

**LOUISIANA STATE UNIVERSITY MEDICAL CENTER
HEALTH CARE SERVICES DIVISION
BATON ROUGE, LOUISIANA**

POLICY NUMBER: 8002-00

CATEGORY: Managed Care

CONTENT: LSUMC - HCSD Policy on Discounts for Commercial and Private Pay Accounts

EFFECTIVE DATE: Issued:

INQUIRIES TO: Managed Care
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Baton Rouge, LA 70809

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Approved: _____ Date:
Chief Executive Officer (or designee)
LA State University Medical Center
Health Care Services Division

Definition of Discount

Discount - as used herein, is an authorized and negotiated reduction in the amount owed for one or more medical services or supplies to a level less than full charges in exchange for some economic benefit or expectation of economic benefit on behalf of the hospital facility. The “benefit or expectation of economic benefit” on behalf of the hospital or its facility(s) should be in accordance with the “Statement of Policy on Discounts” as stated below. Discounts of charges should not be confused with a *correction of charges* due to a billing error, a reduction of charges due to problems with services delivered, or other such alterations in order to correct an improper billing.

Corrections to charges are not addressed in this policy, but are addressed under Section _____, of the _____ policy.

Statement of Policy on Discounts

It is the policy of the Health Care Services Division (HCSD) that discounts from charges are to be granted only when in the economic interest of the hospitals or their facilities. Discounts embodied in contracts with PPOs, HMOs and similar entities are conveyed in exchange for expected increases in patient volume. Discount considerations on bills owed by individuals or non-contracted entities should comply with Article 7, Section 14 of the Louisiana Constitution and therefore be conveyed only when associated with some tangible benefit to the hospital or its facility(s), such as to encourage prompt payment of claims, to avoid costs (such as those associated with bill audits), to increase patient utilization, or to increase the amount likely to be actually collected.

Definition of Entities That May Request a Discount

Entities that may request a Discount under the provisions of this Policy are:

1. Non-Contracted Payors (or their representatives) of Commercially Insured Patients (on behalf of themselves and their patients), which may include, but are not limited to, insurance companies, third party administrators, brokers acting on behalf of non-contracted payors, repricing entities, Health Maintenance Organization (HMO), self-insured employers, provider organizations, unions, or any other entities which are responsible for the payment of claims under a Health Benefits Plan.

2. Patients or the responsible party of the patient, other than a non-contracted payor, as specified above, if the patient is designated under the “ Limited Liability Policy” as owing 100% of the bill.

Exclusions

This policy does not apply to:

1. TPL (Third Party Liability) Cases

2. Workers Compensation Cases
3. Claims where the patient's primary financial class is "Medicare"
4. Claims where the patient's primary financial class is "Medicaid"
5. Claims where the patient's primary financial class is "Free Care"
6. Claims where the patient qualifies for a discount under the "Limited Liability Policy"
7. Claims which have already been sent to the Hospital's "Collection Agency"
8. Claims for which the payor has a direct contract with the hospital facility or has, through its own contracts, access to a Preferred Provider Organization (PPO), Health Maintenance Organization (HMO), or similar managed care network that contracts with the facility. In this case, payment should be made in accordance with the terms of the contract, since the contract rates are already discounted, and no additional discount is warranted. "Prompt pay" discounts are not to be added when a discount is claimed under the terms of an existing contract.
9. Claims which have total billed charges of less than \$100.

Types of Discounts

Discounts shall be determined under three (3) general categories:

1. Prompt Pay Discount for a Non-Contracted Payor - this 3% discount may be granted only if enough time is available, and upon agreement by the Payor, to remit the full discounted amount owed, in accordance with the attached "**Prompt Pay Discount Agreement**" document (attached), prior to the time in which the remittance is actually due under the timely payment provisions of Louisiana Revised Statute 22:250.31 *et seq*, as summarized below. Additionally, in accordance with the provisions of the attached "**Prompt Pay Discount Agreement,**" the Payor will also be requested to waive any billing audit rights on the claim in exchange for the discount. However, if a payor does not agree to waive his right and privilege to audit a claim as provided in the "Prompt Pay Discount Agreement," that provision may be deleted by a strike through (~~strike through~~) of the applicable sentence and initialed by the Payor Representative and Provider Representative on that agreement.

a. Nonelectronic claims - Generally, according to Louisiana Revised Statute 22:250.31 *et seq*, any claim for health insurance coverage benefits submitted to a health insurance issuer that is not under contract is required to be paid not more than 30 days from the date upon which a correctly completed uniform claim form is furnished, unless just and reasonable grounds exist. Therefore, in order for a non-contracted Payor to receive a Prompt Pay Discount when the claim is submitted non-electronically, the Payor must agree to and remit the payment prior to thirty (30) days after receiving the claim.

