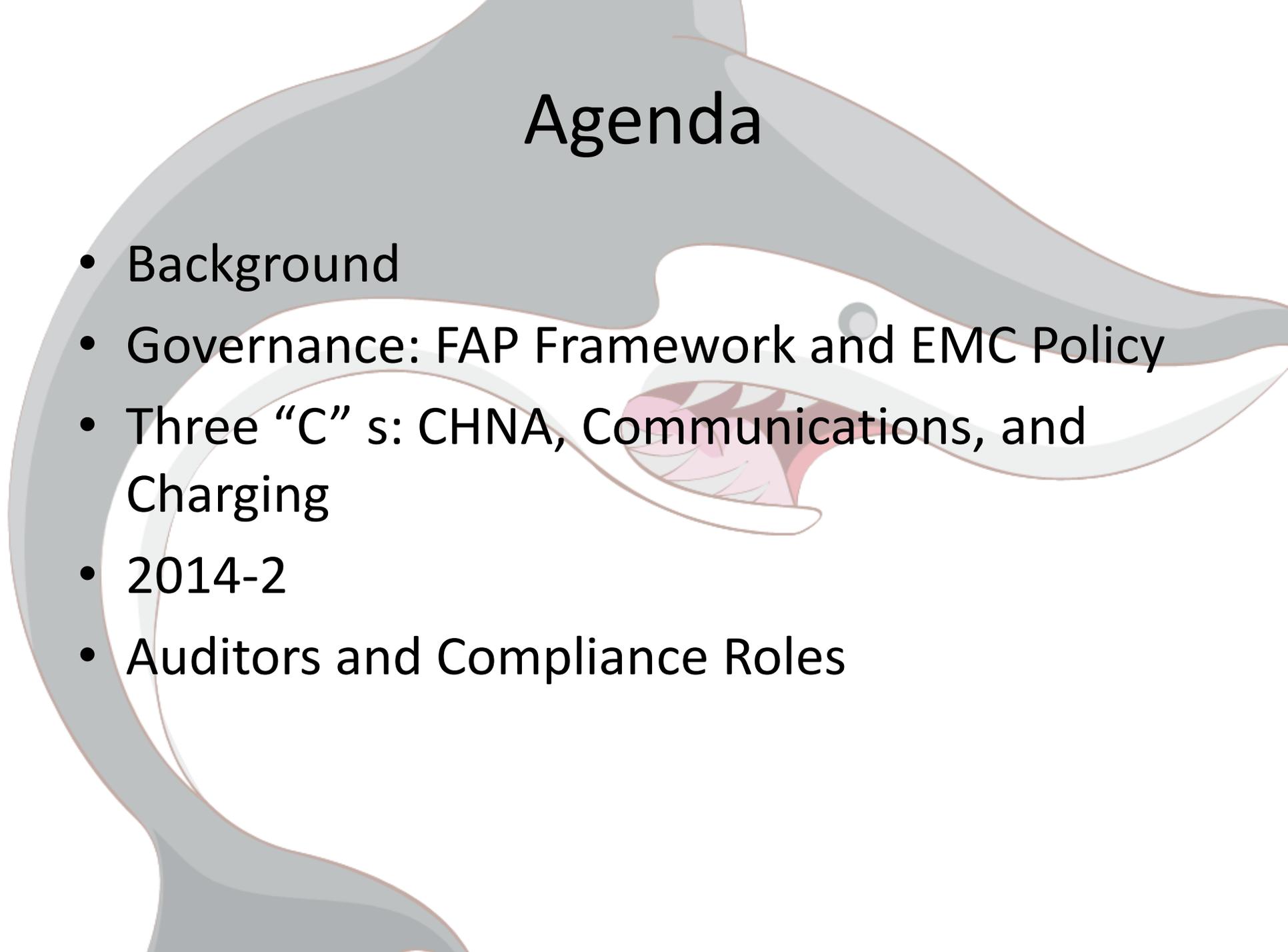


# 501R

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Understanding the Implications of 501r  
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October 2, 2014



# Agenda

- Background
- Governance: FAP Framework and EMC Policy
- Three “C” s: CHNA, Communications, and Charging
- 2014-2
- Auditors and Compliance Roles

# SHARK TANK

CAN YOU SWIM  
WITH THE SHARKS?



