



## **Using a Self-Pay Management System to Apply Fair and Consistent Discounting Policies**



**An nTelagent White Paper**

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## Executive Summary

Over the past several years, a wave of news articles and research reports has highlighted the fact that uninsured people are typically billed the highest prices for healthcare (the “retail rate”) because government and commercial payers are able to negotiate steep discounts, while individual patients are not traditionally in a position to do this. **Due to recent community and legislative trends, however, hospitals and other healthcare providers are increasingly offering discounts on healthcare prices to uninsured and underinsured patients, and self-pay patients are being encouraged to negotiate prices with their providers.** Because it is often the case that comprehensive, integrated systems for offering discounts are not in

place, healthcare providers are struggling to determine fair, consistent ways of applying discounts for uninsured and underinsured patients.

As the number of self-pay patients rises, it is critical that hospitals and other providers embrace policies and procedures for providing appropriate and consistent discounts across the board. Implementing an integrated, comprehensive self-pay management system can enable healthcare providers to apply such discounting policies, **leading to assistance for those truly needy patients, as well as the complete, accurate documentation and delivery of financial policies.**

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## Background on Self-Pay Patient Discounts

In today's healthcare system, insurance companies negotiate with healthcare providers for lower prices. Uninsured and underinsured patients, who do not have the same negotiating power, usually pay full "sticker price" for healthcare services. The billing and collection practices of healthcare providers have emerged as a controversial issue, as many facilities have been accused of charging uninsured patients significantly more than they charge insured patients, and then aggressively seeking to collect payments from them. Recent legal disputes between hospitals and plaintiff's attorneys over the billing of the uninsured have resulted in a spate of settlements, **indicating the need for equitable discounting and charity policies.**

As more and more individuals and families fall into debt to pay for healthcare, federal and state lawmakers and consumer advocates have taken action to ensure that low-income

uninsured and underinsured Americans are charged fair prices for their care and are protected from aggressive debt collection practices.

In 2004, a report from the U.S. Department of Health and Human Services' Office of Inspector General (HHS OIG) was issued regarding hospital discounts, stating: "Hospitals have the ability to provide discounts to uninsured and underinsured patients who cannot afford their hospital bills and to Medicare beneficiaries who cannot afford their Medicare cost-sharing obligations. Nothing in the OIG rules or regulations prohibits such discounts, and the OIG fully supports the hospital industry's efforts to lower health care costs for those unable to afford care." (Source: <http://oig.hhs.gov/>)

Historically, the vast majority of self-pay accounts were uninsured patients. (Self-pay is the portion of the medical bill for which the patient is responsible. This includes co-pays and deductibles for

insured patients and the full medical bill for uninsured patients.) But with the recent shift to consumer-driven healthcare plans and health savings accounts (HSAs), which carry significantly higher co-pays and deductibles than traditional insurance plans, a greater portion of self-pay accounts are derived from insured patients. Additionally, an increasing number of individuals with the financial capacity to purchase health insurance are opting to “go bare” or without insurance. In fact, according to a U.S. Census Bureau report, more than 40% of Americans who are uninsured earn in excess of \$43,000 per year, and a sizable number earn considerably more. (*Source: Income, Poverty and Health Insurance Coverage in the United States: 2003*).

All of these trends make it difficult for providers to determine the proper patient payment plans and applicable discounts at the time of service, and it is becoming more complex for providers to accurately bill patients and insurance companies. With government agencies pushing for healthcare discounts for

uninsured and underinsured patients, many healthcare providers are asking the questions: **“Who should be eligible for a discount? And at what level should that discount be? For instance, should an uninsured patient earning over \$100,000 a year be offered the same discount for the same service as a patient who is just about the poverty guideline of being eligible for charity care?”**

**The practice of offering discounts and price transparency for uninsured and underinsured patients has increased, and will continue to do so, as providers work to offer fair, appropriate pricing to patients and to avoid legal exposure at the same time.** A January 23, 2008 article in the *San Francisco Chronicle* discusses the trend:

“The state [California] introduced a Web site Tuesday that helps consumers find out how much hospitals are willing to discount care for uninsured patients. The site makes California the second state in the country, after New York, to give consumers a tool to shop and compare

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charity care or discount payment policies.

“Hospitals have been criticized in recent years for being overly aggressive in trying to collect payments from patients, many of whom were uninsured. Consumer complaints of hospitals engaging in such practices as garnisheeing wages or placing liens on properties led to numerous lawsuits around the country and a congressional inquiry into the billing practices of nonprofit hospitals. As part of settlements or policy changes, many hospitals amended their billing practices to offer uninsured patients more discounts and less onerous payment policies.” (Source: [\[bin/article.cgi?f=/c/a/2008/01/23/BUOAUJPNF.DTL\]\(http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/01/23/BUOAUJPNF.DTL\)\)](http://www.sfgate.com/cgi-</a></p></div><div data-bbox=)

With reports such as the May 2007 *Heath Affairs* study--showing that “in 2004, U.S. hospitals charged patients without health insurance and those who paid for care out of their own pockets an average of 2.5 times more for services than fees paid by health insurers, and 3 times more than Medicare-allowable costs”--there is a tremendous need for healthcare providers to offer price transparency to patients at point of service, including discounts and medical financing available.