b. Electronic Claims - According to Louisiana Revised Statute 22:250.31 *et seq*, any claim submitted as an electronic claim shall be paid not more than 25 days from the date upon which a correctly completed uniform claim form is electronically transmitted to the health insurance issuer, unless just and reasonable grounds exist. Therefore, in order for a non-contracted Payor to receive a “Prompt Pay Discount” when the claim is submitted electronically, the Payor must agree to remit the payment within 25 days after receiving the claim.

2. Utilization Incentive Discount - this discount should be granted to non-contracted Payors only when in the economic interest of the hospitals or their facilities, in accordance with the “Statement of Policy on Discounts.” The economic interest of each hospital or its facilities shall be determined in the following manner.

a. After discharge of the patient - if the discount is requested after the patient is discharged it represents little to no economic incentive to the hospital in comparison to one that is requested prior to admission or for the continued stay of the patient. Therefore, requests for a discount “after discharge of the patient” should only be handled under the “Prompt Pay Discount for a non-contracted Payor” section of this policy, (located in Section 1, above), unless the request would qualify under “Section 3”, below.

b. Before the patient received an outpatient service or admission or during a continued stay- a request for a discount prior to service or admission or during a continued stay would have significant economic interest to the hospital in terms of increased utilization, revenue, cash flow, etc and such discounts are encouraged to promote these interests. Therefore, the following guidance should be followed:

(1) Negotiated discount rates for an individual patient of a non-contracted Payor should generally be limited to a discount rate not more generous than those afforded to payors already contracted through managed care PPO agreements.

(2) These discounts should preferably take the form of percentage discounts to charges, up to 25%, inclusive. Per diems, case rates, DRGs will generally subject the hospital to excessive pricing risk for an individual case and therefore should be discouraged.

(3) If the same Payor makes subsequent or routine requests for this type of discount, the hospital representative is encouraged to contact the Managed Care Staff in order for them to contact the Payor to negotiate a permanent PPO type contract.

(4) A “Utilization Incentive Discount” should only be conveyed by using the **”Utilization Incentive Discount Agreement”** document (attached) and justification for this type of discount should be included in the **“Discount Documentation**

Record” (attached). If a payor requires that the hospital abide by the Payors Utilization Review / Medical Management (UR / MM) guidelines in order to execute the **“Utilization Incentive Discount Agreement,”** the Fiscal Officer or Chief Financial Officer is authorized to amend the **“Utilization Incentive Discount Agreement”** to agree to the UR / MM provisions, if needed, and a copy of the finalized **“Utilization Incentive Discount Agreement”** should be forwarded to the Hospital’s Admit/Screening Supervisor and UR Coordinator, indicating when the patient is to be admitted or receive services. The hospital representative may contact a member of the “Managed Care staff” or “Central Office Patient Accounting staff” for recommendations regarding discount arrangements discussed in this Section.

(5) Prior to authorizing discounts above Twenty-five Percent (25%) or on a basis other than Percentage discounts to charges, approval must be concurred by the HCSD **“Patient Accounting / Financial Services Director”** who will note such concurrence by his / her signature on the **“Utilization Incentive Discount Agreement”** and the **“Discount Documentation Record.”**

(6) In accordance with the provisions of the attached **“Utilization Incentive Discount Agreement,”** the Payor will also be requested to waive any billing audit rights on the claim in exchange for the discount. However, if a payor does not agree to waive his right and privilege to audit a claim as provided in the **“Utilization Incentive Discount Agreement,”** that provision may be deleted by a strike through (~~strike through~~) of the applicable sentence and initialed by the Payor Representative and Provider Representative on that agreement.

3. Settlement Discount - this discount should be granted to non-contracted Payors when the legal obligation of the non-contracted Payor to pay the Hospital for services provided to the patient does not exist or is doubtful. The following should be used to determine a **“Settlement Discount.”**

a. If the Payor does have an obligation to pay the Hospital on behalf of a patient, there is no reason to convey a discount that would reduce the amount owed since it would represent little to no economic incentive to the hospital to do so. Therefore, requests for a discount, when the Payor has a true legal obligation to pay the Hospital, should only be handled under sections **“(1) Prompt Pay Discount for a Non-Contracted Payor”** or **“(2) Utilization Incentive Discount,”** above.

