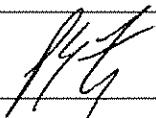


Sutter Health and Affiliates Administrative Policies and Procedures	
HOSPITAL AFFILIATE UNINSURED PATIENT DISCOUNT POLICY	
Finance Policy Number: 14-291	Origination Date: 3/2006 Revised Date: N/A Next Review Date: 3/2007
Approved by: Patrick Fry, President & CEO 	

POLICY

It is the policy of Sutter Health that all of its hospital affiliates shall implement a consistent approach to extending equitable discounts to "Uninsured Patients", as defined in section A, below. Therefore, each hospital affiliate shall provide discounts to Uninsured Patients ("Uninsured Patient Discount") consistent with this Policy. Any Uninsured Patient Discount that is inconsistent with this Policy (or any Uninsured Patient Discount that is not calculated as set forth in section D, below) must be approved in writing in advance by the Sutter Health Chief Financial Officer.

It is also the policy of Sutter Health to assure that all of its hospital affiliates provide Uninsured Patients with information regarding the availability of charity care, government program assistance, Uninsured Patient Discounts, and Uninsured Patient Prompt Payment Discounts (as set forth in the Policy on Uninsured Patient Prompt Payment Discounts, Finance Policy 14-292) all as required by Health and Safety Code Section 1339.585, effective January 1, 2006.

PURPOSE

The purpose of this policy is to assure that Sutter Health hospital affiliates implement consistent policies for extending equitable discounts to Uninsured Patients by defining the eligibility criteria for identifying Uninsured Patients, determining the amount of the Uninsured Patient Discount, and providing administrative and accounting guidelines for the classification and reporting of Uninsured Patient Discounts.

This policy is part of Sutter Health's overall goal of providing accessible and affordable health care services to the communities it serves and should be read in conjunction with the Charity Care and Low Income Uninsured Policy (Finance Policy 14-285), the Policy to Notify Uninsured Patients of Estimated Financial Responsibility and Financial Assistance (Finance Policy 14-293), the Policy on Uninsured Patient Prompt Payment Discounts (Finance Policy 14-292), and the Management of Patient Accounts Receivable, Collection Practices, Third-Party Liens, and Affiliate Dispute Initiation Policy (Finance Policy 14-227).

The Uninsured Patient Discount is intended to apply to patients who do not qualify for charity care, but still may face hardships paying their medical bills. **Patients who are offered charity care receive free or substantially discounted services, and thus shall not also receive the Uninsured Patient Discount.** The Uninsured Patient Discount does not apply to co-pays, deductibles, or cost shares, except under the very limited circumstances set forth in section (1) of Attachment A.

In addition to the Uninsured Patient Discount, hospital affiliates may choose to offer Prompt Payment Discounts to Uninsured Patients in accordance with Finance Policy 14-292. Those discounts shall be in addition to the Uninsured Patient Discount, and may be extended to patients who also receive the Uninsured Patient Discount.

PROCEDURES

A. Uninsured Patient Eligibility Requirements

"Uninsured Patient" means a patient who is responsible to pay a hospital bill that is not covered or discounted by any type of insurance or governmental program, or whose benefits under insurance have been exhausted. In order to qualify as an Uninsured Patient, the patient or the patient's guarantor must verify that he or she is not aware of any right to insurance or government program benefits that would cover or discount the bill. Insurance in this case includes but is not limited to any HMO, PPO, indemnity coverage, or consumer-directed health plan.

Patients offered charity care receive free or substantially discounted services, and thus cannot also receive the Uninsured Patient Discount set forth in this policy.

Guidelines to assist affiliates with determining eligibility for the Uninsured Patient Discount in specific situations that arise in the ordinary course of business are attached as Attachment A. Affiliates should direct questions regarding these guidelines to the Sutter Health Internal Audit Department.

B. Uninsured Patient Discount

The Uninsured Patient Discount is a write-off of a portion of the hospital's usual and customary billed charges taken at the time the Uninsured Patient is billed for the hospital services rendered. The Uninsured Patient Discount should be different for inpatient and outpatient services and should be within the range of the hospital affiliate's current commercial fee-for-service discounts with managed care payers. The determination of each hospital affiliate's inpatient and outpatient Uninsured Patient Discounts shall be determined in accordance with section D below.

The Uninsured Patient Discount in this policy does not apply to co-pays, deductibles, or cost shares, except under the very limited circumstances set forth in section (1) of Attachment A.

C. Annual Determination of Uninsured Patient Discounts

Prior to November 30th of each year, each affiliate shall determine its Uninsured Patient Discounts for inpatient and outpatient services for the following year.

Inpatient services discount: Affiliates shall set the Uninsured Patient Discount for inpatient services in the range between the average discount from billed charges for all commercial fee-for-service managed care payers and the least discount extended to any managed care payer.

Outpatient services discount: Affiliates shall set the Uninsured Patient Discount for outpatient services in the range between the average discount from billed charges for all commercial fee-for-service managed care payers and the least discount extended to any managed care payer.

At the request of an affiliate (or the Sutter Health CFO), Sutter Health's Managed Care Department in conjunction with the Sutter Health Internal Audit Department will review and validate each affiliate's determination of its lowest and average managed care contract commercial fee-for-service discounts for inpatient and outpatient services to confirm that the affiliate's Uninsured Patient Discounts are within the range established by this Policy.