# BACKGROUND

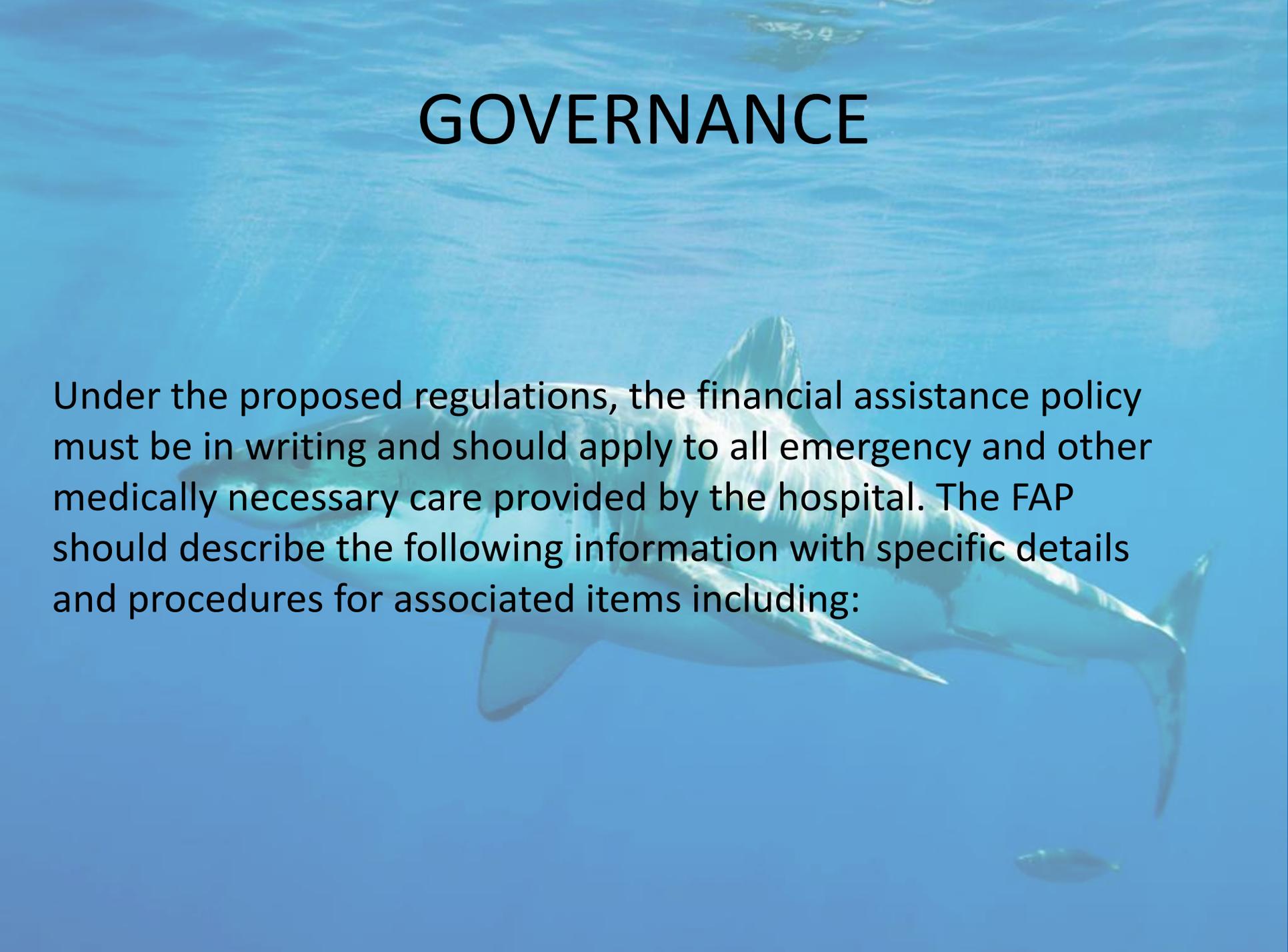
- The Internal Revenue Service has released proposed regulations on financial assistance policy and emergency medical care policy requirements under the Patient Protection and Affordable Care Act. These new requirements continue the IRS focus on the activities and policies of tax-exempt hospitals and the implication that tax-exempt hospitals must be required to "justify" their tax-exempt status, especially with regard to serving patients unable to pay for the costs of their medical care. Internal audit and compliance plans will need to include oversight of these new policies.

# THREE REQUIREMENTS

Section 501(r) was added to the IRS code by the PPACA and imposes new requirements on 501(c)(3) organizations that operate one or more hospital facilities (a facility is determined by state or local licensing requirements). These rules are also mandatory for governmental hospitals that have applied for 501(c)(3) status. Each hospital is required to meet several general requirements on a facility-by-facility basis including:

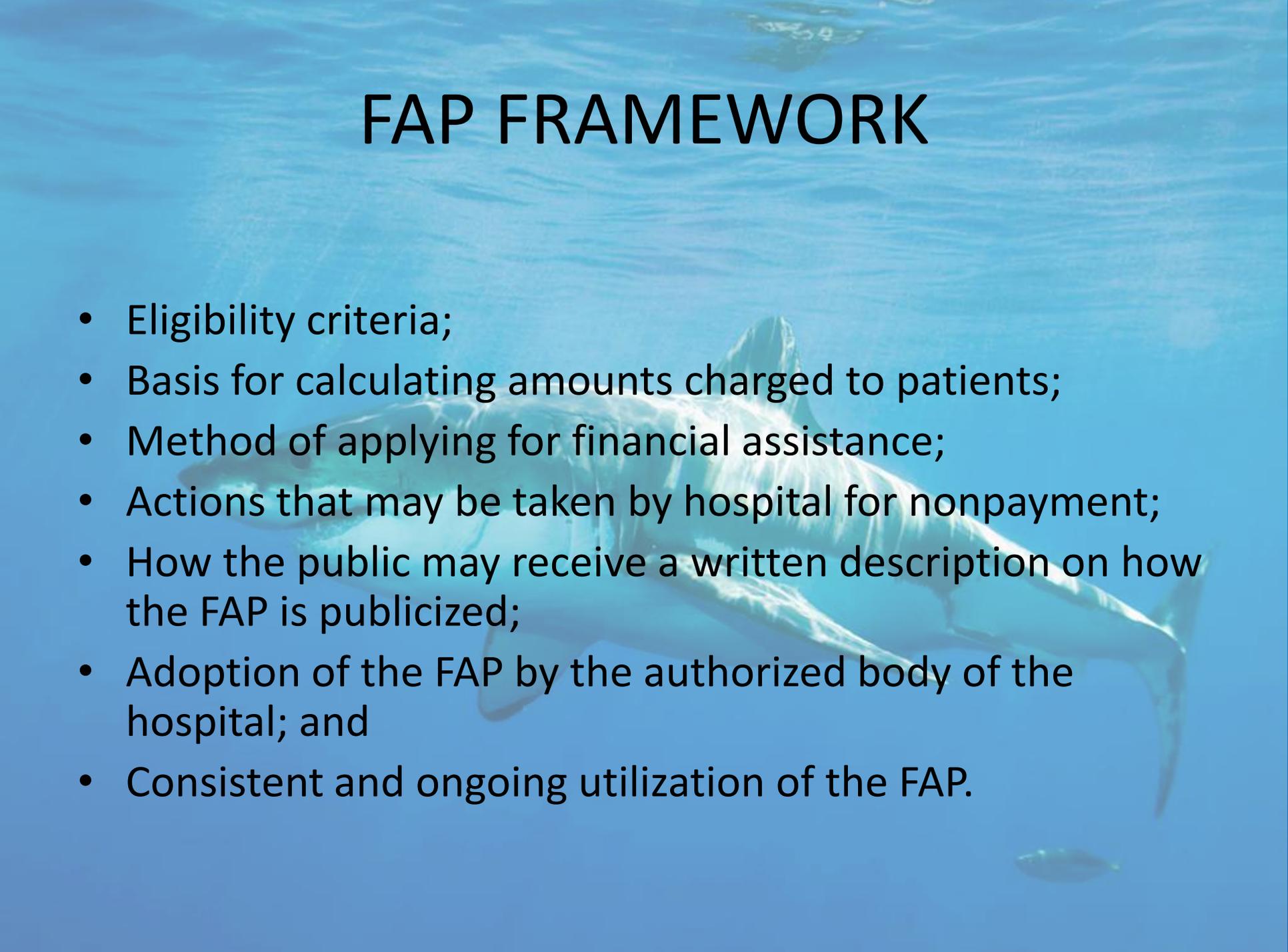
- Establish written financial assistance and emergency medical care policies;
- Limit amounts charged for emergency or other medically necessary care to individuals eligible for assistance under the hospital's financial assistance policy;
- Make reasonable efforts to determine whether an individual is eligible for assistance under the hospital's financial assistance policy before engaging in extraordinary collection actions against the individual.

