

COUNTY OF SANTA CRUZ



HEALTH SERVICES AGENCY
ADMINISTRATION

HEALTH SERVICES AGENCY

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August 30, 2004

Agenda: September 21, 2004

Board of Supervisors
Santa Cruz County
701 Ocean Street
Santa Cruz, CA. 95060

Subject: Annual Report on Hospital Issues and Access To Care Services

Dear Members of the Board:

As you may recall, HSA annually reports to your Board on the status of local hospital services and the County Access to Care agreements with the hospitals. Santa Cruz County has three excellent hospitals to serve the community: Dominican Hospital, Watsonville Hospital, and Sutter Maternity and Surgery Center. Like other hospitals across the state, local hospitals face challenges to maintain their financial stability in these difficult times. This report updates your Board on some of the most significant issues facing hospital providers and reports on activities delivered in the three hospitals in 2003.

Hospital Challenges:

This past year our local hospitals received several major fiscal challenges beyond those discussed in previous reports. These new challenges include:

- A significant increase in uninsured patients due to withdrawal or reduction of employer sponsored health insurance;
- New costs and staffing challenges associated with the new nurse staffing ratios; and,
- New costs and staffing challenges for physician on-call and hospitalist pay to insure 24-hour access to needed specialists in emergency departments and inpatient care.

As reported last year, the State has set new facility earthquake standards that require significant new levels of capital to implement. At the federal level, the new Health Improvement Accountability and Accessibility Act (HIPAA) requires electronic billing and eligibility standards as well as new privacy and transaction standards, forcing hospitals to upgrade or replace their computer systems. The federal government has also proposed reducing disproportionate share reimbursement to hospitals serving large numbers of individuals with Medi-Cal. Watsonville Hospital benefits from this designation and associated reimbursement. If the federal changes are actually implemented, there would be a significant decrease in federal "Disproportionate Share" reimbursement for Watsonville Hospital.

From 2001 to the present, nine million Americans under age 65 lost their health insurance according to a recent study by the Center for Healthcare System Change. The U.S. Census Bureau reported that 15.6 percent of the U.S. population (45 million people) were without

coverage in 2003, up from 15.2% and 43.6 million people in 2002. This is just another in a series of reports detailing the trend towards loss of healthcare coverage and increased burdens on employers and employees who do maintain coverage. The impact on the hospitals is seen in the form of bad debt, increased applications for charity care, and the need to increase hospital charges to insurance and other payers to cover costs. All individuals with insurance and those who are self-pay (but not low-income) ultimately cover these costs, and it is part of the escalating cycle of our nation's failing health financing structure. This fiscal environment must be considered in working with our local hospitals.

The nursing staff ratios, which began in January 2004, increased costs in our local hospitals by millions of dollars. There is no additional hospital reimbursement for this new State mandate to increase nursing staffing levels. To add to the challenge, the nation is in the middle of a nursing shortage, so finding staff for vacant positions is very difficult. Again, these costs will be put into hospital charges impacting insurance rates. One of the other aspects of these ratios is the need to close hospital units if staffing standards cannot be met. This means a hospital can have licensed bed capacity that it cannot use due to nursing staffing shortages. Lack of access to hospital beds causes backups in the emergency departments, which then creates ambulance diversion problems. The most difficult time each year with hospital diversions is the winter months. Emergency Medical Services (EMS) staff are monitoring this closely and are particularly concerned about flu season impacts.

There has also been a major shift in how hospital and emergency department physician services are delivered. Physicians with hospital privileges are now paid routinely for their after-hour on-call services. This new reimbursement is generally from \$500-\$1000 per night. There are, for example, over 30 different medical specialties needed for backup to the Dominican Emergency Department for emergency care such as surgeons and orthopedists. Watsonville has a smaller range of services but has many specialists on-call as well. Sutter has physicians available 24 hours and is using a new hospitalist model which works well in service delivery, but also requires subsidies beyond insurance reimbursement to insure continuous staffing. Sutter is working to support their patients who use Dominican with this model, as well as those at the Maternity and Surgery Center.

