



TEXAS
Health and Human
Services

Financial Assistance Policy – Charity Care

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- Providers' charity care and/or financial assistance policies must be defined for the submitted cost reporting year.
- The policy must follow the guidelines illustrated in the Healthcare Financial Management Association (HFMA):
 - [Sample 501\(c\)\(3\) Hospital Charity Care & Financial Assistance Policy & Procedures](#) and
 - [Valuation and Financial Statement Presentation of Charity Care, Implicit Price Concessions and Bad Debts by Institutional Healthcare Providers.](#)



Financial Assistance Policy – Charity Care

A comprehensive policy (no length requirement) would include:

- **Charity Care and Uninsured Related Definitions**
- **Effective Date (applicative to cost reporting period)**
- **Eligibility Criteria**
- **Eligibility Determination Methodology**
- **Community Communication Plan**
- **Regulatory Requirements**
- **List of Participating Providers**



Charity Care and Uninsured Related Definitions

Charity Care: Healthcare services that have been or will be provided but are never expected to result in cash inflows. Charity care results from a provider's policy to provide healthcare services for free, or at a discount, to individuals who meet the established criteria.

Family: Using the Census Bureau definition, a group of two or more people who reside together and who are related by birth, marriage, or adoption. According to Internal Revenue Service rules, if the patient claims someone as a dependent on their income tax return, they may be considered a dependent for purposes of the provision of financial assistance.



TEXAS
Health and Human
Services

Charity Care and Uninsured Related Definitions (cont'd)

Family Income: Family Income is determined using the Census Bureau definition, which uses the following income when computing federal poverty guidelines:

- Includes earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources;
- Noncash benefits (such as food stamps and housing subsidies) do not count;
- Determined on a before-tax basis;
- Excludes capital gains or losses;
- If a person lives with a family, includes the income of all family members (Non-relatives, such as housemates, do not count).



TEXAS
Health and Human
Services

Charity Care and Uninsured Related Definitions Cont'd

Uninsured: The patient has no level of insurance or third-party assistance to assist with meeting his or her payment obligations.

Underinsured: The patient has some level of insurance or third-party assistance but still has out-of-pocket expenses that exceed his or her financial abilities.



Effective Date

The Financial Assistance Policy must include the effective date of policy (date must be on or before the first day of the cost reporting period).



Eligibility Criteria

- When determining eligibility for a provider's financial assistance program, several factors must be independently considered for each applicant.
- Thus, the expectation that criteria can be rigidly applied to all applicants is unrealistic and criteria should be evaluated on a case-by-case basis.
- Examples of eligibility criteria are provided on the next slide.



Eligibility Criteria Examples

- **Individual or family income** (see slide 5 for detail on family income)
- **Individual or family net worth**, which considers liquid and non-liquid assets owned, less liabilities and claims against assets.
- **Employment status**, criteria for considering the likelihood of future earnings sufficient to meet the healthcare-related obligation within a reasonable period of time.



Eligibility Criteria Examples

- **Other financial obligations**, for example, living expenses and other items of a reasonable and necessary nature.
- **Amount and frequency of healthcare bills**, or the potential for medical indigence (sometimes referred to as medical hardship).
- **Other financial resources available to the patient**, such as Medicaid and other public assistance programs.



TEXAS
Health and Human
Services

Eligibility Determination Methodology

Determining the amount of charity care for which a patient is eligible is largely based on information supplied by the patient or someone acting on the patient's behalf.

The charity care policy should address eligibility for charity care when there is insufficient information provided by the patient to fully evaluate all the criteria, and the ability to pay cannot be reliably determined. Policies may refer to external sources such as credit reports or Medicaid enrollment to help support such determinations.



Eligibility Determination Methods

- Include an application process in which the patient or the patient's guarantor are required to cooperate and supply personal, financial, and other information and documentation relevant to determining financial need;
- Include the use of external publicly available data sources that provide information on a patient's or a patient's guarantor's ability to pay (such as credit scoring);
- Include reasonable efforts by the provider to explore appropriate alternative sources of payment and coverage from public and private payment programs, and to assist patients applying for such programs;



Eligibility Determination Methods (cont'd)

- Take into account the patient's available assets and all other financial resources available to the patient; and
- Include a review of the patient's outstanding accounts receivable for prior services rendered and the payment history.



Community Communication Plan

When gathering financial information, providers should follow the guidelines and principles outlined in the HFMA [Patient Friendly Billing project](#) and [Patient Financial Communication Best Practices](#) to ensure their financial communications are:

- Clear
- Concise
- Correct
- Considerate of the needs of patients and family members



Best Practices for Financial Communications

- Focus on compassion and amicable resolution
- Define policies available to the public
- Hold annual staff training regarding patient interactions
- Conduct face-to-face discussions with properly trained registration/discharge staff.
- Offer patients support and the ability to request medical advocates during financial discussions.



Best Practices for Financial Communications (cont'd)

- Refer to a financial counselor for financial counseling services on assistance policies.
- Ensure that financial discussions do not interrupt patient care, in accordance with Emergency Medical Treatment and Labor Act (EMTALA).
- Communicate in a manner that is easy for the patient to understand.
- Conduct patient surveys to assess staff performance in maintaining communication best practices.
- Respect patient privacy



Regulatory Requirements

In implementing this policy, provider management and facilities shall comply with all other federal, state and local laws, rules, and regulations that may apply to activities conducted pursuant to this Policy.



List of Participating Providers

The Financial Assistance Policy must include or link to a list of all providers/entities encompassed by policy.



Questions

If you have remaining questions, please contact HHSC at: php-ccp@hhs.texas.gov



TEXAS
Health and Human
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