# GOVERNANCE

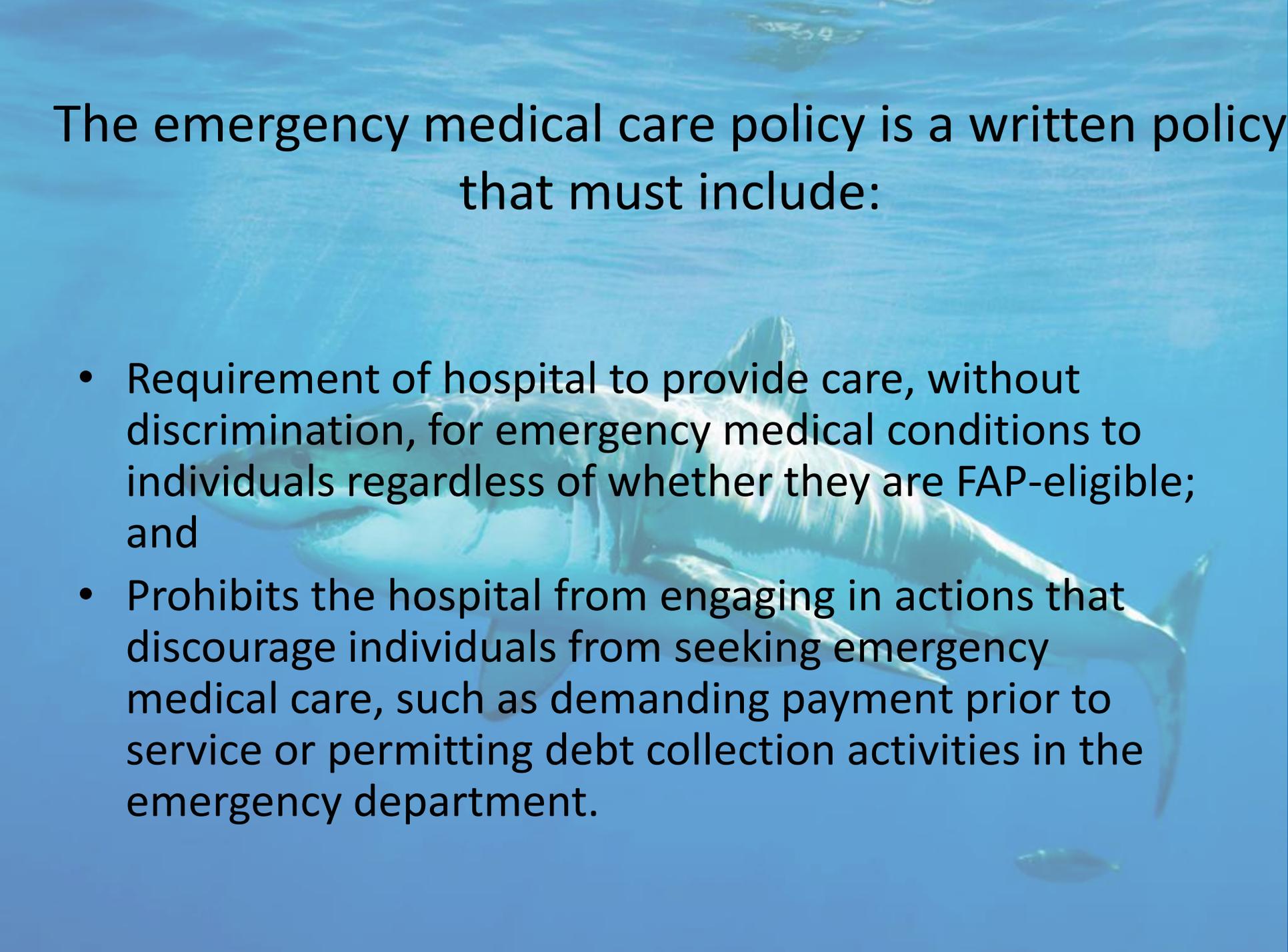
A large shark is swimming horizontally across the middle of the frame in clear, bright blue water. The shark's dorsal fin is prominent, and its tail is visible on the right side. The water has a slight ripple on the surface, and there are some faint reflections of light. The overall scene is serene and clear.

