How Hospitals Can Drastically Cut Down Uncompensated Care

by Bob Herman

It’s a scene all-too-familiar for hospitals: An uninsured patient comes through the emergency room, receives the necessary, immediate care and then is discharged — and the hospital knows it might not be reimbursed for the care provided.

Uncompensated healthcare, charity care and bad debt have been on the rise at most hospitals across the nation, and much can be attributed to the rise in the uninsured population, especially amidst the economic recession. Recent data from the U.S. Census Bureau showed there were nearly 50 million people without health insurance in 2010, and the nation’s official poverty rate was 15.1 percent. Roughly one-third of the uninsured population has a household income of less than $25,000. Additionally, people with private health insurance or employment-based health insurance also dropped from 2009 to 2010 as unemployment continues to stretch across the country. While the Patient Protection and Affordable Care Act will make strides toward providing health coverage to most Americans, hospitals are still swallowing large amounts of charity care.

However, there is one major way hospitals can reduce the large costs and pressures associated with uncompensated care right now, and it’s readily available, says Phil Lebherz, executive director of the non-profit Foundation for Health Coverage Education. "The truth of the matter is, we’ve discovered about 80 percent of the people [from our studies] who come into the ER are actually eligible for a publicly funded program, and 20 percent are eligible for a private program," he says. The solution very well could be in the programs that already exist — it just requires the hospital’s effort to educate its patients.

People could be insured, and they don't even know it

Mr. Lebherz says many of a hospital’s ER patients could be directly enrolled into a public program, such as Medicaid or the Children’s Health Insurance Program. Medicaid is administered at the county level, and sometimes, people do not know where to begin to fill out paperwork to receive the eligibility. "Delivery of information is convoluted and very bureaucratic," Mr. Lebherz says. "It's very confusing who people are supposed to call."

There also could be a group of patients who qualify for private health coverage under the Consolidated Omnibus Budget Reconciliation Act, or COBRA. COBRA is a federal law that allows people who leave jobs in businesses with 20 or more workers to continue receiving coverage through their former employer's health plan, generally for up to 18 months. Similarly, mini-COBRA applies for those who worked with businesses of less than 20 employees. Mr. Lebherz says in many instances, especially involving smaller businesses, there is no human resources department, and employees don't even know what COBRA is. "How can patients receive the benefits of COBRA if they were never informed?" he asks.

The FHCE consequently developed several tools and guides to inform individuals instantly of what their health coverage options are. These include its Health Coverage Eligibility Quiz, an interactive web program that generates a
personalized profile of public and private health coverage options for which all individuals may qualify, as well as state-by-state health coverage tools and resources. Mr. Lebherz says if patients know they have insurance options, hospitals could improve population health management and mitigate the number of ER trips. "Right now, so many of the individuals that go into the ER leave as uncompensated care, and costs are distributed to people who are paying premiums," Mr. Lebherz says. "If people think they have healthcare access, they will go to a doctor instead of the emergency room. Hopefully, this would lead to better preventive care."

Sharp HealthCare's experiment
San Diego-based Sharp HealthCare, a health system with four acute-care hospitals, serves roughly 3 million residents in San Diego County in California. Gerilynn Sevenikar, vice president of patient financial services at Sharp, says from 2008 to 2009, the health system recorded a dramatic increase in its unfunded population. After looking at collections records and county information, they discovered that there was a large increase in unemployment that was leading to the increase of unfunded patients through their doors. "And for unfunded admissions, the source of entry is the ER," Ms. Sevenikar says.

Instead of seeing patients as only as uncompensated care and bad debt, Ms. Sevenikar says they decided to focus on the problem within the ER and advocate for those patients. In a multi-pronged approach, the health system gathered billing and collection staff, health IT staff and the administration to look at the demographics of the patients and see what sort of state, federal or local funding those individuals could receive.

Sharpe also partnered with FHCE to perform patient education of insurance options at the point of care and to create a matrix of options for patients should they come into their ERs. If a patient was uninsured, he or she would complete the Health Coverage Eligibility Quiz with the help of a staff member, and they would discuss what all of the options — Medicaid, COBRA, etc. — meant for the patient. "We really took the time to understand our patient population," Ms. Sevenikar says. "We took the time to be understanding and know that we needed to be reasonable in our expectations. It's finding the right discussion for the right patient, and in this environment, you're not going to find a one-size-fits-all."

The experiment led a decreased figure in Sharp's uncompensated care, Ms. Sevenikar says. However, she adds the dynamics of healthcare organizations involve straddling a fine line: The hospital can either give them full charity or hold them somewhat liable for services that were rendered. However, after telling patients what insurance programs they were eligible for and what their portion of the bill could be — what Ms. Sevenikar calls having basic, "intelligent conversations" — the patients felt more empowered to cooperate. "Tell [patients] upfront, 'You are entitled to this benefit,'" Ms. Sevenikar says. "It actually motivates patients to go through the process."

Where do hospitals go from here?
Mr. Lebherz says the administrative expenses of signing people up for healthcare programs cost the state governments as much as $10 billion per year, but technology can now enable patients to find out what type of access to healthcare they truly have. While patients might not have the means on their own to figure out where they stand within the health coverage landscape, hospitals can stand as a buffer to educate its patient population, reduce its uncompensated care and promote accountability in healthcare, he says.