

## **Understanding Discount Percentages for Financial Assistance**

**(Note: highlighted area is updated annually – see bottom of document for prior years' discount rates)**

### **Purpose**

To define the discount percentage, applicable period and “look back” methodology for determining the discount percentage for those needing financial assistance for care rendered at Children’s of Alabama (Children’s). This policy does not apply to encounters at a Children’s of Alabama Primary Care location.

### **Discount Percentage and Applicable Period**

The discount percentage for 2016 is \_\_\_% and is applied to all services provided on or after February 15, 2016 until the next discount percentage is recalculated and updated. The discount percentage is uniformly and consistently applied to all uninsured patients during the effective dates.

The amount of the discount is applied to Total Gross Charges and the billing statement sent to the uninsured patient automatically reflects the discount that is in effect for the date of service.

### **Look Back Methodology**

The discount percentage is calculated annually using the “Look Back” method, which is a prescribed method allowed by the Internal Revenue Service.

#### *Calculation of the Discount Percentage*

To calculate the discount percentage:

1. COA identifies the accounts and the respective Total Gross Charges for all encounters, inpatient and outpatient, with any type of insurance coverage (Including Blue Cross, commercial and Medicare accounts, excluding Medicaid, self-pay and other governmental or research accounts) for the most recent one-year period ending September 30.
2. COA identifies which of these accounts were fully resolved (i.e. paid in full) as of December 31.
3. From the accounts that were fully resolved, Total Gross Charges and Total Payments from all sources are identified.
4. Total Payments are then calculated as a percentage of Total Gross Charges. This represents the Payment Percentage.
5. The Payment Percentage is then subtracted from 100% to calculate the Discount Percentage.

#### *Application of the Discount Percentage*

1. The discount percentage is applied to Total Gross Charges on the patient’s account to determine the amount owed by the patient.

- The billing statement sent to the patient/guarantor reflects the amount owed after discount.

*Application of the Additional Discount Percentage*

If a patient has applied for and been approved to receive an additional discount, the additional discount is applied to the current amount outstanding after the automatic discount has been granted. The amount of the additional discount is based on family size and family income as a percentage of the Federal poverty guidelines per the COA Financial Assistance policy excerpt:

<b>Guidelines:</b>	
<b>If Family income and available assets as a % of FPL for family size is equal to:</b>	<b>Then the Additional Discount is:</b>
0 – 200% of FPL	100% discount – Free care
201% – 300% of FPL	50% discount
> 300% of FPL	No additional discount

**Example Illustrations**

The following examples illustrate the above:

**EXAMPLE A**

Patient A, who is uninsured, comes to Children’s of Alabama for an emergency visit and incurs a patient bill with total gross charges of \$3,000. Because Patient A is uninsured, he will automatically receive a discount. When the billing statement is generated for Patient A, the amount due is \$1,290.

\$ 3,000	Total Gross Charges for the Encounter
X 57%	Discount Percentage
\$ 1,710	Amount of the Discount
\$ 3,000	Total Gross Charges
(1,710)	Amount of the Discount
<b>\$ 1,290</b>	<b>Due from the Patient/Guarantor</b>

Patient A is still unable to pay the bill and applies for an additional discount. Patient A demonstrates through the application process that he is a member of a household with a family size of four (4) - 2 parents, a sibling and himself. The total family income is \$42,000 and there are no other available sources of income or cash reserves. Based on the FPL guidelines, based on family size and income, Patient A is less than 200% of the FPL and will receive an additional discount of 100%.

<b>\$ 1,290</b>	<b>Due from the Patient/Guarantor</b>
X 100%	Discount Percentage
\$ 1,290	Amount of the Discount
<b>\$ 1,290</b>	<b>Due from the Patient/Guarantor</b>
(1,290)	Amount of the Discount
<b>\$ 0</b>	<b>Due from the Patient/Guarantor</b>

**EXAMPLE B**

Patient B, who is uninsured, comes to Children’s of Alabama for surgery and inpatient stay and incurs a patient bill with total gross charges of \$45,000. Because Patient B is uninsured, he will automatically receive a discount. When the billing statement is generated for Patient B, the amount due is \$19,350.

\$ 45,000	Total Gross Charges for the Encounter
X 57%	Discount Percentage
\$ 25,650	Amount of the Discount
\$ 45,000	Total Gross Charges
(25,650)	Amount of the Discount
<b>\$ 19,350</b>	<b>Due from the Patient/Guarantor</b>

Patient B is still unable to pay the bill and applies for an additional discount. Patient B demonstrates through the application process that he is a member of a household with a family size of four (4) - 2 parents, a sibling and himself. The total family income is \$65,000 and there are no other available sources of income or cash reserves. Based on the FPL guidelines, based on family size and income, Patient B is greater than 200% of the FPL but less the 300% of FPL and will receive an additional discount of 50%.

<b>\$ 19,350</b>	<b>Due from the Patient/Guarantor</b>
X 50%	Discount Percentage
\$ 9,675	Amount of the Discount
<b>\$ 19,350</b>	<b>Due from the Patient/Guarantor</b>
(9,675)	Amount of the Discount
<b>\$ 9,675</b>	<b>Due from the Patient/Guarantor</b>

**EXAMPLE C**

Patient C, who is insured, comes to Children’s of Alabama for surgery and inpatient stay. Patient C’s insurance pays the bill, subject to deductibles and co-insurance which are Patient C’s responsibility. This leaves Patient C owing Children’s of Alabama \$8,000, as determined by the insurance company.

Patient C is unable to pay the bill and applies for a financial assistance discount. Patient C demonstrates through the application process that he is a member of a household with a family size of four (4) - 2 parents, a sibling and himself. The total family income is \$64,000 and there are no other available sources of income or cash reserves. Based on the FPL guidelines, based on family size and income, Patient C is greater than 200% of the FPL but less the 300% of FPL and will receive an additional discount of 30% according to the guidelines per the COA policy for Financial Assistance for Insured Patients.

<b>Guidelines:</b>		
<b>If Family income and available assets as a % of FPL for family size is equal to:</b>	<b>And the amount owed by Patient is equal to/greater than:</b>	<b>Then the Discount off Amount Owed is:</b>
0 – 200% of FPL	\$2,500	50% discount
201% – 300% of FPL	\$5,000	30% discount
>300% of FPL	\$5,000	No Discount – total amount owed limited to a maximum of 15% of annual family income.

<b>\$ 8,000</b>	<b>Due from the Patient/Guarantor</b>
X 30%	Discount Percentage
\$ 2,400	Amount of the Discount
<b>\$ 8,000</b>	<b>Due from the Patient/Guarantor</b>
(2,400)	Amount of the Discount
<b>\$ 5,600</b>	<b>Due from the Patient/Guarantor</b>

**UPDATED:**

May 27, 2014 – 2014 Discount rate is 57%

February 2015 – 2015 Discount rate is 57%

**Patients receiving care in a Primary Care Location:**

The discount percentage is calculated annually using the “Look Back” method based on calendar year data for the rendering primary care location only. The amount of the discount is applied to Total Gross Charges. The percentage discount for the year is updated and effective each year on February 14. The discount percentage is uniformly and consistently applied to all patients approved for financial assistance for Primary Care during the effective dates. The discount percentage is applied to Total Gross Charges to determine the amount owed by the patient. An individual will not be charged more than amounts generally billed for medically necessary care in that Primary Care location.

<b>Guidelines:</b>	
<b>If Family income and available assets as a % of FPL for family size is equal to:</b>	<b>Then the patient charges are:</b>
0 – 200% of FPL	Amounts generally billed as calculated annually