Under the proposed regulations, the financial assistance policy must be in writing and should apply to all emergency and other medically necessary care provided by the hospital. The FAP should describe the following information with specific details and procedures for associated items including:

# FAP FRAMEWORK

A large shark is swimming horizontally across the middle of the frame in clear, bright blue water. The shark's dorsal fin is prominent, and its body is sleek and greyish. The water has a slight ripple on the surface, and the overall scene is serene and natural.

- Eligibility criteria;
- Basis for calculating amounts charged to patients;
- Method of applying for financial assistance;
- Actions that may be taken by hospital for nonpayment;
- How the public may receive a written description on how the FAP is publicized;
- Adoption of the FAP by the authorized body of the hospital; and
- Consistent and ongoing utilization of the FAP.

A large shark is swimming horizontally across the middle of the frame in clear, bright blue water. The shark's body is white with a greyish-brown dorsal fin and tail. The water is very clear, and the lighting is bright, suggesting a shallow depth. The background is a uniform light blue color.

The emergency medical care policy is a written policy that must include:

- Requirement of hospital to provide care, without discrimination, for emergency medical conditions to individuals regardless of whether they are FAP-eligible; and
- Prohibits the hospital from engaging in actions that discourage individuals from seeking emergency medical care, such as demanding payment prior to service or permitting debt collection activities in the emergency department.

# IF FINALIZED

The proposed regulations will significantly increase the amount of specificity and the requirements that a hospital must follow in order to be compliant. A few of the items that the FAP must describe according to the proposed rules INCLUDE:

# IF FINALIZED 501R WILL INCLUDE:

- All financial assistance available, including all discounts or free care, and amounts such as gross charges to which any discount percentages are applied.
- Describe the method (either a look-back approach or a prospective Medicare based method) for the determination of the amount generally billed to individuals who have insurance for various services.
- Ensure an FAP-eligible individual is not charged more than amounts generally billed to individuals who have insurance for any medical service.
- Efforts that should be made and the time periods over which these efforts should be made to determine whether an individual is FAP-eligible before engaging in any extraordinary collection actions.
- Inform and notify residents of the community about the FAP.

# THE THREE “C”S OF 501r

- Community Health Needs Assessment (CHNA)
- Communications
- Charging



# CHNA

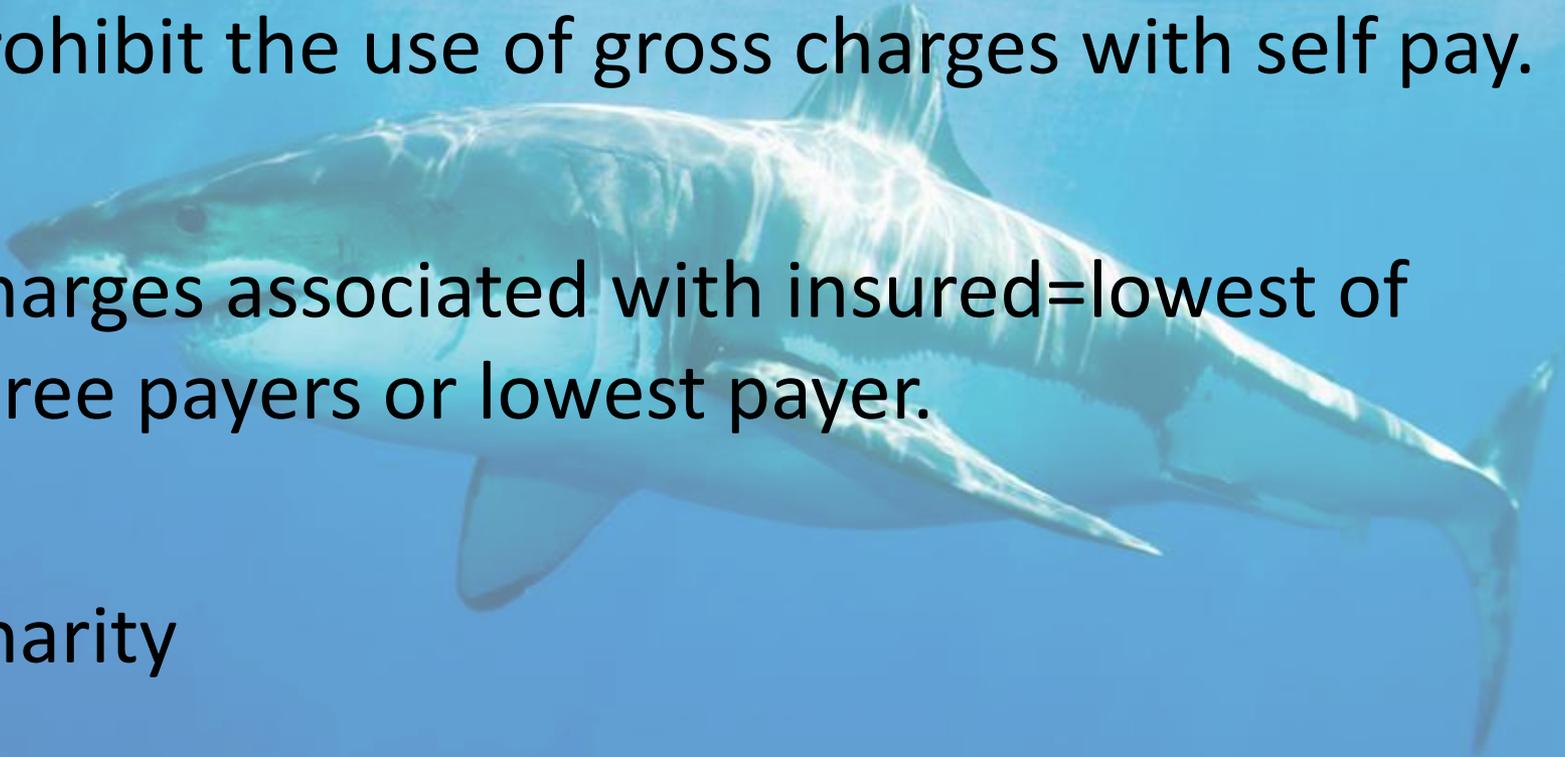
- Conduct a CHNA-Every three years
  - Strategy
  - Collaboration
  - Six months post publication/adoption
- 
- A large shark, likely a Great White, is shown swimming horizontally in clear, bright blue water. The shark is positioned in the center-right of the frame, facing left. Its body is sleek and tapers towards the tail. The water is very clear, with some light refraction visible near the surface. In the bottom right corner, a smaller fish is visible, swimming in the same direction as the shark.

