hospital should assess the responsible party's financial situation utilizing the information the responsible party can reasonably provide.



## II. Financial Assistance

### E. Extraordinary Circumstances

- Identify on a case-by-case basis responsible parties whose medical expenses, in relationship to their income, would make them medically indigent if they were forced to pay full charges. For the purposes of these guidelines, “medically indigent” shall mean patients whose resources, including any health insurance coverage, do not provide full coverage for all of their medical expenses and that their medical expenses, in relationship to their income and other assets, would make them indigent if they were forced to pay full charges for their medical services.
- The hospital should identify, on a case-by-case basis, responsible parties whose medical expenses, in relationship to their income, would make them medically indigent if they were forced to pay full charges. For the purposes of these guidelines, “medically indigent” shall mean patients whose resources, including any health insurance coverage, do not provide full coverage for all of their medical expenses and that their medical expenses, in relationship to their income and other assets, would make them indigent if they were forced to pay full charges for their medical services.

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### III. Billing and Collection Policies – Hospital Responsibilities

- Hospitals should consider the following when adopting billing and collection policies:
  - A. Communication
  - B. Timely Filing
  - C. Payment Plans
  - D. Collection Agents
  - E. Legal Action
- Hospitals should consider the following when adopting billing and collection policies:
  - A. Communication
  - B. Timely Filing
  - C. Payment Plans
  - D. Retroactive Financial Assistance
  - E. Collection Agents
  - F. Collection Terms and Reporting
  - G. Legal Action

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### III. Billing and Collection Policies – Hospital Responsibilities

#### A. Communication

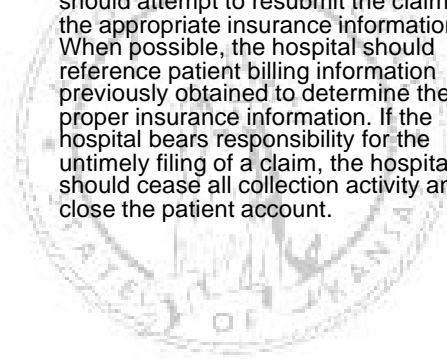
- Provide information about the availability of financial assistance to responsible parties and instructions on how to apply for such assistance.
- The hospital should provide information about the availability of financial assistance to responsible parties. The hospital is responsible for providing its financial assistance policy to all hospital staff and third-party collection agencies engaged in the collection of debts.
- When sending any bill to a patient, hospitals should include (1) a statement indicating that if the responsible party meets certain income requirements the responsible party may be eligible for a government-sponsored program or for financial assistance from the hospital; and (2) a statement providing the patient with the name and telephone number of a hospital employee or office from whom or which the patient may obtain information about the hospital's financial assistance policies and how to apply for such assistance. All third-party collection agencies should also include the above notice on all written communications to responsible parties.

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### III. Billing and Collection Policies – Hospital Responsibilities

#### B. Timely Filing

- Timely file insurance claims, provided the responsible party timely provides hospital with proof of insurance and any other additional information necessary to file the claim.
- The hospital should timely file insurance claims, provided the responsible party timely provides the hospital with proof of insurance and any other additional information necessary to file the claim. If a claim is denied based on improper insurance information, the hospital should attempt to resubmit the claim with the appropriate insurance information. When possible, the hospital should reference patient billing information previously obtained to determine the proper insurance information. If the hospital bears responsibility for the untimely filing of a claim, the hospital should cease all collection activity and close the patient account.



### **III. Billing and Collection Policies – Hospital Responsibilities**

#### **C. Payment Plans**

- Develop payment plans to allow responsible parties to pay their bills over a reasonable amount of time. Any interest rate charged should be clearly stated.
- The hospital should counsel the responsible party in an effort to develop a payment plan which allows the party to pay the account over a reasonable amount of time based on the party's ability to pay. The hospital should provide an agreed upon payment plan to the responsible party in writing. Any interest rate charged should be clearly stated.

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### **III. Billing and Collection Policies – Hospital Responsibilities D. Retroactive Financial Assistance**

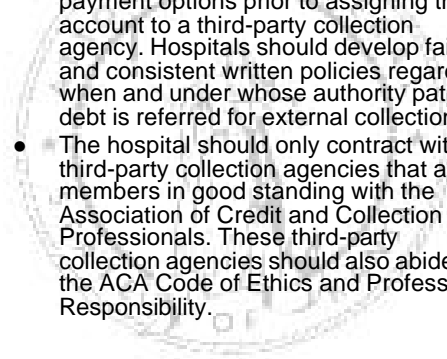
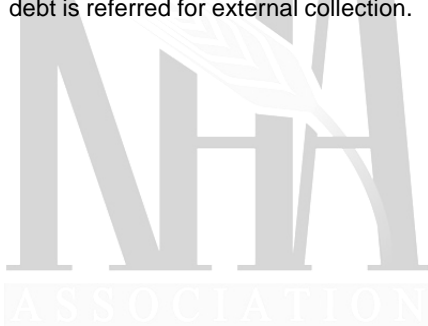


- When attempting to collect on any open account, the hospital should allow financial assistance to be applied if it is deemed a responsible party would have qualified for financial assistance when services were rendered.

