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Burden on Hospitals: Patient Financial Aid Eligibility

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Senator Chuck Grassley of Iowa announced that the investigation into the collection and billing practices of Mosaic Life Care, a tax-exempt hospital, has ended. The investigation began after there were reports that the hospital was aggressively suing low-income patients for non-payment. The **Affordable Care Act ("ACA")** requires hospitals to establish written financial assistance policies and make reasonable efforts to determine whether a patient is eligible for financial assistance before engaging in extraordinary collection actions against the patient. According to Grassley, the ACA "requires that hospitals take the initiative to determine whether patients qualify for financial aid." During the investigation, it was determined that Mosaic did not have enough personnel to manage its financial assistance program. Grassley made it clear that Mosaic must have adequate staffing to carry out these responsibilities. In response, Mosaic made the following changes:

- Seven resource advocates were hired to assist with Medicaid, supplemental assistance programs, and social security disability applications.
- Two additional financial counselors have been assigned to solely focus on assisting patients navigating the financial assistance process. Mosaic will be hiring additional financial counselors who will be dedicated to its out-patient clinic.
- Five patients financial services representatives have been assigned with ensuring the timely processing of financial assistance applications.

Mosaic made changes to its billing and collection practices and created a three-month debt forgiveness period where all individuals could apply or re-apply for financial assistance. During the three-month period, Mosaic lowered the threshold by which accounts would qualify for financial assistance thereby allowing more people to qualify. As a result, 5,542 financial assistance applications were filed, of which 5,070 were approved, and a total of \$16.9 million in debt interest and legal fees were forgiven. Additionally, Mosaic will no longer charge interest on accounts until final judgment and patients will now receive a total of 180 days of notice of financial assistance prior to the commencement of collection actions. Previously, patients were only receiving 120 days notice.

All of this underscores the importance of not only providing financial assistance to low-income patients but also of assisting them through the application process. The IRS was charged with implementing and enforcing these requirements under the ACA and making an annual report to Congress on the same. Senator Grassley sent a letter to the IRS inquiring about the annual report for 2016 and the IRS's implementation and enforceability of these requirements. He asked pointed questions to the IRS about how many hospitals have been found to be out of compliance with these requirements, whether the noncompliance was determined to be willful and/or egregious or minor and/or inadvertent. He further asked about what specific enforcement actions the IRS has taken against the noncompliant hospitals. Lastly, Senator Grassley emphasized the importance of carrying out oversight responsibilities to make sure that hospitals are in compliance with nonprofit hospital reforms. He said, "[i]f you want the status of tax exemption, you're supposed to help those less fortunate."

Tax-exempt hospitals should review their financial assistance and billing and collection policies and procedures to determine whether they are being properly implemented to ensure that low-income individuals are being given a



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fair opportunity to become educated about the availability of financial assistance and how to apply for it. Hospitals should also evaluate whether they have staffed the financial assistance and counseling departments to adequately handle the needs of low-income patients. The emphasis placed on this issue by Senator Grassley and his focus on ensuring IRS review and oversight efforts suggests that hospitals should pay close attention to their compliance efforts.

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