

Is this the end for hospital charity care?

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With subsidized health plans available and Medicaid expanding in 26 states, some hospitals are scaling back their charity care programs.

As a result of the Patient Protection and Affordable Care Act, more than 10.3 million have signed up for health plans through the exchanges, with more than 80 percent of new enrollees eligible for subsidized coverage. The reform law has also had a significant impact on enrollment in Medicaid and the Children's Health Insurance Program, with 7.2 million enrollees since the passage of the PPACA. With all of the new opportunities for low- and-middle income people to gain health coverage, some hospitals and health systems are making significant changes to their charity care programs.

The case against charity care

Some hospitals across the country are scaling back their charity care programs to help encourage those who qualify to sign up for coverage under the PPACA. The hospitals have supported this decision by saying they believe individuals will forgo signing up for subsidized coverage if they can still receive financial assistance from hospitals. Also driving the change is the burden charity care places on some hospitals, with the PPACA reducing federal aid to hospitals that provide medical care to large numbers of uninsured and poor people.

At St. Louis-based BJC HealthCare — a 12-hospital system with facilities in Illinois and Missouri, including Barnes-Jewish in St. Louis — the charity program has changed, by requiring all patients to contribute to the cost of their care, regardless of their income level. BJC has also made changes to who qualifies for financial assistance once the co-payment has been paid. BJC offers a 25 percent discount on services to patients earning up to three times the federal poverty level, while the system formerly offered the discount to patients making up to four times the poverty level.

Burlington, Vt.-based Fletcher Allen Health Care has also made changes to its policy since the passage of the PPACA. With the changes in place, patients who earn as low as twice the poverty level are receiving reduced financial assistance.

At Southern New Hampshire Medical Center in Nashua, uninsured patients who are above the federal poverty line — \$11,670 for an individual — can no longer receive free care. Before the change, free or discounted care was available for patients at or below 225 percent the poverty level, about \$26,260 for an individual.

While some hospitals and health systems have already made changes to their charity care policies, others, including St. Louis-based Ascension Health, are still evaluating whether to modify their programs. Ascension has put together a special task force to address the issue and make a recommendation by the end of 2014.

The case for charity care

Some people are not buying the hospitals' reasoning behind the changes to their financial assistance programs. Even with the uninsured rate on the decline, Michael Miller, director of

strategic policy at Boston-based advocacy group Community Catalyst, believes hospitals scaling back their financial assistance programs is not the right way to encourage people to sign up for health coverage. He believes people will still purchase insurance if charity care programs continue to operate as they are now, as many of the uninsured require medical services outside of the hospital setting.

Like Mr. Miller, many other advocates for the uninsured fear many low-and middle-income individuals will not receive the care they need because they cannot afford to buy insurance, even with the subsidies.

Some hospitals agree with Mr. Miller's view. For instance, Parkland Health & Hospital System in Dallas has no immediate plans of making any major changes to its charity care program. Despite the PPACA, "there is still a need for charity programs," says H. Gene Lawson, Jr., senior vice president of revenue cycle management at Parkland Health & Hospital System.

A recent Urban Institute survey, based on an Internet sample of 7,500 adults between ages 18 and 65, found nearly 60 percent of the uninsured population cited not being able to afford coverage as the reason they remained without health insurance, and 62 percent said they were unaware federal subsidies were available to lower their insurance costs.

To help address the issue, Parkland is using technology that allows staff to see if a patient qualifies for the hospital's charity care program or to purchase insurance off of the exchanges under the PPACA. This helps to ensure patients are aware of their financial assistance options.

At Downers Grove, Ill.-based Advocate Health Care, the financial assistance program has remained the same since the passage of the PPACA. "Advocate's charity care program is there for qualifying patients who cannot afford to pay for all or part of their care," says Gregory Harden, vice president of finance, operations and strategic financial planning at Advocate Health Care.

For some, charity care is the only option

Hospitals reducing the amount of charity care they are offering will be extremely troublesome for low-income people living in the more than 24 states that have not expanded Medicaid.

The PPACA originally required states to expand their Medicaid programs to cover those earning as much as 138 percent of the federal poverty level. The expansion was intended to apply to all states; therefore, the health reform law did not provide insurance premium tax credits for those earning below 138 percent of the federal poverty level. However, a 2012 Supreme Court decision made Medicaid expansion optional.

Nationally, 4.8 million uninsured adults in states not expanding Medicaid fall into a coverage gap, meaning they earn too much to qualify for Medicaid but not enough to be eligible for subsidized coverage. For example, in Missouri, where BJC HealthCare is scaling back its charity care program, Medicaid has not been expanded, and according to Kaiser Family Foundation data from April, more than 193,000 people in Missouri fall into a coverage gap.

"Fundamentally, PPACA plans and charity policies must support each other by filling in gaps for patients in need," says Mr. Lawson. His view is supported by the numbers, as only 16 percent of Parkland's charity care patients qualify for a health plan under the PPACA.

Should hospitals cutting charity care do more to educate patients?

Scaling back financial assistance for patients will not be an effective way of getting the uninsured to sign up for health coverage, if the health literacy problem is not addressed.

Just weeks before open enrollment for state and federal exchanges began last year, 42 percent of Americans were unable to explain a deductible, and 62 percent did not know a HMO plan had greater restrictions than a PPO, according to a study by researchers at the University of Southern California's Schaeffer Center for Health Policy & Economics in Los Angeles. Researchers also found low-income and uninsured Americans — those most likely to seek charity care — had the least awareness of health reform.

A recent Urban Institute survey also found 41 percent of those who were uninsured in 2013 and remain uninsured are unfamiliar with the insurance marketplaces.

Language barriers are also a problem for many of the uninsured. A study from the Greenlining Institute found 90 percent of Covered California enrollees speak English as their primary language, despite over half of all Californians and 40 percent of those eligible for Covered California having limited English proficiency. Although specific to California, the study's findings indicate many people may be foregoing enrolling in insurance under the PPACA because of a language barrier.



Some hospitals take the middle ground

In New York, Florida and Wisconsin, some hospitals are exploring ways to assist low-income consumers who are struggling to pay the premiums for their government-subsidized insurance plans to not only help people stay insured but also to help ensure the hospitals get paid.

Although these programs could cut down on the number of patients receiving charity care, they are not gaining the support of insurers who have written to the Obama administration about their concerns that hospitals are acting in their own financial interest by creating the programs. The insurers believe the premium assistance programs will drive up costs for everyone and potentially discourage people in good health from purchasing health coverage.

Along with facing payer resistance, it is still unclear whether federal regulators will permit hospitals to create premium assistance programs. In 2013, several healthcare organizations, including St. Vincent's Health System in Birmingham, Ala., showed interest in assisting low-income individuals with their health insurance premiums.

In October 2013, the Obama administration sent a letter to Rep. Jim McDermott (D-Wash.) that said plans sold through the insurance exchanges were not considered federal healthcare programs, which indicated healthcare organizations could assist subsidized policyholders in paying their premiums. However, in November of last year, CMS discouraged hospitals and drugmakers from making "third party payments" because they could "skew the risk pool."

Even with the uncertainty surrounding the programs, some groups, including the South Florida Hospital and Healthcare Association in Dania Beach, Fla., are seeking donations from their hospitals to help assist consumers with their premiums.

The future of charity care

While several healthcare organizations have decided to scale back the financial assistance they

offer, a great deal of hospitals and health systems are choosing to leave their charity care programs in place and unaltered for the time being, which will help ensure low-income individuals are able to afford the medical services they need.