# Communications

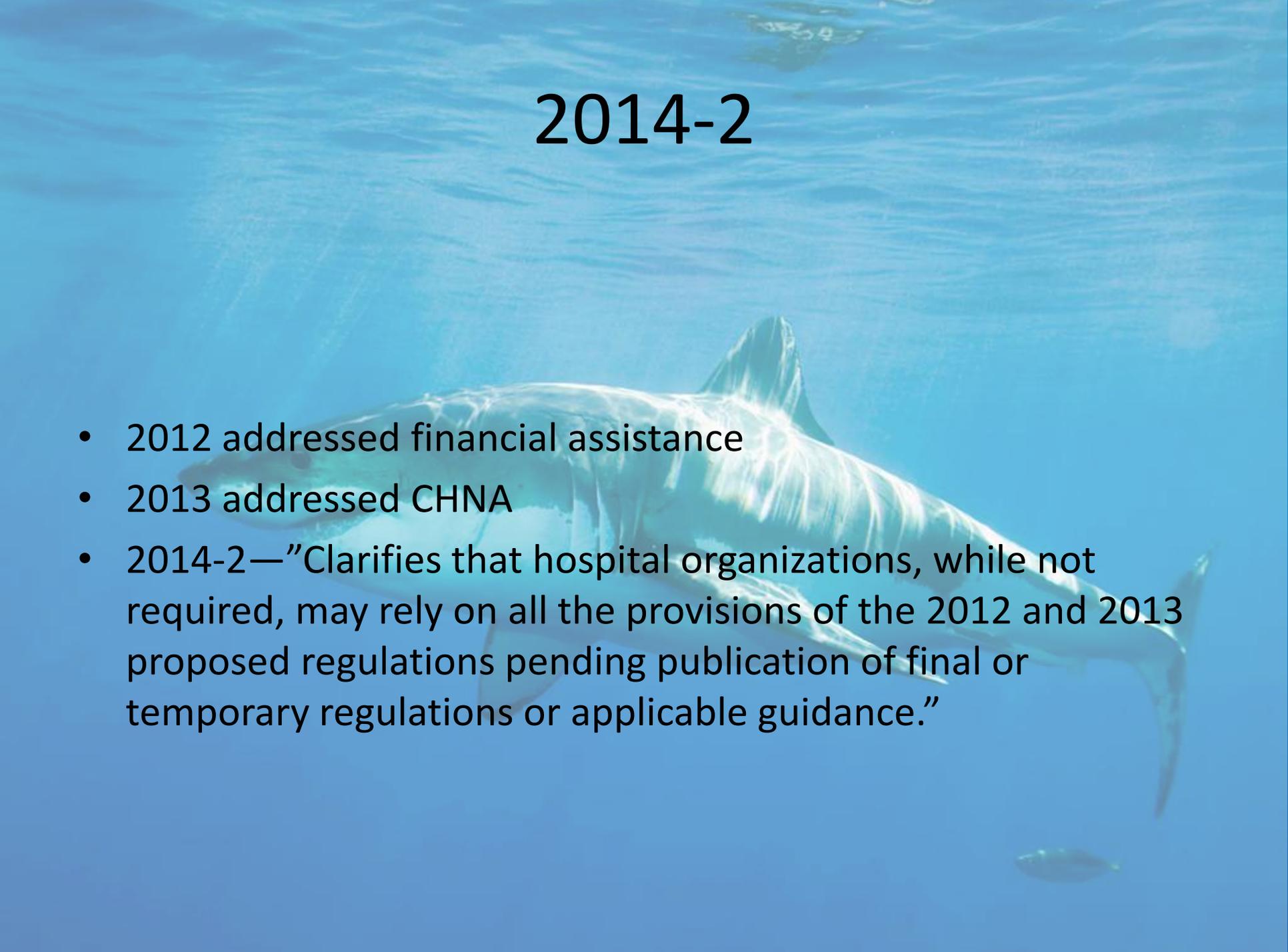
A large shark, possibly a Great White, is swimming horizontally across the frame in clear, bright blue water. The shark is positioned in the lower half of the image, with its head on the left and tail on the right. The water's surface is visible at the top, showing ripples and light reflections. The overall scene is serene and naturalistic.

- Written Policy and Procedures on financial assistance and emergency medical care.
- Full disclosure of administrative treatment of the patient.
- Patient Portal or Website-both
- Patient Statement
- Tent Cards
- Financial Counselors, Schedulers, Billers, and Registrars

# Charging

- Prohibit the use of gross charges with self pay.
  - Charges associated with insured=lowest of three payers or lowest payer.
  - Charity
- 
- A large shark, likely a Great White, is swimming horizontally in clear, bright blue water. The shark is positioned in the center-right of the frame, facing left. Its body is sleek and tapers towards the tail. The water surface is visible at the top, with some ripples and light reflections. The overall scene is serene and captures the shark in its natural habitat.

# 2014-2

A large shark is swimming horizontally across the middle of the frame in clear, bright blue water. The shark's dorsal fin is prominent, and its body is sleek and tapers towards the tail. The water surface is visible at the top, with some ripples and light reflections. The overall scene is serene and captures the shark in its natural habitat.

- 2012 addressed financial assistance
- 2013 addressed CHNA
- 2014-2—“Clarifies that hospital organizations, while not required, may rely on all the provisions of the 2012 and 2013 proposed regulations pending publication of final or temporary regulations or applicable guidance.”

