National Summit on Health Care Price, Cost and Quality Transparency

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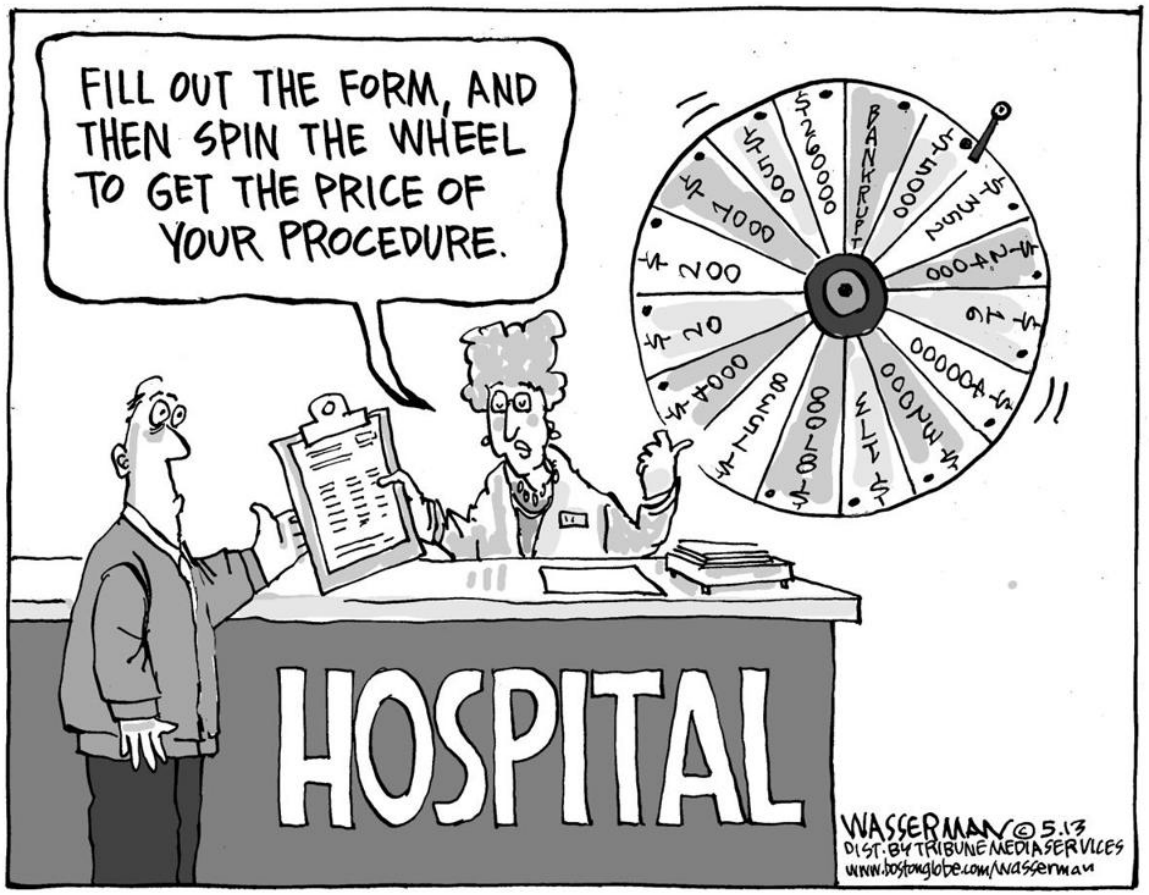
Mark Rukavina is a principal at Community Health Advisors, LLC. In this role, Mark provides customized service to healthcare providers interested in achieving community health excellence. Services include assisting non-profit hospitals in developing financial assistance, billing and collection policies, as well as conducting community health needs assessments and developing health improvement/implementation strategies that comply with new regulatory requirements.

Mark serves on the Healthcare Financial Management Association's National Medical Debt Advisory Task Force and the Price Transparency Task Force. Prior to founding CHA, Mark served as executive director of The Access Project, a national non-profit. His experience includes managing a community health program sponsored by the AHA's Health Research and Educational Trust. He is recognized for his policy expertise on healthcare affordability, community benefits, and community health improvement. Mark has testified before House and Senate Congressional committees on these issues.