In summary, these new burdens have created millions of dollars in new costs for our local hospitals with no specific revenues to offset the increase. One solution health care advocates have supported is the new "911 Care initiative" which specifically addresses emergency department infrastructure, costs for maintaining access to emergency services, and reimbursement for services to the uninsured. It also funds community clinics to provide alternatives to emergency departments and reimbursement for physician services to the uninsured. This is Proposition 67 on the November ballot. It has broad support from the health community and many advocacy groups, but is opposed by the telecommunications industry because it adds a 34-cent surcharge to monthly phone bills. HSA will be presenting a detailed analysis for your Board in October on this initiative.

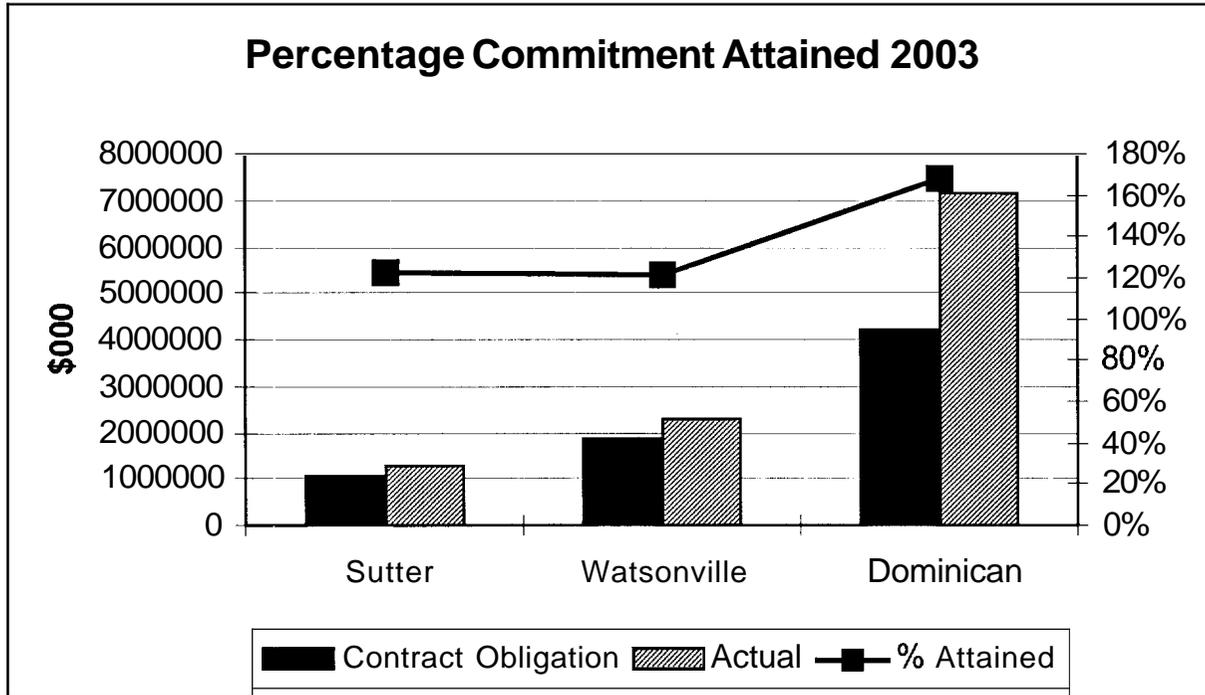
Access To Care 2003 Activities:

Your Board has requested reports on the performance of each of the hospitals related to our Access to Care agreements. This report includes data from all the hospitals for 2003. The reports from Watsonville Hospital since the purchase of the institution have not been audited. Watsonville has requested that the County review a proposed agreement with an audit firm to do these independent reviews. HSA is currently evaluating this proposal. Attachment I is a summary of information from each hospital based on their annual reports including 2003. The chart below summarizes 2003 performance as a percentage of required services. The chart



demonstrates that the hospitals have met their obligations for care to the uninsured as well as other activities directly benefiting low-income patients. Contract goals have been met by all three hospitals with a combination of bad debt, charity care, and community benefit activities.

