CHILDREN'S HOSPITAL LOS ANGELES MEDICAL GROUP
COMPLIANCE POLICY MANUAL

POLICY	Professional Fee Discounts
SIGN OFF	Robert Adler, MD CHLAMG Compliance Officer
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POLICY

It is CHLAMG's policy not to offer or provide professional courtesy discounts for reductions in fees for professional services. Such professional courtesies include, but are not limited to "No charge", "Insurance Only", routine waivers of deductibles and co-payment amounts, and reduced billing rates[1]. According to the OIG, professional courtesies may qualify as inducements (an act to provide a service at a lesser amount than stated to gain market share), or breach of contract for failure to comply with contractual obligations. When providers give discounts to patients, they must give the same discount to the insurance plan, including Medi-Cal. In addition, practitioners may violate this policy by failing to create a charge or medical record registration number for patient services they provide solely in an attempt not to charge for a patient service. This policy applies to all patients regardless of payor and also includes employees, staff, and colleagues.

This policy does not apply to self-pay patients who may qualify for a "Prompt pay discount". Payment discounts are not professional courtesy discounts because they do not affect our stated charges; it is a negotiated payment amount.

There may be circumstances under which the Department may wish to refer a patient for consideration of financial hardship. Departments and divisions cannot make this determination. Forwarded such information to PMG. PMG will evaluate all referrals for charity care or financial hardship according to strict guidelines.

DEFINITIONS

No Charge: Private insurers and the government do not object to a physician waiving the entire charge for care and supplies. However, no charge visits are prohibited if they are part of a fraudulent scheme. The physician must document the service and evaluation so patients do not get around pre-existing illness exclusions and waiting periods between illnesses as defined by different insurance policies. There are further restrictions on no-charge services applied toward large deductibles or any other manner that eliminates copays. Some new provisions apply to activities where no-charge services are used to generate ancillary business to the physician or generate referrals.

Insurance Only: It is important to realize that "insurance only" billing has also been deemed insurance fraud by some states. The theory is that the real fee is less than the fee the practice bills to the insurance company; with a $100 charge and a waived $20 co-pay, the real fee should be $80, to use the familiar example.

"Insurance only" billing may also be prohibited by the participation agreement with the patient's health plan, i.e., the contract may stipulate that the practice must collect co-pays and deductible amounts. In addition, many private health

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[1]This policy complies with Federal legislation, 42 U.S.C. 1320a–7a (a) (5), and the *Office of Inspector General's Compliance Program Guidance for Individual and Small Group Physician Practices.*

plans and some federal programs have a "most favored nation" clause in their contracts with physicians. This entitles the plan to pay the lowest charge the physician bills to anyone. Any pattern of discounts could result in a reduction in the physician's allowable reimbursement schedule to the discounted amount.

Prompt Pay Discount: To avoid the costs and uncertainties of seeking payment from insurance companies, many medical practices offer patients discounts for cash payments. While the practice of bypassing insurance altogether is perfectly legal, physicians need to check whether undercutting their own negotiated rates violates any of their health plan contracts. They also need have in place rigorous administrative controls so that they do not erroneously bill the patient's health plan after having received payment in cash. The policy should be in writing, and followed uniformly.