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## The Benefits of a Self-Pay Management System

**Without a self-pay management system in place, it is impossible for hospitals and other providers to automate their discounting policies consistently and to ensure that patient financial accounting--for both insured and uninsured patients--is handled appropriately and in a non-discriminatory manner.**

Implementation of a comprehensive self-pay management system enables healthcare service providers to interact with *all* patients regarding financial responsibilities at the point of service, including offering price transparency and medical financing options. Such a system provide registrars and financial counselors with interactive scripts that integrate patient demographic information with each provider's unique business rules, thereby eliminating any guesswork that goes along with determining a patient's financial responsibility.

In addition, an effective self-pay management system can and should

allow healthcare providers to offer discounts at the point of service, **taking into account a patient's current capacity to pay, total account balance and type of service. This enables fairness and consistency in the discounting process.**

Finally, the system should work to identify those patients who truly have no ability to pay for services, versus those who *do* have available resources but have become habited to not paying. Using demographic information, a self-pay management system can identify those individuals with incomes sufficient to secure adequate health coverage, but who choose not to do so. (There are a variety of reasons people decide not to enroll in health insurance programs; they may be optimistic about their health status, wealthy enough to cover out-of-pocket expenses, or simply financially irresponsible.) **The system allows healthcare providers to be an advocate for truly needy patients, helping them to obtain all possible assistance in covering their healthcare costs.**

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## Appendix: Background on Hospital Discounts

In late 2002 and early 2003 hospitals from coast-to-coast came under fire for their billing and collection practices as the media and consumer groups focused on hospitals' efforts to collect unpaid bills from uninsured patients. On the heels of this increased scrutiny, in the summer of 2003, the House Energy and Commerce Committee launched a Congressional investigation on hospital billing and collection practices. In connection with this investigation, 20 hospitals and health systems nationwide were asked to submit to Congressional investigators financial information and information regarding billing and collection practices. This Congressional investigation prompted the AHA to send a letter to HHS Secretary Tommy Thompson in December 2003 requesting guidance on providing discounts to uninsured patients, either through negotiated rates or through relaxed collection efforts. The December 2003 letter was accompanied by an AHA white paper titled "Federal Regulations Hamper Hospitals' Efforts to Assist Patients of Limited Means," which summarized many of the legal barriers the AHA believes hospitals face when trying to provide relief to uninsured patients. A little over a month after the AHA requested guidance from HHS, Congressional investigators asked HHS to respond to several questions that were raised in the AHA letter and accompanying white paper.

On February 19, 2004, Secretary Thompson published a response to the AHA, which included the Guidance Documents describing HHS's policies regarding hospital billing and collection practices impacting the uninsured. In his letter Secretary Thompson stated, unequivocally, that the AHA's statement that regulations require hospitals to bill all patients using the same schedule of charges is "not correct" and that "[n]othing in the Medicare program rules or regulations prohibit such discounts" for uninsured and "underinsured" patients. After the release of Secretary Thompson's response and the accompanying OIG Guidance and CMS Guidance, hospital systems and hospital groups began to consider establishing policies for offering discounts to uninsured patients.

With the entire hospital industry facing increased public scrutiny concerning its billing and collection practices for un- and underinsured patients, nonprofit hospitals also began to confront additional, related challenges. On March 2, 2004, House Ways and Means Committee Chairman Bill Thomas (R-CA) announced his intention to examine the federal tax-exempt status of nonprofit hospitals. The legislator's existing interest in this issue was heightened by the AHA's assertions in its correspondence with Secretary Thompson that hospitals were constrained in their ability to give payment concessions to uninsured patients absent regulatory changes. Chairman Thomas has openly questioned whether nonprofit hospitals continue to deserve special treatment under federal tax laws. In addition, nonprofit hospitals watched with interest when the Illinois Department of Revenue announced its February 13, 2004 decision to revoke the property tax exemption of Provena Covenant Medical Center, based in Champaign-Urbana. Local and state officials concluded that Provena Covenant was no longer a charitable institute, in part as a result of the payment and collection practices it applied to patients with financial need. Thus, because of the connection with hospitals' federal and local tax exemptions, hospital practices concerning billing and collection for services furnished to un- and underinsured patients may have far-reaching effects.

*(Source: Mondaq Business Briefing, HHS Agencies Issue Industry Guidance on Hospital Discounts, April 22, 2004)*

## About nTelagent, Inc.

nTelagent, Inc. has developed The Retail Application for the healthcare industry, called the Self-Pay Management System (SPMS). Similar to applications used in the retail industry at the point of sale, the company's proprietary, automated system tells healthcare registrars and financial counselors exactly what to do and what to say to each patient at the point of service regarding financial responsibilities. Moving workflow to the front end of the revenue cycle, nTelagent helps providers ensure a better patient experience through clearer communication and better handling of patient accounts, while improving upfront and overall cash flow, receivables and profitability by reducing bad debt.

Using non-credit scoring data, SPMS provides interactive scripts that integrate patient demographic information with each provider's business policies and rules. The system allows for price transparency and automatically identifies discounting options, social services eligibility and charity care options when applicable, ensuring that patient financial accounting—for both insured and uninsured patients—is handled appropriately and consistently.

Visit [www.ntelagent.com](http://www.ntelagent.com) for more information.