

Today's health care billing and collections system can be confusing and complex. Everyone involved in health care—from providers to patients to state and federal government—must work together and share responsibility to fix it.

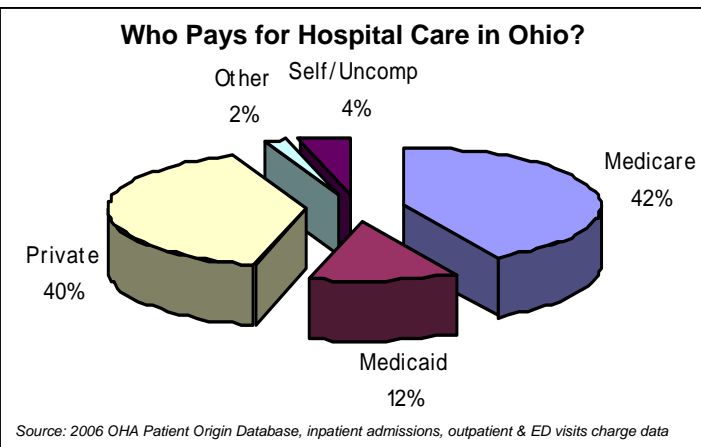
Ohio hospitals are committed to a charitable mission of providing quality health care 24 hours a day, seven days a week to everyone in their community regardless of their ability to pay. But hospitals cannot keep their doors open without adequate reimbursement for their services.

THE PROBLEM

In 2006, Ohio hospitals provided more than \$1.8 billion dollars worth of charity and other uncompensated care to uninsured and medically indigent patients, including those on Medicaid.

Skyrocketing Uninsured Population

More than 1.2 million people in Ohio do not have health insurance—the equivalent of the entire population of Greater Columbus. Because of age or income criteria, the uninsured don't qualify for government-sponsored insurance but can't afford to buy private coverage. And while many work full-time jobs, their employers increasingly can't offer affordable health benefits because of skyrocketing insurance premiums.



Hospitals are reimbursed for the care they provide by Medicare, Medicaid, private insurance companies, and self-pay patients, many of whom are uninsured. As part of their charitable mission, hospitals also give a significant amount of care to the medically indigent—those who cannot afford health care—free of charge.

Declining Hospital Reimbursements

Unfortunately, Medicare and Medicaid generally pay hospitals less than the costs of providing services. In the late 1980s, the Ohio General Assembly deregulated the private health insurance market, allowing insurers to negotiate price discounts with hospitals.

HOSPITAL CHARGES EXPLAINED

While a hospital bills ALL patients and insurers the SAME CHARGE for a particular service, government and private insurers are able to negotiate and pay lower rates. For government insurers (Medicare and Medicaid), hospitals must accept payment rates that are often lower than what it costs a hospital to provide care.

The Result is a Broken System

In order to stay open, hospitals must make up reimbursement shortfalls and charity expenses. They must adjust their **charges** to end up with **payments** that cover the ever-increasing **costs** of providing services, maintaining facilities, and improving capabilities to meet the needs of their communities. They must predict what their total costs will be and whether government and private insurers will make any changes to payment rates. While government and private insurers pay at or below costs, and far below what the hospital charges, unfortunately those least able to pay sometimes are being expected to pay the full amount charged by the hospital.

Glossary of Billing Terms

Bad Debt — Charges a hospital considers to be uncollectible once a hospital has attempted and failed to collect an account receivable from a patient.

Cost — The price a hospital must pay to provide a service, including the price of providing facilities, technology, and workforce.

Charity Care — Health care provided at a substantial discount to those unable to pay. Hospitals either do not attempt to collect a portion of charges or agree to write off charges. Eligibility is sometimes determined from a sliding scale based on a percentage of the patient's income above the federal poverty level.

Free Care — Health care provided free of charge to those unable to pay. Hospitals write off these charges under the Hospital Care Assurance Program as required by state law for patients with incomes below the federal poverty line.

Insured — Those who have health insurance through a private plan, Medicare, or Medicaid.

Medically Indigent — Those who lack sufficient health insurance and/or income to cover their medical needs.

Payment — Reimbursement a hospital receives for care provided; usually less than the standard charge and sometimes less than the cost of providing care.

Standard Charge — The uniform amount charged to all patients/insurers for a particular service.

Uncompensated Care — All services for which a hospital is not paid, including bad debt, free care, charity care, and payment shortfalls from Medicare and Medicaid.

THE SOLUTION

- GOVERNMENT** Legislators can help by minimizing, streamlining and simplifying unnecessary regulations that divert hospital resources away from patient care. Funding and eligibility for government insurance programs—Medicare and Medicaid—must be preserved to ensure patients relying on these insurance programs have access to the health coverage they need. To maintain hospitals' financial viability, government must allow hospitals to design financial assistance policies for the working poor and uninsured without the threat of legislated price mandates and other unnecessary interventions that threaten the financial viability of hospitals.
- HOSPITALS** Currently every hospital in Ohio has a discount policy based on a patient's income. Hospitals provide free care to patients below the federal poverty level through Ohio's Hospital Care Assurance Program. Hospitals also periodically review their policies to ensure they reflect the following core principles:
- ✓ **Financial Counseling** — Providing advocates who can give one-on-one attention to patients and help them understand their bill, their opportunities for payment plans, free care and discounts, and their options for acquiring free or low-cost health insurance through government-funded mechanisms like Medicare or Medicaid.
 - ✓ **Effective Communication** — Communicating billing, discount, and collections policies at the appropriate time and manner during a patient's interaction with the hospital. Through personal interaction with staff, literature posted in multiple languages, and notices enclosed with correspondence, hospitals strive to keep patients well-informed of their opportunities for assistance.
 - ✓ **Discounts** — Discount policies are tailored to meet the needs of each community. Criteria for eligibility can be based on a patient's income, financial obligations, and other circumstances. Some hospitals use a sliding scale with those who need the most help getting the largest discount. These policies apply uniformly to all patients, but hospitals work with patients on a case-by-case basis to find the best discount and payment plan.
 - ✓ **Compassionate Collections** — Staff are trained to treat every patient with dignity, compassion, and respect, from initial care at the bedside through the entire billing process until long after the patient has left the hospital. While financial counseling usually eliminates the need to employ outside collections agencies, such agencies must demonstrate the same compassion and core values as the hospitals they represent.
- PATIENTS** Patients should be sure to ask about a hospital's financial assistance policies, personalized payment plans, and potential sources of health care coverage. They should make hospitals aware of their need by providing financial records. Patients are encouraged to take advantage of a hospital's financial counselors who can make their health care bills more understandable and less daunting.

OUR RESPONSIBILITIES

- ✓ All **Ohioans**, whether or not they are insured, need continued access to quality health care. Within their means, every patient has the responsibility to pay his or her fair share for the services received.
- ✓ Similarly, **hospitals** have the responsibility to safely and efficiently provide care to everyone who walks through their doors. But hospitals need to be properly compensated for those services so they can continue their mission of caring for the community.
- ✓ The **government's** responsibility is to ensure the system works fairly and properly—so those with the greatest need don't fall through the cracks.

A well-designed health care payment system should balance the needs, responsibilities, and limitations of the hospital with those of the patients it serves.

Working together, hospitals, government, and patients can design a more fair, efficient, and rational health care payment system.