# Auditors and Compliance Roles

Internal auditors should include in their work plan the need to determine if FAP and EMCP have been properly implemented and consistently followed and test the effectiveness of their hospital's controls such as:

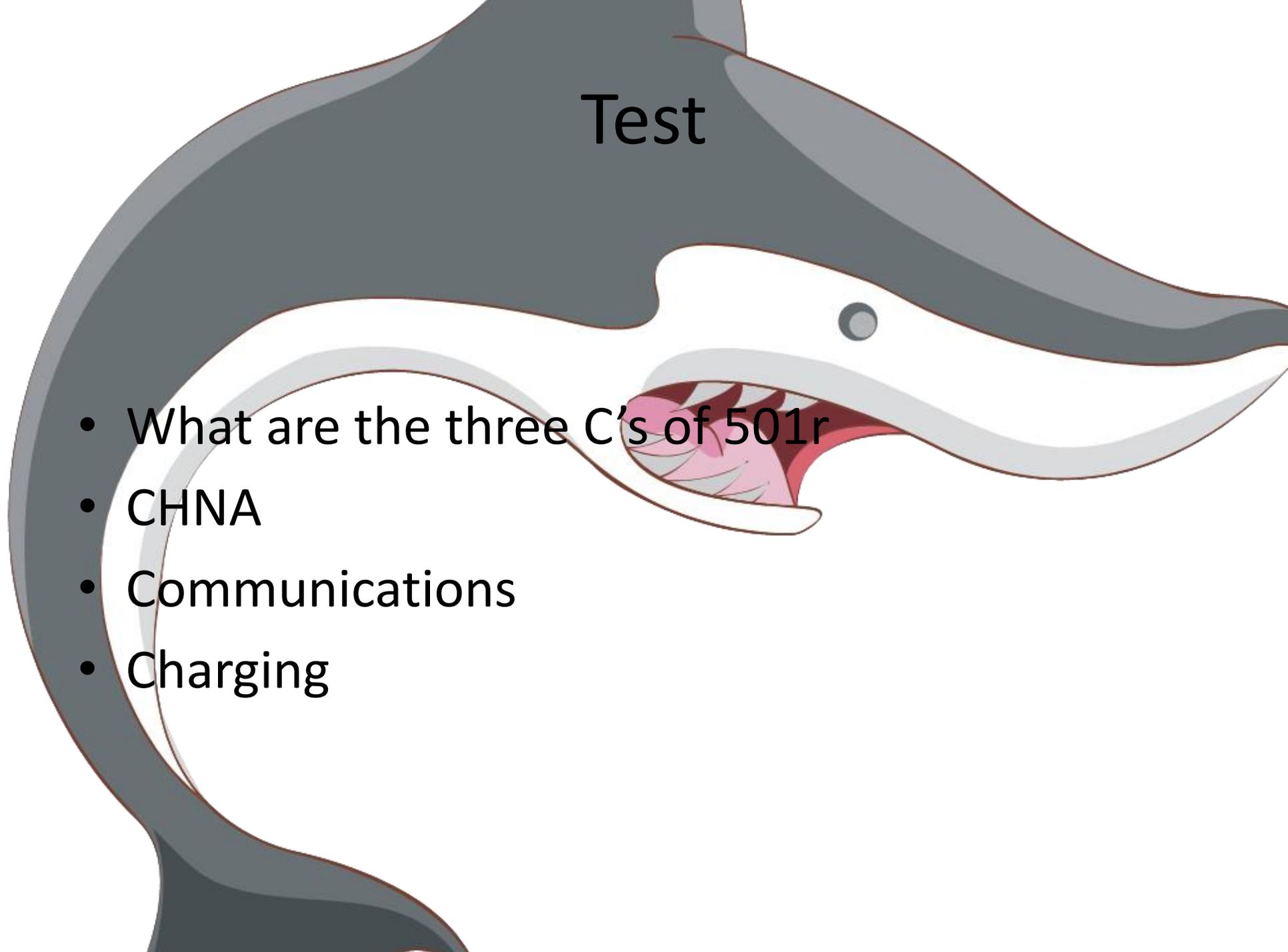
Does the hospital have controls in place to assess patient FAP eligibility?

- Does the billing system track and maintain information on all patients with indications of FAP status?
- Was the patient billed the correct amount according to FAP?
- Does the hospital appropriately calculate the amounts generally billed to individuals who have insurance under the described policy method?
- Does the billing system have controls to ensure FAP-eligible patients do not receive extraordinary collection actions?
- Is there appropriate documentation to indicate FAP eligibility and communication with the patient?
- Are there effective monitoring controls over the FAP and the EMCP?