### III. Billing and Collection Policies – Hospital Responsibilities

#### E. Collection Agents

- Define the policies and practices to be used by outside collection agents acting on the hospital's behalf and require such agents to agree to these standards in writing. Before the account is assigned to a collection agent, the hospital should make reasonable efforts to contact the responsible party regarding payment options. Hospitals should develop fair and consistent written policies regarding when and under whose authority patient debt is referred for external collection.
- The hospital should define the policies and practices to be used by outside collection agents acting on the hospital's behalf, and require such agents to agree to these standards in writing. The hospital should make reasonable efforts to contact a responsible party regarding payment options prior to assigning the account to a third-party collection agency. Hospitals should develop fair and consistent written policies regarding when and under whose authority patient debt is referred for external collection.
- The hospital should only contract with third-party collection agencies that are members in good standing with the Association of Credit and Collection Professionals. These third-party collection agencies should also abide by the ACA Code of Ethics and Professional Responsibility.



### **III. Billing and Collection Policies – Hospital Responsibilities**

#### **F. Collection Terms and Reporting**

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- No hospital should enter into any contracts with debt collectors that include bonuses, contingencies or any other such terms that are paid out against a temporal deadline, for such collection terms creative incentives for unconscionable collection practices. Collection contracts should instead be drafted in a manner that cautions against, and creates no incentives for, aggressive collection practices.
- All hospitals should publish to the community, on an annual basis, the identity of all collection firms or attorneys, the amounts collected by each, and the fees paid to each by the reporting hospital.

### III. Billing and Collection Policies – Hospital Responsibilities

#### G. Legal Action

- Develop a process to screen accounts before legal action is commenced against a responsible party. A collection agent should not be allowed to file a lawsuit against a responsible party without the hospital's prior written consent.
- The hospital should require written approval by its Chief Financial Officer, or the equivalent thereof, before legal action is commenced against a responsible party. A collection agent should not be allowed to file a lawsuit against a responsible party without the hospital's prior written consent.
- No litigation should be filed against any patient due to a delinquency in payment unless said patient is first offered, within eight weeks of the filing of the litigation, an opportunity to meet with an agent of the hospital who is not primarily employed as a debt collector and within 48 hours of that meeting tender certified funds against a reasonable payment plan. This plan can include whatever actual costs the hospital has realized or will forfeit due to any previous debt collection activity.

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## IV. Responsible Party Obligations

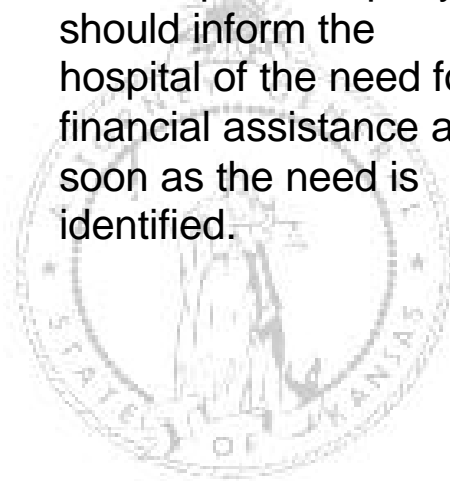
- The responsible party is expected to cooperate with the hospital by:
  - A. Communication
  - B. Timely Application
  - C. Asset and Financial Disclosure
  - D. Notification of Changes
  - E. Payment
- The responsible party is expected to cooperate with the hospital by:
  - A. Communication
  - B. Pre-designation
  - C. Timely Application
  - D. Asset and Financial Disclosure
  - D. Notification of Changes
  - F. Payment



## **IV. Responsible Party Obligations**

### **A. Communication**

- Informing the hospital of the need for financial assistance as soon as the need is identified.
- The responsible party should inform the hospital of the need for financial assistance as soon as the need is identified.