He holds an MBA from Babson College and a BS from of the University of Massachusetts in Amherst.

Consumer Perspective on Healthcare Pricing



Financial Assistance (Charity Care) Policies

- Affordable Care Act – Established New Federal Tax Exemption Requirements - Section 9007

- Internal Revenue Code Section 501 r
  - Establishes the following requirements
    - Financial Assistance Policy
    - Limitation On Charges
    - Billing And Collection Policy
    - Community Health Needs Assessment

Internal Revenue Service

- July 2012 – IRS Public Notice of Proposed Rulemaking on Financial Assistance and Billing and Collection.
  - Several hundred comments on the proposed rule
  - Public hearing held in December 2012
- April 2013, Notice of Proposed Rulemaking issued on Community Needs Assessment – stated in this notice is that IRS intends to finalize the 2012 proposed (FAP) regulations in conjunction with the finalizations of these (CHNA) proposed regulations.

The Significance of Financial Assistance Policies

- Charity Care/Financial Assistance is an important part of the American healthcare safety net
- Hospitals provided $41 billion in uncompensated care in 2011
- Even with full implementation of the ACA, millions of American will be uninsured and millions will struggle with healthcare costs

Background:
Media Attention

March 2013

Bitter Pill: Why Medical Bills Are Killing Us

By Steven Brill

March 04, 2013

Ten Years Earlier - March 2003

Jeanette White Is Long Dead But Her Hospital Bill Lives On

By LUCETTE LAGNADO
Staff Reporter of THE WALL STREET JOURNAL
March 13, 2003

Quinton White , 77 years old, in his bedroom in Bridgeport, Conn., has been trying to pay Yale-New Haven Hospital's ballooning bill for his late wife's care for the past 20 years

The New England Journal of Medicine
October 17, 2013

Perspective

Full Disclosure — Out-of-Pocket Costs as Side Effects

Peter A. Ubel, M.D., Amy P. Abernethy, M.D., Ph.D., and S. Yousuf Zafar, M.D., M.H.S.

- … many patients in the United States experience substantial harm from medical interventions whose risks have not been fully discussed. The undisclosed toxicity? High cost, which can cause considerable financial strain.

- Admittedly, out-of-pocket costs are difficult to predict, but so are many medical outcomes that are nevertheless included in clinical discussions. Policymakers need to continue the push for greater transparency in medical costs, especially those borne by patients.

Consumer Pain Points

Medical Bill Problems Among Working Aged Americans

In 2012, 75 million (41%) working aged American adults experienced medical bill problems

- Problems paying or unable to pay medical bill
- Contacted by a collection agency for unpaid medical bill
- Changed way of life in order to pay medical bill
- Medical bills being paid off over time

Source: The Commonwealth Fund Biennial Health Insurance Survey (2012)

Medical Bill Collections

- In 2012, 32 million American adults were contacted by a collection agency for unpaid medical bills

Source: The Commonwealth Fund Biennial Health Insurance Survey

(2012).

Medical Collections and Credit Reports

- More than half (52%) of accounts in collection are medical bills
- More than one-third (36%) of medical collections had balances due, when reported, of $100 or less

An Overview of Consumer Data and Credit Reporting, Avery et al
Federal Reserve Bulletin, Summer 2003

Confusion

- One out of ten medical claims is processed inaccurately by health insurers, according to an American Medical Association survey

- Nearly one in three Americans (31%) let a medical bill go to collection because they did not understand the bill or explanation of benefits statement, according to an Intuit Health Survey

Medical Collections Linger on Credit Reports

Discrepancies on Medical Bills Can Leave a Credit Stain

New York Times, May 4, 2012

Ray White, Lewisville, TX had a $200 ambulance bill which he paid despite the assurances from the insurer that it was covered. It was only when he and his wife went to refinance the $240,000 mortgage on their home, nearly six years later, that he learned the bill had shaved about 100 points from his credit score. With no other debts, a healthy income and otherwise pristine credit, the couple had to pay an extra $4,000 to secure a lower interest rate.