Access to Care
2003 Performance



The unaudited Watsonville Hospital data indicate that the hospital has not had to rely on its community benefit activities to meet its obligations. The hospital's bad debt burden has been the predominant element in achieving the target for charity care and bad debt. Watsonville Hospital's situation differs from the other hospitals in that its payer mix is more oriented to Medical and Medicare. Watsonville Hospital gets an additional disproportionate share of Medical payments because of its payer mix. This reimbursement is currently at risk. Serving a greater proportion of government sponsored patients also limits opportunities to cost shift and creates more vulnerability to bad debt. **HSA** recommends advocacy for maintaining the "disproportionate share" federal reimbursement or something equivalent.

All three of the local hospitals have charity care policies which are attached to this report. Patients can apply for charity care before or after treatment. Usually, if patients apply after treatment, it is handled as forgiveness for debt. The hospitals also assist uninsured patients in applying for coverage in government programs. The Maternity and Surgery Center charity care policy is attached and covers individuals with incomes up to 300% of federal poverty with no share of cost and up to 400% with a sliding scale. Dominican is a Catholic HealthcareWest (CHW) Hospital. The Dominican policy is also attached, however CHW is currently reviewing its overall hospital policy. Watsonville's charity care policy is also attached and includes individuals up to 200% of federal poverty.

The hospital market place is very different now than it was ten years ago when the Access to Medical Care Agreement was negotiated. The amount of charity care, bad debt forgiveness, and community benefit funding that a hospital should be expected to provide when they receive

favorable tax treatment is an issue that is currently under study by the State Office of Statewide Health Planning (OSHPD) program and the federal courts. There has been significant debate on the definitions of allowable services and how to measure hospital contributions fairly across different hospitals and different communities. Two bills (SB 379 and AB 232) have been introduced in California which would require hospitals to make charity care policies available to the State and would allow the State to establish rules for hospital billing to individuals who earn up to 700% of the federal poverty level. Currently the State Department of Health Services is opposed to these bills because they believe the legislation is in conflict with federal Medicaid law. HSA will be closely following this legislation and will report to your Board on their progress. The California Healthcare Association (which is the primary hospital association in the State) has also developed voluntary billing guidelines that it wants all hospitals to adopt. They address the issue of setting prices for individuals who are uninsured from lower and middle income families.

Another issue related to the current agreements is that the contract reporting worksheets are tied to specific line numbers in the State OSHPD reports. OSHPD has since revised its reporting system and the line numbers no longer match. This is essentially a technical problem but it does limit our ability to check the reports against the OSHPD data files. Besides the independent audit, the OSHPD reports were a secondary means of confirming the overall numbers. The limitation of these reports is that they take almost 2 years to be complete and the 2002 data is the latest available at this time. The County is exploring a revision of the forms to again bring them into conformance with OSHPD.

The new hospital ownership at Watsonville Hospital inherited its contract with the county. Since then hospital management has raised the issue of the additional burden the contract places on them since they do not benefit from the property tax exemption available to the former hospital ownership under non-for-profit status. Part of the rationale for the charity care obligation was that the hospitals were all benefiting from not-for-profit status, and the provision of charity care was a mechanism for paying the community back for this benefit. Watsonville Hospital's management has pointed out that they unfairly carry both obligations while the other hospitals do not. Nonetheless, Watsonville Hospital leadership has also expressed its commitment to serve the local community including the uninsured regardless of their tax status.

The Access to Care contracts were negotiated 10 years ago, and the health environment has changed significantly. The contracts with the hospitals acknowledged that the medical care delivery system is dynamic and circumstances may evolve to the point where the contract provisions may need to be evaluated and revised. The time may be upon us where the contracts need to be reevaluated in light of contemporary circumstances and evolving standards regarding indigent care, community benefit activities, reporting mechanisms as well as new and emerging needs in the health safety net.

