Hospitals: Financial Evaluation Standards

UC Accounting Manual
IX. Current Funds Accounting
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HOSPITALS: FINANCIAL EVALUATION STANDARDS

I. INTRODUCTION

Each hospital is responsible for maintaining procedures to ensure that at the time every admission or registration is arranged, or as soon thereafter as possible, an evaluation of the financial resources available to support the cost of the patient's care is made. The purpose of this financial evaluation is to determine the extent to which the cost of the health care services to be performed can be recovered from the patient and this third party sponsor and to establish the extent to which State clinical teaching support or other funds available to the University may be applied to his account.

II. DEFINITIONS

1) Personal Private Patient. A patient referred specifically to an individual faculty physician, accepted by that physician as a personal patient, and determined through financial evaluation to be able to pay all anticipated hospital or clinic charges from his own resources and/or through this third party sponsor.

2) Departmental Private Patient. A patient referred for care to the medical faculty as a whole rather than to an individual faculty member. Hospital or clinic charges for care of these patients are paid by the patient, by third party sponsors or, if established through financial evaluation, by State appropriations for clinical teaching support.

3) State Clinical Teaching Support. An appropriation received by the University, in its annual State support budget, to sponsor eligible hospital and clinic patients who are unable to pay all anticipated hospital or clinic charges from their own resources and/or through their third party sponsors.

4) Cost of Care. The total of the established hospital and/or clinic charges for all the health care services to be provided to a patient.

III. CRITERIA

A. APPLICABILITY

At the time hospital admission or outpatient registration is arranged, the estimated cost of care is to be discussed with the patient in order to verify that he has sufficient resources, including third party sponsorship, to cover his cost of care. If the patient indicates that he is unable to pay from his own resources the full estimated cost of care not covered by third party sponsors, he is to be classified as a departmental private patient and a financial evaluation is to be performed.

B. BASIC FACTORS

The extent to which a departmental private patient is to be held liable for the cost of this care is to be based on the following factors:

1) Family Profile. Size and type of family and

age of the head of household.

2) Family Income. Net monthly income (from all sources) of head of household, spouse, and any other family member who may be liable for support of patient.

3) Liquid Assets. Unencumbered savings accounts, stocks, bonds, and similar liquid assets other than cash on hand and checking accounts. (Real and personal property are not factors.)

4) Unpaid Medical Bills.

C. SPECIAL CIRCUMSTANCES

The personal liability derived from the basic factors may be adjusted on a case-by case basis for special circumstances such as, but not limited to, temporary fluctuations in income, substantial checking account balances, substantial real property holdings, extraordinary recurring expenses (e.g., child care, alimony), or unusual personal debts. Authority to make adjustments may not be delegated to regular admitting or registration workers but must be restricted to supervisory personnel or specialists in family financial services. Complete documentation of adjustments must be filed in the patient's account folder.

IV. PROCEDURES

A. STANDARD OF LIVING DATA

For the purposes of calculating inpatient liability and outpatient discount factors, basic living allowances are to be derived from Bureau of Labor Statistics (BLS) data on regional annual costs of a benchmark family (consisting of an employed husband, age 38, a wife not employed outside the home, an 8-year-old girl, and a 13-year-old boy) on three different budgets. Each annual Autumn edition of updated figures will be used for the ensuing fiscal year.

This BLS scale of budget equivalence factors for urban families of different size, age, and composition is to be used to convert the benchmark family data into basic living allowances for different family profiles. For inpatient purposes, the BLS equivalence scale is to be annotated to reflect the additions and adjustments in Appendix I. Budget equivalence factors for families with a head of household 65 or older will not be used; budget equivalence factors for families with a head of household age 55-64 will be used instead.

B. INPATIENTS

1) using the BLS annual costs of an intermediate budget for a benchmark family, determine a monthly living allowance based on the annual costs for food, housing, and transportation.

2) Using the BLS equivalence scale, convert the benchmark monthly living allowance to a monthly living allowance for a family of the same size, type, and age as the patient's.

3) Comparing family net monthly income and the family monthly living allowance, determine the monthly income available for cost of inpatient care.

4) Using inpatient X-factors (representing number of months of income, Appendix II), calculate the basic patient liability for the cost of inpatient care.

5) Adjust the basic personal liability upward by one half the amount f eligible liquid assets and downward by the full amount of unpaid medical bills.

6) If the patient refuses to accept the adjusted basic personal liability, or if special circumstances exist, refer the case to a family financial services specialist for review and possible further adjustment, which must be completely documented.