National Health Expenditures

2012 - Estimated

- Estimated National Health Expenditures of approximately $2.8 Trillion
- Of total expenditures, ***$320 billion was paid out of pocket*** (i.e. deductibles, co-payments, co-insurance)

2020 – Projected

- Estimated National Health Expenditures of $4.4 Trillion
- Of total, ***$411 billion is estimated will be paid out of pocket***

Internal Revenue Code Section 501 r

- Financial Assistance Policy Transparency
- Rationale for Limitations on Charges for Patients Qualifying for Financial Assistance

Financial Assistance Policy

- Written financial assistance policy
- Criteria for eligibility (i.e. percentage of federal poverty guidelines, whether assets considered)
- Type of assistance provided (i.e. free care, discounted care, medical indigent or hardship)

Limitations on Proposed Charges

- Proposed regulations prohibit charging patients eligible for financial assistance gross charges
- Fees charged to patients eligible for financial assistance must be limited to *Amounts Generally Billed (AGB)* those with insurance
- AGB is applied to all ER and medically necessary care
- Regulations cite specific examples for calculating AGB

NPR Includes Two Methods

- *Look Back Method* - based on actual past claims paid by Medicare fee-for-service and deductible and copayments made by the Medicare beneficiary, or Medicare FFS together with all private health insurers, as well as costs paid by Medicare beneficiaries or insured patients through deductibles, copayments or co-insurance

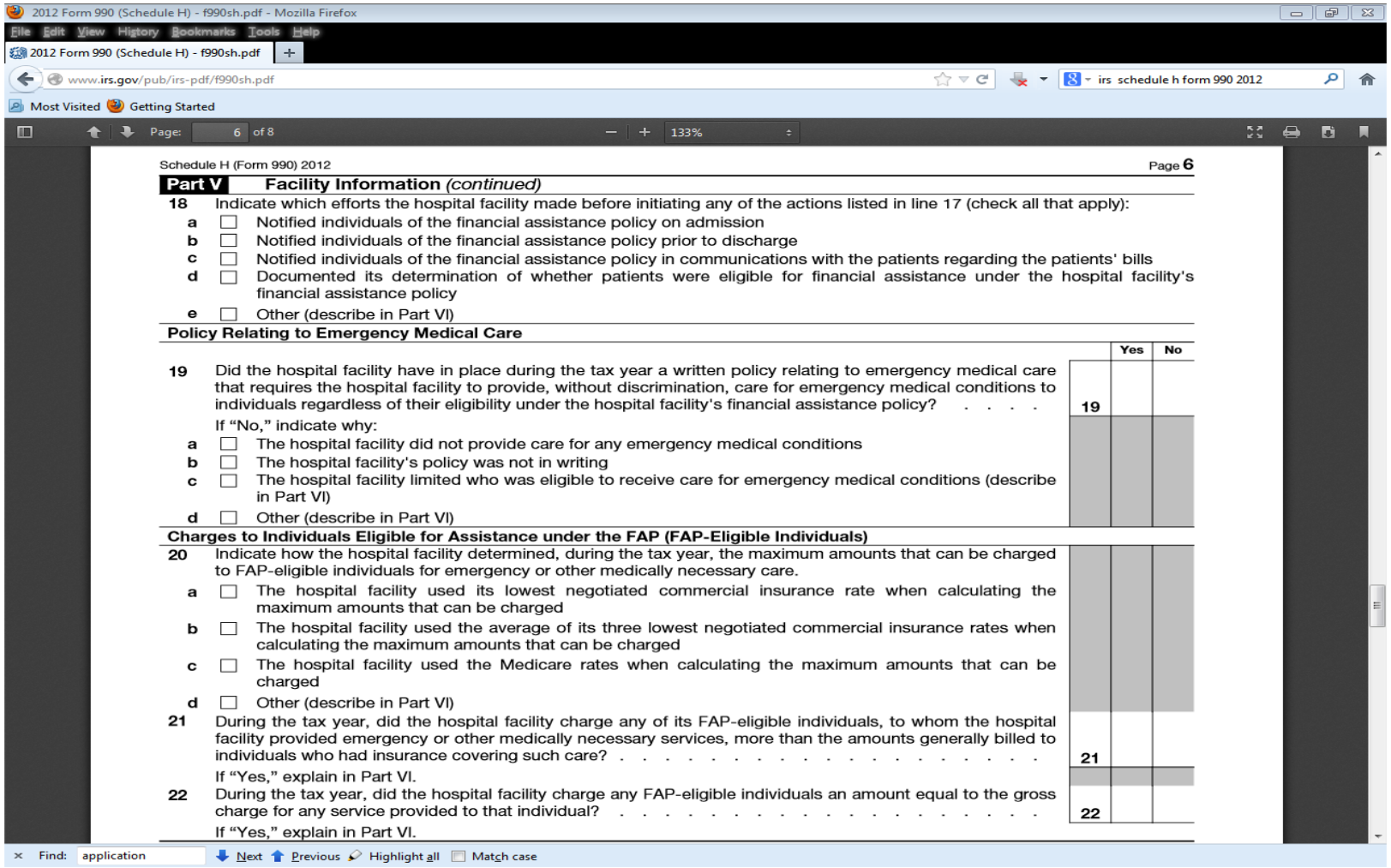
- *Prospective Method* - estimate that amount that would be paid by Medicare and the Medicare beneficiary for the emergency or medically necessary care, if patient were a Medicare beneficiary