Special Contributions of the Hospitals:

In this report, it is important to acknowledge the leadership and contributions of each of our hospitals. Dominican, Watsonville and Sutter Hospitals participate and contribute time to the Health Improvement Partnership Council of Santa Cruz County and were founding members of the Council. This body takes on complex community health challenges and opportunities as a group. The Council also includes leaders from community clinics, Physicians Medical Group, Santa Cruz Medical Foundation, the Medical Society, Public Health, the Pajaro Valley Health Trust, the Community Foundation of Santa Cruz County, the leaders of the Emergency Department medical groups, the Central Coast Alliance for Health, executive physician leaders from the hospitals and others. The new Healthy Kids insurance program, improving stability in

the Emergency Departments, Locality 99 Medicare rates, diabetes treatment and other major issues impacting our community have been core to their work in the last year. This level of collaboration and partnership on health issues is unique and has served our community well.

In addition Dominican has continued its leadership in specialized Pediatric Care and working with the California Endowment Frequent Users grant which is designed to change systems in the Emergency Departments to allow individuals to access alternatives to acute care. The project was the only one of its kind funded in the State. The Chair of the Emergency Medical Commission is Dr. Lapid, the Medical Director of Dominican's Emergency Department, and Dominican staff contribute many hours improving the County-wide emergency medical system (EMS) system. Dominican has also done excellent work on quality of care systems in hospital intensive care and has received national recognition for its work in this area. Dominican was also a finalist for the Malcolm Baldrige Quality award in the healthcare category.

Sutter Surgery and Maternity Center has worked intensively with the Youth Resource Bank on scholarships for Healthy Families premiums and now Healthy Kids. They have also recruited new specialists with dedicated practice time for community clinic patients needing outpatient and inpatient care. They have also worked extensively on Medicare Locality 99 advocacy with the County. The high-risk obstetrical program for pregnant women, provided in partnership with the County Public Health division. Sutter staff has also been very active in service delivery and planning for needs of this population and their children.

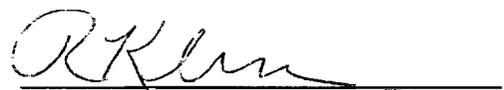
Watsonville Hospital has continued to support its Senior Circle program and is expanding in a new partnership with Salud Para La Gente and Elderday to open an Adult Day Health Center some time this fall. This is a very important commitment to expand services to frail seniors and individuals with disabilities in Watsonville. Watsonville is also participating in the California Endowment Emergency Department grant and working actively on emergency medical services with the County. Watsonville Hospital participates on the Central Coast Alliance for Health Board representing the interests of the local hospitals.

These are but a few of the highlights of our local hospitals who are to be acknowledged for their leadership and dedication to our community.

It is, therefore, RECOMMENDED that your Board:

1. Accept and file this report; and
2. Direct the Health Services Agency to report back in September, 2005 on data collected for Access to Care contracts in the year 2004.

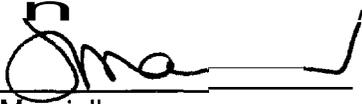
Sincerely,


 Rama Khalsa, Ph.D.
 Health Services Agency Director

RK:pb

Attachments: Attachment 1 – Access to Care Summary 1996-2003
 Attachment 2 – OSHPD Data, 2002
 Charity Care Policies

RECOMMENDED:



Susan A. Mauriello
County Administrative Officer

- Cc: County Administrative Office
County Counsel
Auditor-Controller
HSA Administration
Dominican Hospital
Sutter Maternity and Surgery Center
Watsonville Hospital
Emergency Medical Commission
Health Improvement Partnership Council
Public Health Commission

