Patient Collections Basics Part 3: Developing a Financial Assistance Program

If you've read parts **1 (Know Your Payers)** and **2 (Implementing Your Financial Policy)** of this series, you are ready to consider a financial assistance policy for those patients without insurance.

Patients without insurance fall into one of three categories:

1. Patients without insurance who have the ability to pay their medical bills but refuse to pay them.
2. Patients without insurance who have the ability to pay their medical bills and are willing to do so.
3. Patients without insurance who do not have the financial resources to pay their medical bills.

Patients in category #1 are easy to identify. We've all encountered them and we know that they do not value what the physician or care provider offers, or they believe that for some reason they should not be required to pay. They will waste your valuable time and should be discharged from your service if possible.

Patients in category #2 are also easy to identify. They value the healthcare services provided to them and want to pay for them. Depending on your fee schedule, you may want to offer

two levels of discounts to patients without insurance.

The first discount is for a patient who does not have insurance and can pay something at time of service, but cannot pay their bill in full. The second discount is for a patient who does not have insurance and can pay their bill in full with a deep discount. That deep discount can be justified by the significant reduction of overhead when no additional work is required to collect the account (e.g. file the insurance, post the payment, send the patient a statement, etc.) **If you know what providing services cost you, you are able to set these two discounts based on the unique cost of your services.**

A quick and dirty way to find out the cost of services in your group is to take the total expenses from your last fiscal year and divide them by the total RVUs produced during the same period, resulting in a cost per RVU. (See Example A) Once you know your cost per RVU, you can multiply it for each service/code and compare it to your retail fee schedule to determine what your discounts should be. (See Example B) It would not be unusual for a medical practice to give uninsured patients a 25% discount off the retail fee schedule, and uninsured patients paying in full a 50% discount, but as each healthcare entity sets its fees using a different methodology, every group should calculate their discounts individually.

Example A		
Expenses YTD 2010	RVUs YTD 2010	Cost per RVU
$1,500,000	30,000	$50.00

Example B					
Code	RVUs	Cost of service	Fee	25% discount	50% discount

Level 3 Est. Pt.	2.03	$101.50	$150.00	112.50	$75.00

The patients in category #3 are those that are unable to pay even when offered the discounted rates. These patients will need a sliding scale financial assistance program, but there are philosophical and financial questions to be answered before you undertake the creation of a formal program.

Questions to Be Answered By Your Group:

- Do patients in your service area have other care options? Is there a Federally Qualified Health Clinic (FQHC) in your area that offers sliding scale payments? Is there a Free Clinic, or a hospital-sponsored clinic or urgent care? Is there a network of specialists that rotate the responsibility for providing care for uninsured, poverty level or indigent patients? What is your group's responsibility for providing care to uninsured people in the community?
- Can your group afford to give care for less than it costs?
- Will the group limit the number of patients it will see under your financial assistance plan to control the deficit?
- Does your group feel that it is already providing charity care service by accepting Medicare or Medicaid?
- Would your providers rather provide charity care by volunteering at a local free clinic or going on medical missions?

If your group decides to implement a financial assistance

program, here are the steps to take.

1. **Determine the objective of the program,** which might be something like:
    - *The goal of the ABC Clinic's Financial Assistance Program is to provide healthcare services at no charge or at a nominal charge to patients whose annual income is at or below the Federal Poverty Guidelines, and to provide healthcare services at discounted fees to patients whose income is above the Federal Poverty Guidelines but does not exceed ___% of the Guidelines.*
2. Create a financial assistance application that the patient will complete. Your local hospital or social service office may be able to offer their application for you to tweak.
3. Check your state to see if there is a program for patients where insurance is available for a fee that your group might be willing to pay on behalf of the patient. This is typically only worthwhile for large hospital, procedure or surgery fees.
4. Determine what services will and will not be eligible for the program. Visits? Labs? Procedures? Tests? Vaccines? Surgery? Therapy?
5. Determine for what period of time you will grant financial assistance to patients. One month? Six months? One year?
6. Determine what information you will require patients to supply so you can decide upon the appropriate discount. Some standard information to require on a Financial Assistance Application is:
    - Photo Identification
    - Check stubs from previous three months
    - Check stubs from Social Security
    - Check stubs from Disability
    - Most recent tax return or W-2s
    - Most recent copy of bank statement

- If no income, description of how lodging, meals and utilities are paid
- If federal assistance, copy of paperwork
- If assistance from family or friend, letter describing circumstances
- Check Medicaid status, or ask for copy of Medicaid denial
- Is the patient eligible for insurance at work or under COBRA?

7. Determine what discount you want to apply to what level of the Federal Poverty Guidelines, which you will find on the Internet. Note that the guidelines have not changed for several years.
8. Calculate the discount as follows:
    - Calculate yearly income of patient based on documents supplied (wages + other income) for 12 months + checking/savings amount.
    - Calculation should compare generally to recent tax return or patient should explain any discrepancy.
    - Place the patient in a column on the Federal Poverty Guideline based on their income to determine eligibility for financial assistance.
9. Decide upon the workflow for the financial assistance program – how will you let patients know it is available? Once patients have been approved, how will you identify them and the note the applicable discount in the computer system? How will you keep track of which patients need to reapply to keep their financial assistance programs going?
10. Write your financial assistance policy and follow the policy in the same way for every patient that applies for the program. Keep clear and complete documentation on each patient who applies.
11. Educate all staff and providers on the policy.