

Addressing Medical Debt: Developing Best Practices for Providers and Patients

*Sharing Hospital Best Practices and
Bringing Your Board on Board*

Blue Cross Blue Shield Foundation Forum
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Introduction

- My talk will focus on the following four questions:
- What is the source of our problems?
- What does the public think?
- How can boards help?
- What are some best practices?
 - Financial counseling
 - Billing and collection
 - Charity care and discount policies
 - Addressing the under-insured
- Conclusion

Standards for Exemption

- Exemption from federal income taxes is granted to organizations organized and operated exclusively for a charitable, scientific, or educational purpose
- The promotion of health is considered to be a charitable purpose
- Deemed beneficial to community as a whole

Standards for Exemption

Community Benefit Standard

- Developed administratively by IRS in 1969
- Facts and circumstances test. In addition to charity care, key factors include:
 - Whether governing board is made up of a majority of independent community members;
 - Medical staff privileges available to all qualified individuals
 - Full time emergency room open to all regardless of ability to pay
 - Admits all patients able to pay
 - Surplus funds reinvested in patient care, facility improvements, medical training, education and research

Community Benefit Standard Under Attack

“Since 1969, the IRS has witnessed a convergence of practices between the for-profit and nonprofit hospital sectors, rendering it increasingly difficult to differentiate for-profit from nonprofit healthcare providers.”

Former IRS Commissioner Mark Everson, 2005

Community Benefit Standard Under Attack

Senator Grassley:

- ❑ Letter to IRS (2006):

- ❑ “[R]egulations and guidance with respect to tax-exempt organizations in this sector need to be monitored and updated on a continuing basis.”

- ❑ Senate Finance Draft Paper (2007)

- ❑ Requirement for exemption of spending at least 5% of operating expenses or revenue on charity care

THE WALL STREET JOURNAL

FRIDAY APRIL 4, 2008

❑ Nonprofit Hospitals, Once For the Poor, Strike It Rich

By JOHN CARREYROU and BARBARA MARTINEZ

❑ “Nonprofit hospitals, originally set up to serve the poor, have transformed themselves into profit machines. And as the money rolls in, the large tax breaks they receive are drawing fire.”

The Boston Globe

May 31, 2009

Much is given by hospitals, more is asked, Nonprofits reaping more in tax breaks than they report in charity work. Some say that must change

By Scott Allen and Marcella Bombardieri

“Overall, the 10 hospital companies' tax breaks and other benefits were worth \$264 million more than the value of the ‘community benefits.’”

Is It Really That Complicated?

1497:

- “Pursuit of health in service of society”

500 Years Later:

- “The promotion of health”
- “To improve the health and welfare of all persons”

Is It Really That Complicated?

- So how are we doing at promoting and improving health? What impact are we having on our communities?
 - Do you know?
- We lack focus
- The best way to get focus is at the top

The Governance Imperative

- We need a focus on greater *accountability* at the top of nonprofit hospitals
- Boards should become much more intentional about focusing on their true mission: promoting and improving the health of their communities.
- The “How” and the “What”

The “How”

A Culture of Constructive Conflict

- Growing body of research showing a direct connection between high performing organizations and the level of engagement of their boards.
- Alfred P. Sloan, Jr., the former President of GM, once postponed board meeting “to give ourselves time to develop disagreement and perhaps gain some understanding of what the decision is all about.”
- Living rooms should be comfortable. Board rooms should not.
- Must create a culture of healthy tension and constructive conflict and make room for deep dialogue. Decisions are seldom better made as a result of silence.

The “What”

Community Benefits Committee

- Charter
- Review mission and vision of program
- Weigh-in on priorities for the year
- Develop specific metrics to measure performance
- Measure it
- Hold management responsible for striving to improve community health.
- Serve as ambassadors to board, community and throughout organization

Billing and Collection

- No reporting of bad debts to credit reporting agencies
- No placing of liens on residences/autos (unless Board approves)
- No interest on unpaid bills
- No selling of bad debt
- No garnishment of wages
- No denial of medically necessary care for previous bad debts

Charity Care and Discount Policies

In addition to Health Safety Net we provide:

- Discounts for families from 400-500% and 500-600% of the Federal Poverty Level
- Income-based discounts for Out-of-State residents for emergent and urgent care
- Free Care for HSN patients receiving Ambulance and Primary Care Services at the Hospital (not covered by the HSN); and
- A prompt pay discount (20%) for all patients regardless of income level

Financial Counseling

- Significant staff investment (24 FTEs) and outreach
- Redesigned department to better reach uninsured patients – moving staff to clinical areas with high self pay volumes (i.e. – ED weekends)
- Provided laptops, PDA's to all financial counselors so they can complete on-line applications wherever they go
- Created a call center phone number and e-mail address to make it faster and easier to contact our financial counselors
- Created new marketing materials (brochures, business cards, etc) and widely distributed them
- Outreach and special events to reach more of the uninsured population

Addressing the Under-insured

- Not just bad policies anymore. Many more people with high deductible, co-insurance to keep premiums down
- Piloting an outreach-style program to proactively contact patients with large co-insurance and deductible balances and set them up on budget payment plans.
- Initial feedback is good. Patients quite willing to work with us once they understand we are trying to help them
- Patients generally seem happy to set up a monthly payment amount that they can fit within their budget,

Conclusions

- Attacks not going away soon
- Some of criticism is justified
- Much is at stake
- Boards need to step up
- Focus needs to be on promoting and improving the health of our communities
- Doing well and doing good are not mutually exclusive