ACCESS TO CARE HOSPITAL DATA, 1996-2003

M

	2003	2002	2001	2000	1999	1998	1997	1996	Total
Gross Revenue	\$ 47,519,841	\$ 39,850,789	\$ 31,564,372	\$ 31,818,412	\$ 30,779,800	\$ 22,705,186	\$ 18,005,934	\$ 11,165,252	\$ 185,889,755
Cost to Charge	42.27%	45.96%	49.29%	46.17%	44.12%	53.57%	69%	85.16%	
Operating Expense	\$ 20,088,931	\$ 18,315,510	\$ 15,557,532	\$ 14,689,276	\$ 13,581,498	\$ 12,162,899	\$ 12,423,314	\$ 9,508,779	\$ 96,238,808
Gov programs Expense	\$ 4,895,473	\$ 4,349,119	\$ 3,487,254	\$ 3,238,143	\$ 3,326,387	\$ 3,144,978	\$ 3,009,969	\$ 1,880,908	\$ 19,727,758
Adj Operating Expense	\$ 15,193,458	\$ 13,966,391	\$ 12,070,278	\$ 11,451,133	\$ 10,255,111	\$ 9,017,921	\$ 12,122,345	\$ 7,627,871	\$ 76,511,050
7% Target	\$ 1,063,542	\$ 977,647	\$ 844,919	\$ 801,579	\$ 717,858	\$ 631,254	\$ 848,564	\$ 419,533	\$ 5,241,355
Bad Debt	\$ 1,539,890	\$ 842,506	\$ 998,947	\$ 240,585	\$ 308,146	\$ 478,579	\$ 406,580	\$ -	\$ 3,275,343
Charity Care	\$ 650,986	\$ 387,216	\$ 492,381	\$ 111,078	\$ 135,954	\$ 256,375	\$ 280,540	\$ -	\$ 1,663,544
Adj Bad Debt	\$ 144,732	\$ 54,208	\$ 66,992	\$ 122,582	\$ 75,195	\$ 75,031	\$ 26,437	\$ 19,182	\$ 454,847
Adj Charity Care	\$ 61,185	\$ 24,914	\$ 33,020	\$ 56,596	\$ 33,176	\$ 49,460	\$ 537,955	\$ 475,211	\$ 233,520
Uncompensated Care-Other	\$ 1,684,622	\$ 896,714	\$ 1,065,939	\$ 363,167	\$ 383,341	\$ 553,610	\$ 444,894	\$ 22,525	\$ 3,730,190
Uncompensated Care	\$ 712,171	\$ 412,130	\$ 525,401	\$ 167,674	\$ 169,130	\$ 323,065	\$ 678,166	\$ 22,525	\$ 2,699,438
Adj Uncomp. Care	\$ 587,472	\$ 469,528	\$ 415,600	\$ 358,754	\$ 163,299	\$ 302,946	\$ 867,738	\$ 423,872	\$ 1,407,181
Contribution & Comm Service									
Other Items									
Unpaid Costs	\$ 1,299,643	\$ 881,658	\$ 941,001	\$ 829,374	\$ 531,123	\$ 1,190,803	\$ 1,291,673	\$ 1,051,238	\$ 2,610,251
Total	\$ 236,101	\$ (95,990)	\$ 96,084	\$ 27,795	\$ (186,735)	\$ 559,548	\$ 443,109	\$ 631,705	\$ 6,716,870
Excess (deficit)	\$ 236,101	\$ (95,990)	\$ 96,084	\$ (275,151)	\$ (385,429)	\$ (308,190)	\$ (170,398)	\$ 4,339	\$ (1,134,735)
Excess (deficit) exc unpaid costs									
Total/Gross Revenue	2.2%	2.2%	3.0%	2.6%	1.7%	5.2%	7.2%	9.4%	3.6%
Total/Operating Expense	6.3%	6.3%	7.8%	7.2%	5.2%	13.2%	10.7%	13.8%	7.0%