# Auditors and Compliance Roles

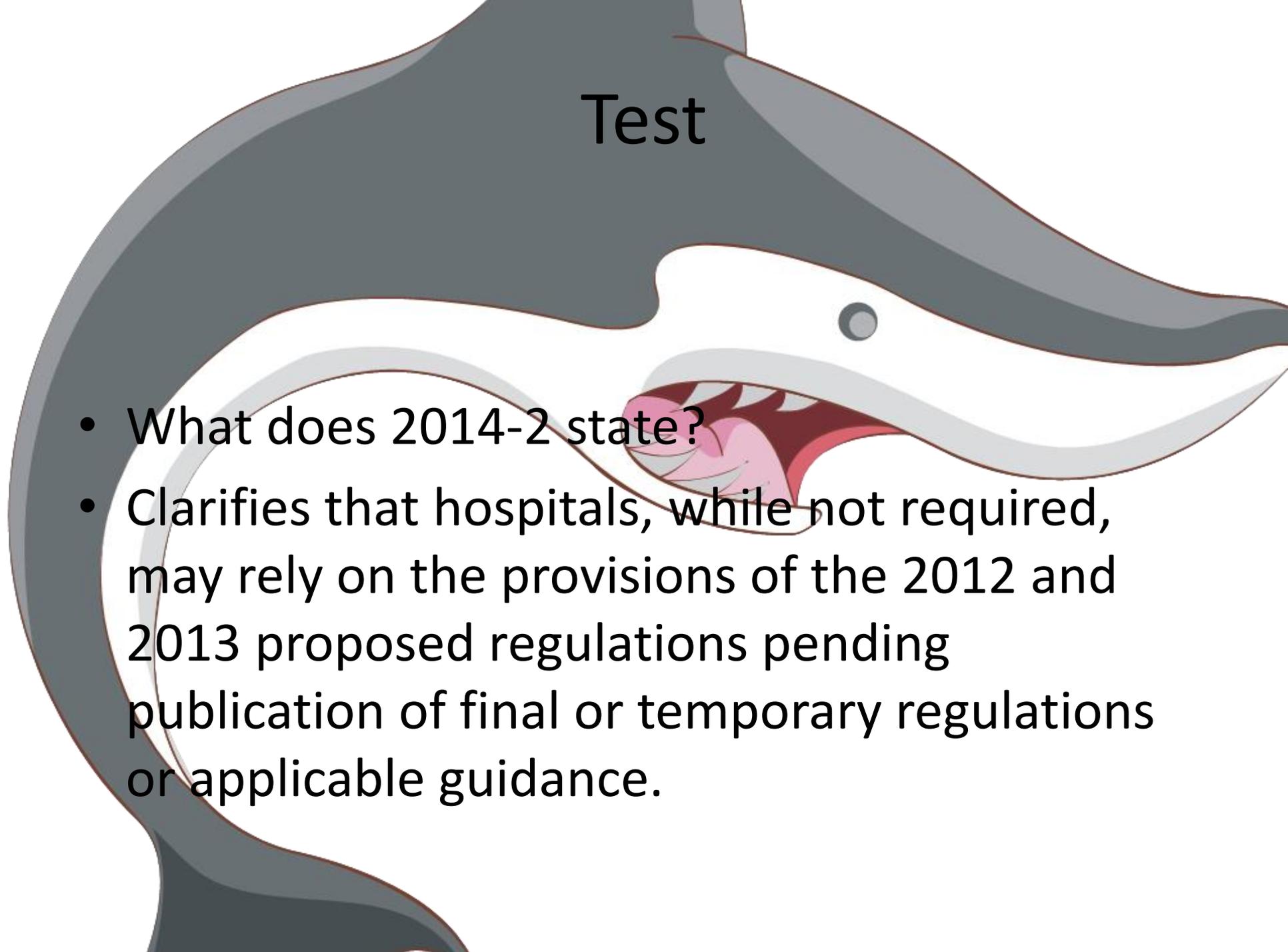
In addition to testing the effectiveness of internal controls, compliance officers should be testing the organization's compliance with the statutory requirements including:

- Validate that patient eligibility is assessed as provided in the proposed regulations.
- Validate that the hospital has billed patients the amounts generally billed to individuals who have insurance or less for specific services.
- Assess the organization's use of referral to collection agencies in accordance with FAP.
- Validate that the written description of the measures taken to publicize the FAP is complete and in accordance with the requirements, including on the website and in multiple languages as applicable.
- Validate the organization is meeting the appropriate actions in the emergency department and other similar areas to ensure the hospital is not engaging in actions that discourage individuals from seeking emergency medical care.