Example: Items affecting whether the Payor has an obligation to pay the Hospital may include, but not be limited to, the following: Is the patient in-network or out-of-network? Was the service or admission preauthorized or pre-certified in accordance with the Patient’s health benefits plan? Was the E. R. admission authorized in accordance with the Patient’s health benefit plan and if not, did hospital personnel make an earnest attempt to identify the Insurer? Did hospital personnel obtain an assignment of benefits and was notice of the assignment placed on the claim form (UB-92) ?

b. If the Payor does not have an obligation to pay the Hospital or the obligation to pay the Hospital is doubtful, there would be an increased incentive to convey a discount, since requests for discounts nonetheless are sometimes made when that Payor is willing to make some payment on behalf of, or to indemnify a Patient.

Example: An HMO may be willing to pay some portion of charges on behalf of an out-of-network patient for which it actually has no obligation to pay at all if the patient cannot obtain the required medical services at any other nearby in-network facility. Or, there may be a willingness on the part of a non-contracted Payor to pay some portion of charges even when the failure of the Patient or hospital to perform the required Utilization Review procedures would relieve the Payor of that obligation.

(1) In such circumstances, considerable latitude in negotiating payment at a discounted rate would be afforded.

(2) Consideration that the patient may be responsible for payment even though the Payor may not have an obligation to pay the Hospital should be considered, however the likelihood that the patient has the ability and will pay the bill must also be considered.

Example: A minor patient is admitted through the E.R. and has a 10 day length of stay (LOS) after an accident. Upon screening, the patient and his family indicate that the patient does not have health insurance and there appears to be no Third Party Liability issue. Upon screening, the Patient or the Patient's parents do not qualify under the Liability Limitation Policy. On the 10th day, prior to discharge, the Patient's parents advise the Billing Office that they believe the patient may be covered under their health benefits plan with a large PPO insurer. Upon contacting the health plan, the UR Coordinator learns that the patient does have coverage, however the health plan is not willing to take responsibility for the claim because the UR requirements were not followed which required 48 hr. notice after E. R. admission and concurrent review and the hospital is not in the PPO network.

As an alternative, however, after examining the medical record, the health plan does make an offer to pay the bill of \$40,000 at the out-of-network rate (60% co-insurance) to indemnify its members if the hospital is willing to discount the bill 40% and will not balance bill the member. What should the hospital do?

(3) Discounts of 25% to 40% under these circumstances may be usual.

(4) "Managed Care staff" or "Central Office Patient Accounting staff" can be contacted by phone, e-mail or fax to assist with a recommendation for an appropriate discount arrangement under the provisions of this Section.

- (5) A “Settlement Discount” should only be conveyed by using the “**Settlement Discount Agreement**” document (attached) and the circumstances and justification for this type of discount should be documented in the attached “**Discount Documentation Record**” for internal reporting or audit purposes.
- (6) Prior to authorizing discounts above Forty Percent (40%), approval must be concurred by the HCSD “Patient Accounting / Financial Services Director” who will note such concurrence by his / her signature on the “**Settlement Discount Agreement**” and the “**Discount Documentation Record.**”

Other Provisions

Provisions which are not covered in this policy should not generally be utilized. Agreements should never include clauses such as; “the Provider agrees to accept the discounted amount as final and to waive additional billings and late charges,” or any similar representations where the Provider could not calculate the actual discount provided for the benefit to be received.

Authority to Convey Discounts

Authority to negotiate discounts on claims is hereby delegated to the Fiscal Officer / Chief Financial Officer (or, for Prompt Pay Discount Agreements only, their designee) at each Health Care Services Division hospital, in accordance with these policy guidelines. Any designation of a designee or other staff to assist with the administration of this policy shall not relieve the Fiscal Officer / Chief Financial Officer of the authority delegated in this policy.

Monitoring and Accountability

Copies of all “**Prompt Pay Discount Agreement**” forms, “**Utilization Incentive Discount Agreement**” forms, “**Settlement Discount Agreement**” forms and “**Discount Documentation Record**” forms must be maintained in accordance with applicable laws, rules and regulations, as records to substantiate all discounts authorized and for applicable audit purposes.

Information Reporting

In order to properly collect, record, and process information for the proper administration of this policy a system of service codes will be utilized to properly track all discounts provided in accordance with this policy. A separate and distinct service code will be utilized for the (1) “Prompt Pay Discount for a Non-Contracted Payor,” (2) “Utilization Incentive Discount,” and (3) “Settlement

Discount.”

Proper documentation in the information system account history must also be recorded to explain why the patient qualifies for a discount.