WCH

	2003	2002	2001	2000	1999	1998	1997	1996	Total
Gross Revenue	\$ 365,368,913	\$ 279,558,353	\$ 254,350,140	\$ 195,929,361	\$ 141,120,162	\$ 108,060,744	\$ 103,336,619	\$ 103,336,619	\$ 1,032,355,379
Cost to Charge	22.83%	27.19%	29.27%	33.26%	41.16%	49.83%	49.81%	49.81%	
Operating Expense	\$ 83,401,708	\$ 76,010,210	\$ 25,488,782	\$ 21,596,081	\$ 20,361,845	\$ 17,046,592	\$ 16,791,222	\$ 16,791,222	\$ 177,294,732
Gov programs Expense	\$ 247,983,892	\$ 180,320,359	\$ 25,488,782	\$ 21,596,081	\$ 20,361,845	\$ 17,046,592	\$ 16,791,222	\$ 16,791,222	\$ 1,302,320,359
Adj Operating Expense	\$ 26,795,140	\$ 1,888,754	\$ 1,784,215	\$ 1,511,726	\$ 1,425,329	\$ 2,016,985	\$ 1,193,261	\$ 1,175,386	\$ 8,978,671
7% Target	\$ 1,875,660	\$ 5,792,029	\$ 4,967,008	\$ 3,519,779	\$ 3,165,288	\$ 3,519,779	\$ 2,016,985	\$ 978,089	\$ 20,439,178
Bad Debt	\$ 7,227,562	\$ 1,574,852	\$ 1,453,843	\$ 1,170,678	\$ 1,302,833	\$ 1,005,064	\$ 487,186	\$ 487,186	\$ 6,994,456
Charity Care	\$ 1,650,052	\$ 1,350,801	\$ 1,634,719	\$ 1,057,600	\$ 653,169	\$ 753,698	\$ 1,270,791	\$ 1,270,791	\$ 6,720,778
Adj Bad Debt	\$ 2,712,669	\$ 367,285	\$ 478,482	\$ 351,758	\$ 268,844	\$ 375,568	\$ 632,981	\$ 632,981	\$ 2,474,918
Adj Charity Care	\$ 619,302	\$ 7,142,830	\$ 6,601,727	\$ 4,577,379	\$ 3,818,457	\$ 2,770,683	\$ 2,248,880	\$ 2,248,880	\$ 27,159,956
Uncompensated Care-Other	\$ 9,940,231	\$ 1,942,092	\$ 1,932,325	\$ 1,522,436	\$ 1,571,677	\$ 1,380,631	\$ 1,120,167	\$ 1,120,167	\$ 9,469,329
Uncompensated Care	\$ 2,269,028	\$ 1,942,092	\$ 1,932,325	\$ 1,522,436	\$ 1,571,677	\$ 1,380,631	\$ 1,120,167	\$ 1,120,167	\$ 490,661
Adj Uncomp. Care	\$ 2,269,028	\$ 1,942,092	\$ 1,932,325	\$ 1,522,436	\$ 1,571,677	\$ 1,380,631	\$ 1,120,167	\$ 1,120,167	\$ 490,661
Contribution & Comm Service									
Other Items									
Unpaid Costs	\$ 2,269,028	\$ 1,942,092	\$ 1,932,325	\$ 1,522,436	\$ 1,571,677	\$ 1,380,631	\$ 1,120,167	\$ 1,120,167	\$ 9,469,329
Total	\$ 393,368	\$ 53,338	\$ 148,113	\$ 10,711	\$ 146,348	\$ 187,370	\$ 187,370	\$ (55,218)	\$ 490,661
Excess (deficit)	\$ 393,368	\$ 53,338	\$ 148,113	\$ 10,711	\$ 146,348	\$ 187,370	\$ 187,370	\$ (55,218)	\$ 490,661
Excess (deficit) exc unpaid costs									
Total/Gross Revenue	0.8%	0.8%	0.8%	0.8%	1.1%	1.3%	1.1%	1.1%	0.9%