## **IV. Responsible Party Obligations**

### **B. Pre-designation**

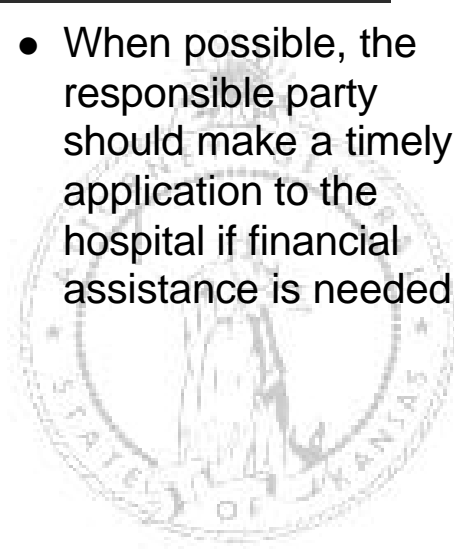
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- When possible, the patient should clearly pre-designate the responsible paying party at the time of initial treatment or admission.
- When possible, the patient should clearly pre-designate all authorized visitors for inpatient stay. For the purposes of visitation eligibility and visitors hours, 'family' refers to persons who play a significant role in the patient's life. This may include a person(s) not legally related to the patient. Decisions concerning visitation rights and privileges should be made by the patient or the patient's chosen designate. Patients should be encouraged to designate those persons who should be granted primary visitation rights and any persons who should not be granted visitation rights before or during the admission process. Hospitals are encouraged to educate the community on this pre-designation process and the benefits of such legal instruments as durable powers of attorney.

## IV. Responsible Party Obligations

### C. Timely Application

- Making timely application to the hospital if financial assistance is needed.
- When possible, the responsible party should make a timely application to the hospital if financial assistance is needed.



## **IV. Responsible Party Obligations**

### **D. Asset and Financial Disclosure**

- Providing requested information in a timely manner such as available income and assets, household size and other pertinent data in order to establish a workable payment plan with the hospital.
- When available, the responsible party should provide requested information in a timely manner such as available income and assets, household size and other pertinent data, in order to establish a workable payment plan with the hospital.

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## **IV. Responsible Party Obligations**

### **E. Notification of Changes**

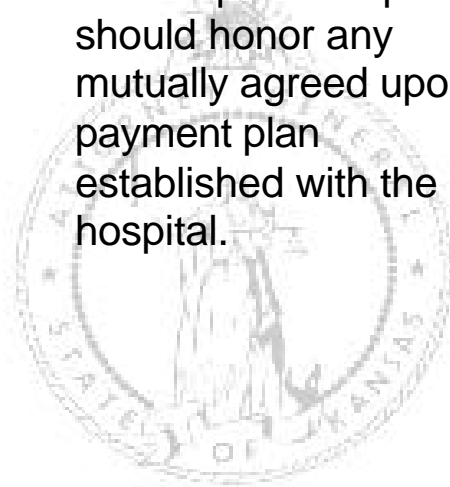
- Informing the hospital regarding any change in their financial situation that may impact their ability to pay their hospital bill or to honor the provisions of their payment plans.
- When possible, the responsible party should inform the hospital regarding any change in their financial situation that may impact their ability to pay their hospital bill or to honor the provisions of their payment plans.

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## IV. Responsible Party Obligations

### F. Payment

- Honoring any mutually agreed upon payment plan established with the hospital.
- The responsible party should honor any mutually agreed upon payment plan established with the hospital.



## **VI. Implementation**

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- In order to properly implement financial assistance policies, the Kansas Hospital Association recommends that hospitals identify and educate appropriate hospital personnel to administer the policies.

## Summary

- Kansas hospitals are committed to providing the best possible health care services for the citizens of their communities regardless of their ability to pay. But, because of the growing number of uninsured and underinsured in the state, it is becoming an ever greater financial challenge to assist patients with limited financial resources. The Kansas Hospital Association encourages hospitals to use this document as a guide to build upon their current financial assistance practices and policies.
- The Kansas Hospital Association and its member hospitals are committed to working with federal and state government, payers, businesses and consumer groups to address the underlying problems caused by the lack of health insurance coverage. Further, we would encourage other providers of health care such as surgical centers, imaging centers and other health care providers in the state to adopt similar patient-centered billing and collection practices.



## Sample Patient Notice of Financial Assistance (Developed by the KHA)

- **[NAME OF HOSPITAL]** is proud of its mission to provide quality care to all who need it. If you do not have health insurance or are concerned that you may not be able to pay in full for your care, we may be able to help. **[NAME OF HOSPITAL]** provides financial assistance to responsible parties based on their level of income, assets, and needs. In addition, we may be able to help you identify other available resources or work with you to arrange a manageable payment plan. It is important that you let us know if you will have trouble paying your bill. Federal law requires hospitals to apply their billing and collection criteria consistently to all. Unpaid bills may ultimately be turned over to a collection agency, which could affect your credit status. For more information, please contact **[NAME OF PERSON]** in our financial counseling office at **[PHONE NUMBER]**. We will treat your questions with confidentiality and courtesy.