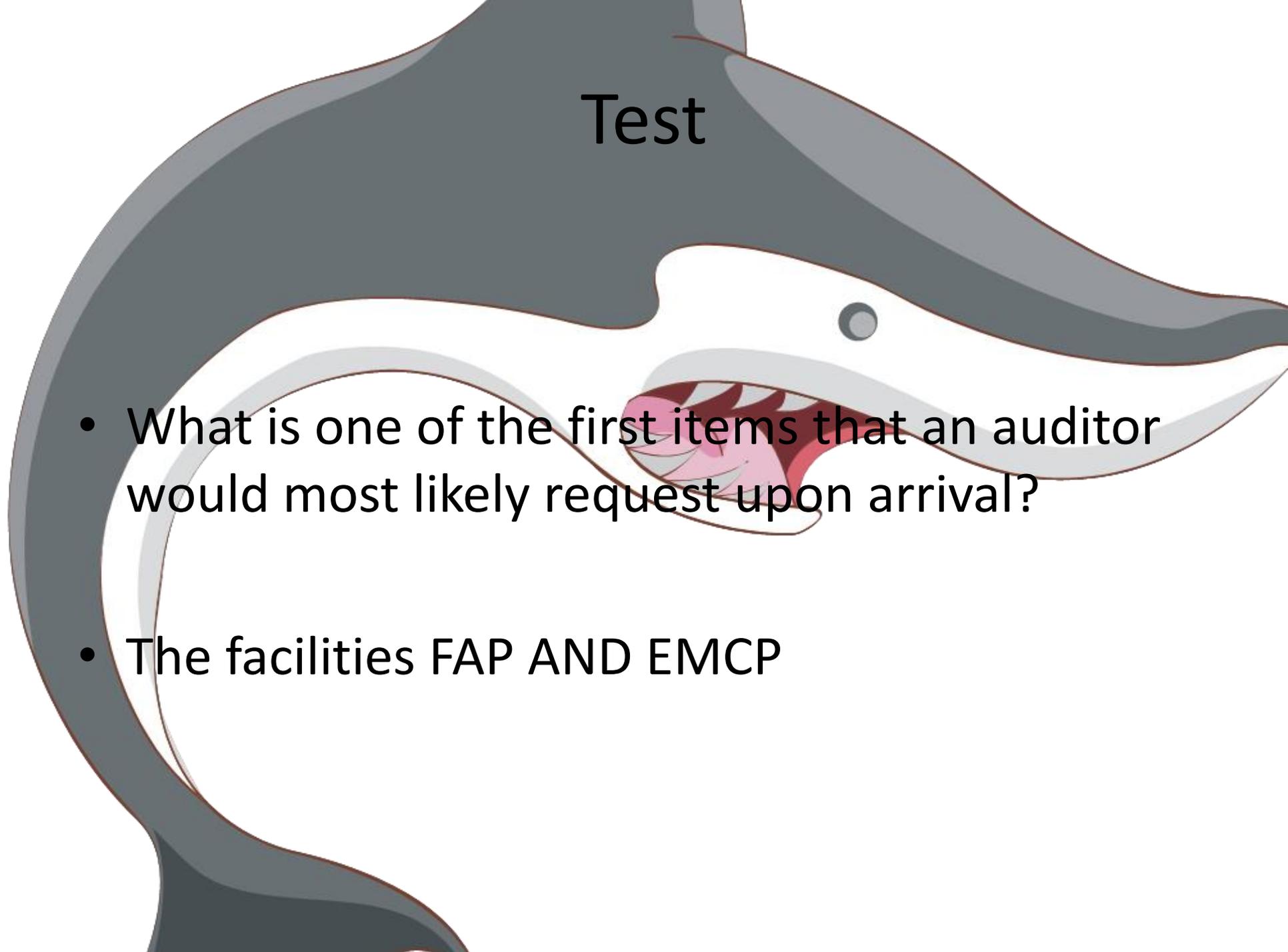
# Test

- What are the three C's of 501r
- CHNA
- Communications
- Charging



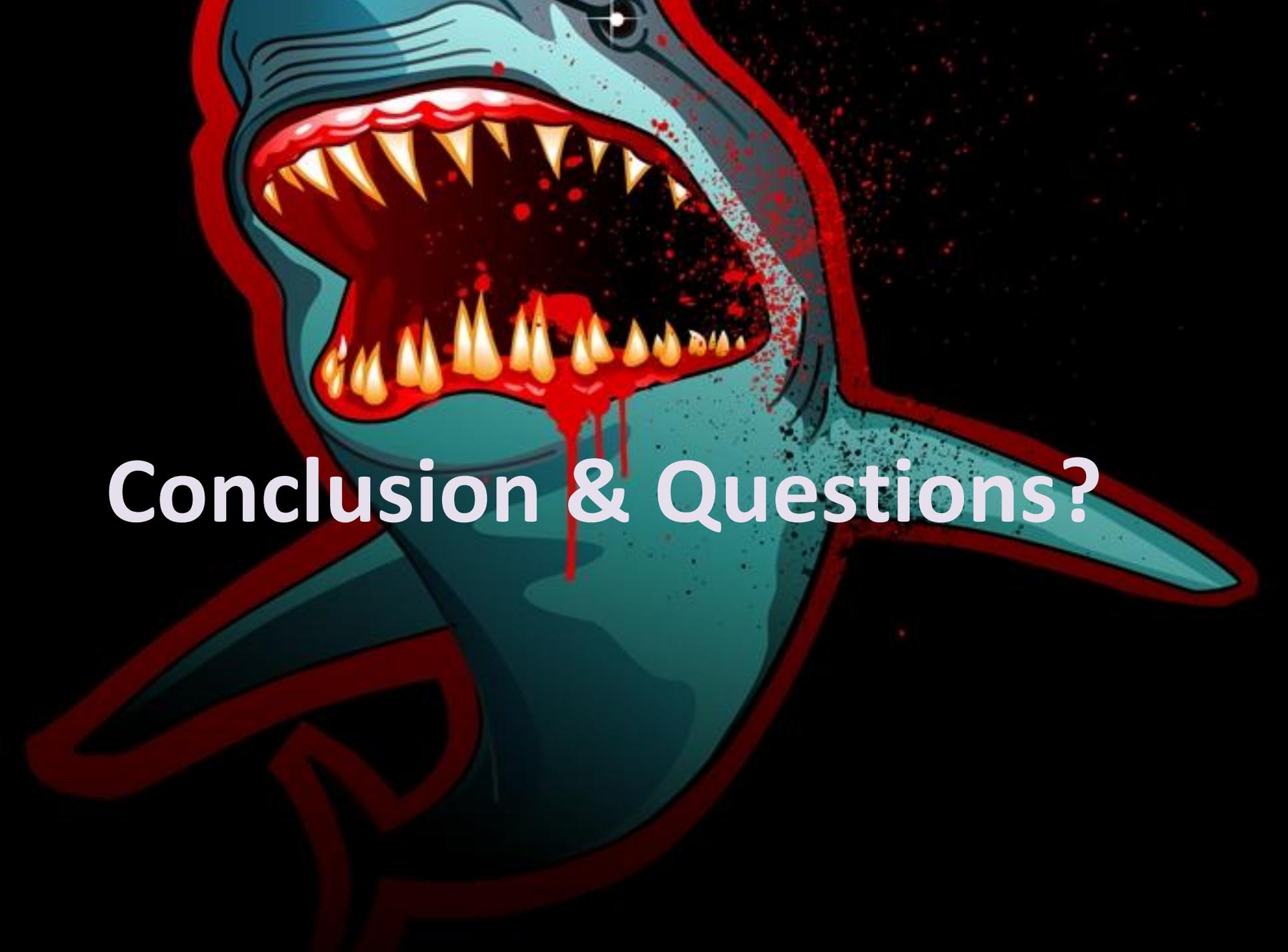
# Test

- What does 2014-2 state?
- Clarifies that hospitals, while not required, may rely on the provisions of the 2012 and 2013 proposed regulations pending publication of final or temporary regulations or applicable guidance.



# Test

- What is one of the first items that an auditor would most likely request upon arrival?
- The facilities FAP AND EMCP



**Conclusion & Questions?**