Safe Harbor Provisions

The proposed rule includes a “safe harbor” provision for certain charges in excess of amounts generally billed.

- Hospitals will meet requirements if an eligible patient has not completed FAP applications and the hospital continues to make reasonable efforts to determine whether a patient is eligible for assistance.
- If a patient is later found to be eligible, payment made in excess of amounts generally billed to be refunded.

Schedule H – Amounts Generally Billed



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Schedule H (Form 990) 2012 Page **6**

Part V **Facility Information** *(continued)*

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply):

- **a** ☐ Notified individuals of the financial assistance policy on admission
- **b** ☐ Notified individuals of the financial assistance policy prior to discharge
- **c** ☐ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- **d** ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	19		

If "No," indicate why:

- **a** ☐ The hospital facility did not provide care for any emergency medical conditions
- **b** ☐ The hospital facility's policy was not in writing
- **c** ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- **d** ☐ Other (describe in Part VI)

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.

- **a** ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- **b** ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- **c** ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- **d** ☐ Other (describe in Part VI)

21	During the tax year, did the hospital facility charge any of its FAP-eligible individuals, to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	21	

If "Yes," explain in Part VI.

22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?	22	

If "Yes," explain in Part VI.

Find: application Next Previous Highlight all Match case

Amounts Generally Billed

- Lowest negotiated commercial insurance rate
- Average of lowest 3 negotiated commercial insurance rates
- Medicare rates
- Other

- Also note whether hospital charged patients eligible for assistance gross charges for any services provided

Surprisingly Limited Response

Given the current policy environment, it was surprising that hospitals and the hospital associations did not challenge claims made in article by disclosing details to explain the pricing for patients qualifying for financial assistance.

Operating During Interim Period Prior to Issuance of IRS Final Rule

- Focus on affordability – It is the Affordable Care Act
- Follow guidance outlined in the Proposed Rule and on IRS Form 990, Schedule H
- Avoid criticism and respond to scrutiny with clear policies and defensible practices
- Apply policies consistently

Policy Transparency

- Ensure existing policies/ practices are sufficient in new regulatory environment
- Secure board approval of financial, billing and collection policies
- Widely publicize policies
- Review info submitted on IRS Form 990, Schedule H to ensure compliance
- Connect financial need AND community benefit

Questions and Discussion

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