D. Notice of Policy and Changes to Uninsured Patient Discounts

Each hospital affiliate Chief Financial Officer shall provide a copy of the affiliate's Uninsured Patient Discount policy, and any subsequent changes to that policy, to the Sutter Health Chief Financial Officer. On an annual basis and no later than November 30, each affiliate CFO shall report its intended Uninsured Patient Discounts to the Sutter Health CFO or his/her designee on the form set forth in Attachment B. Hospital affiliates shall preserve the documents and calculations used to support the amount of the Uninsured Patient Discounts.

E. Notification of Availability of Uninsured Patient Discount and Other Financial Assistance

As required by the law and Policy to Notify Uninsured Patients of Estimated Financial Responsibility and Financial Assistance (Finance Health Policy 14-293), hospital affiliates shall provide patients who the hospital identifies may be Uninsured Patients (as defined in section A above) with information regarding the availability of charity care, government program assistance, Uninsured Patient Discounts, and Uninsured Patient Prompt Payment Discounts. Affiliates shall provide this information to patients during preadmission or registration (except in the case of emergency services), or as soon thereafter as practicable. Hospital affiliates shall provide contact information for a hospital affiliate employee or office from which the person may obtain further information about these programs. Upon request, hospital affiliates shall provide patients with the Sutter Health standardized charity care application form (the "Statement of Financial Condition"), as set forth in Sutter Health's Charity Care and Low Income Uninsured Policy.

F. Third-Party Liens

Sutter Health hospital affiliates may lien the tort recoveries of Uninsured Patients in a manner consistent with the Management of Patient Accounts Receivable, Collection Practices, Third-Party Liens, and Affiliate Dispute Initiation Policy (Finance Policy 14-227). Hospital affiliates may not lien tort recoveries for amounts actually paid by patients or for any amount other than the discounted amount owed by the Uninsured Patient.

G. Accounting for the Uninsured Patient Discounts

To allow the hospital affiliate to track and monitor the amount and type of discounts being processed, each affiliate will account for the Uninsured Patient Discounts in separate general ledger accounts as follows:

1. 40000-0000 I/P DEDUCT-SELF PAY DISCOUNT
2. 44000-0000 O/P DEDUCT-SELF PAY DISCOUNT

Sutter Health hospital affiliates may not include the amount of the Uninsured Patient Discounts when reporting bad debt.

Attachment A Guidelines for Application of Uninsured Patient Discounts

The following guidelines are intended for use in specific situations that arise in the ordinary course of business.

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|---|--|
| 1. Copays, deductibles and cost shares. | <p>These amounts should be collected from the patient. The Uninsured Patient discount should not be extended, except where all of the following apply:</p> <ul style="list-style-type: none">a) No portion of the patient's bill is covered by any insurance; andb) No portion of the patient's bill is subject to a discount negotiated with any insurance company; andc) No portion of the patient's bill is covered by a government program. |
| 2. Charges not covered by insurance because patient exceeded benefit cap <u>prior to admission.</u> | <p>These amounts should be collected from the patient. The Charity Care policy may apply. If the patient is not eligible for charity care, the Uninsured Patient Discount applies.</p> |
| 3. Charges not covered by insurance because patient exceeded benefit cap <u>during patient's stay.</u> | <p>When a payer pays only a portion of the expected reimbursement for a patient's stay due to exhaustion of the patient's benefits during the stay, affiliates should collect from the patient the balance of the expected reimbursement under the payer contract. Affiliates shall not pursue from the patient any amount in excess of the payer's contractual rate under the payer contract. The Charity Care policy and Uninsured Patient Discount do not apply.</p> |
| 4. Non-covered services and items (excluding copays-, deductibles, and cost shares). | <p>These amounts should be collected from the patient. The Charity Care policy may apply. If the patient is not eligible for charity care, the Uninsured Patient Discount applies.</p> |
| 5. Services provided to ineligible members. | <p>If coverage is denied, these amounts should be collected from the patient, unless the patient's health plan is responsible for the services under the terms of the contract. The Charity Care policy may apply. If the patient is not eligible for charity care, the Uninsured Patient Discount applies.</p> |
| 6. Indemnity Insurance Company or Medicare Supplement Plan pays member directly. | <p>Patient may be billed. Charity care and other discounts do not apply.</p> |
| 7. Indemnity Insurance Company refuses to pay claiming patient has | <p>Patient may be billed. Charity care and other discounts do not apply.</p> |

failed to cooperate by providing needed information.

8. Indemnity Insurance Company, PPO or non-contracted third party payer underpays claiming charges are unreasonable or unsupported.

Continue to pursue amounts due from insurance and do not initiate collections for these amounts against patient without Office of the General Counsel approval. Pursue collection of patient liability amounts in accordance with (1) through (4) above, as applicable.

9. Co-pays and cost shares for government programs

These amounts should be collected from the patient, unless the patient demonstrates financial need.

ATTACHMENT B

Notification of Uninsured Patient Discount

To: Robert D. Reed, Sutter Health Chief Financial Officer

From: *[Hospital affiliate CFO]*

Date: *[date]*

Re: Uninsured Patient Discount Calculation for *[year]*

[Hospital affiliate] has determined its Uninsured Patient Discounts for *[year]* shall be as follows:

Inpatient services	%
Outpatient services	%