7) Record the agreed-upon maximum personal liability of the patient in a signed document.

C. OUTPATIENTS

1) Using the BLS annual costs of a lower budget for a benchmark family, determine a monthly living allowance based on the annual costs of total family consumption less medical care.

2) Using the BLS equivalence scales for the following family types, convert the benchmark monthly living allowance to a monthly living allowance for a family of the same size as the patient's.

1 person	(under 35)
2 persons	(H & W, head of household under 35)
3 persons	(H, W, chid under 6, head 35-54)
4 persons	(H, W, 2 children, older 6-15, head 35-54)
5 persons	(H, W, 3 children, oldest 6-15, head 35-54)
6 or more	(H, W, 4 children, oldest 6-15, head 35-54)

3) Using outpatient discount factors (Appendix III), determine the basic percentage of cost of outpatient care, not covered by third party sponsors, to be paid by the patient.

4) Using outpatient modifiers (Appendix IV), adjust the basic percentage of cost of outpatient care upward for eligible liquid assets and downward for unpaid medical bills.

5) If the patient refuses to agree to the adjusted basic percentage of cost of outpatient care, or if special circumstances exist, refer the case to a family financial services specialist for review and possible further adjustment, which must be completely documented.

D. FACTORS

Each hospital may establish its own tables of inpatient X-factors, outpatient discount factors, and outpatient modifiers. Information copies of tables currently in use and justification for changes from previous tables are to be submitted to the Vice President--Administration and the Vice President--Planning.

Historical note: Original Accounting Manual chapter published 07/01/72. Analyst: Nick Cutting.

APPENDIX I: BLS EQUIVALENCE SCALE ANNOTATIONS

Size and Type of Family	Age of Head 35	35-54	55-64

One person	45	46	42
Two persons: one parent and child	49		
Husband, wife, child under 6			80
Husband, wife, child 16-17	63		
Husband, wife, child 18 or over	64		
Four persons:			
Husband, wife, 2 children (older than 6)			96
Husband, wife, 2 children (older 16-17)	80		
Husband, wife, 2 children (older 18 or over	84		
One parent, 3 children			105
Five persons:			
Husband, wife, 3 children (oldest under 6)		110	
Husband, wife, 3 children (oldest 16-17)	105		
One parent, 4 children			120
Six persons or more:			
Husband, wife, 4 children or more (oldest under 6)		120	128
Husband, wife, 4 children or more (oldest 16-17)	123		145
Husband, wife, 4 children or more (oldest 18 or over)	125		143
One parent, 5 children or more			132

APPENDIX II: EXAMPLE OF AN INPATIENT X-FACTOR TABLE

Net Monthly Income	X-Factor
$250 or less	3.00
$251 to $300	3.25
$301 to $350	3.50
$351 to $400	3.75
$401 to $450	4.00
$451 to $500	4.25
$501 to $550	4.50
$551 to $600	4.75
$601 or more	5.00

APPENDIX III: EXAMPLE OF AN OUTPATIENT DISCOUNT FACTOR TABLE

Net Monthly Income	Patient Share of Cost
Less than monthly living allowance	
by: $40 or more	5%
$0 to $39	10%
More than monthly living allowance	
by: $1 to $40	15%

$41 to $80	20%
$81 to $120	25%
$121 to $160	30%
$161 to $200	35%
$201 to $240	40%
$241 to $280	45%
$281 to $320	50%
$321 to $360	55%
$361 to $400	60%
$401 to $440	65%
$441 to $480	70%
$481 to $520	75%
$521 to $560	80%
$561 to $600	85%
$601 to $640	90%
$641 to $680	95%
$681 or more	100%

APPENDIX IV: EXAMPLE OF AN OUTPATIENT DISCOUNT MODIFIER TABLE

Eligible Liquid Assets, Unpaid Medical Bills	Percent Modification to Apply to Basic Rate
$239 or less	0
$240 to $719	5%
$720 to $1,199	10%
$1,120 to $1,679	15%
$1,680 to $2,159	20%
$2,160 to $2,639	25%
$2,640 to $3,119	30%
$3,120 to $3,599	35%
$3,600 to $4,079	40%
$4,080 to $4,559	45%
$4,560 to $5,039	50%
$5,040 to $5,519	55%
$5,520 to $5,999	60%
$6,000 to $6,479	65%
$6,480 to $6,959	70%
$6,960 to $7,439	75%
$7,440 to $7,919	80%
$7,920 to $8,399	85%
$8,400 to $8,879	90%
$8,880 or more	95%

Back to Accounting Manual Table of Contents