DHSC

	2003	2002	2001	2000	1999	1998	1997	1996	Total
Gross Revenue	\$ 532,782,049	\$ 456,841,306	\$ 330,472,517	\$ 289,473,497	\$ 272,862,515	\$ 250,938,722	\$ 244,016,884	\$ 235,816,649	\$ 2,080,222,090
Cost to Charge	29.28%	29.62%	36.46%	40.41%	40.44%	42.22%	43.88%	43.80%	
Operating Expense	\$ 156,020,697	\$ 64,239,883	\$ 46,725,331	\$ 55,309,811	\$ 51,081,551	\$ 42,522,518	\$ 44,104,443	\$ 41,437,136	\$ 345,420,773
Gov. programs Expense									
Adj Operating Expense	\$ 60,558,472	\$ 64,239,883	\$ 46,725,331	\$ 55,309,811	\$ 51,081,551	\$ 42,522,518	\$ 44,104,443	\$ 41,437,136	\$ 345,420,773
7% Target	\$ 4,239,093	\$ 4,496,792	\$ 3,270,773	\$ 3,871,687	\$ 3,575,716	\$ 2,976,576	\$ 3,087,311	\$ 2,900,600	\$ 24,179,454
Bad Debt	\$ 10,612,282	\$ 9,288,252	\$ 7,212,450	\$ 4,327,984	\$ 3,739,328	\$ 2,804,999	\$ 2,955,040	\$ 4,539,076	\$ 34,847,129
Adj Bad Debt	\$ 3,107,716	\$ 2,745,256	\$ 2,629,659	\$ 1,748,938	\$ 1,512,184	\$ 1,184,271	\$ 1,296,672	\$ 1,988,115	\$ 13,105,096
Charity Care	\$ 6,622,477	\$ 4,804,515	\$ 2,523,092	\$ 2,611,204	\$ 2,374,819	\$ 1,891,319	\$ 3,046,679	\$ 1,631,459	\$ 18,863,087
Adj Charity Care	\$ 1,939,336	\$ 1,423,097	\$ 919,919	\$ 1,055,188	\$ 960,377	\$ 798,515	\$ 1,336,883	\$ 714,579	\$ 7,208,558
Uncompensated Care-Other									
Uncompensated Care	\$ 17,234,759	\$ 14,072,767	\$ 9,735,542	\$ 6,939,188	\$ 6,114,147	\$ 4,696,318	\$ 6,001,719	\$ 6,170,535	\$ 53,730,216
Adj Uncomp. Care	\$ 5,047,053	\$ 4,168,354	\$ 3,549,579	\$ 2,804,126	\$ 2,472,561	\$ 1,982,785	\$ 2,633,554	\$ 2,702,694	\$ 20,313,653
Contribution & Comm Service	\$ 2,092,000	\$ 987,000	\$ 415,600	\$ 1,188,000	\$ 886,000	\$ 903,000	\$ 563,000	\$ 835,000	\$ 5,777,600
Other Items	\$ -	\$ 1,068,000	\$ -	\$ 453,000	\$ 598,000	\$ 230,000	\$ 518,000	\$ 704,000	\$ 3,571,000
Unpaid Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 7,139,053	\$ 6,223,354	\$ 3,965,179	\$ 4,445,126	\$ 3,956,561	\$ 3,115,785	\$ 3,714,554	\$ 4,241,694	\$ 29,662,253
Excess (deficit)	\$ 2,899,960	\$ 1,726,562	\$ 694,407	\$ 573,439	\$ 380,845	\$ 139,209	\$ 627,243	\$ 1,341,095	\$ 5,482,801
Excess (deficit) exc unpaid costs	\$ 2,899,960	\$ 1,726,562	\$ 694,407	\$ 573,439	\$ 380,845	\$ 139,209	\$ 627,243	\$ 1,341,095	\$ 5,482,801
Total/Gross Revenue	1.4%	1.4%	1.2%	1.5%	1.5%	1.2%	1.5%	1.8%	1.4%
Total/Operating Exp	9.7%	9.7%	8.5%	8.0%	7.7%	10.0%	8.4%	10.2%	8.6%
non-billed services	\$ 108,000	\$ 455,000	\$ 307,000	\$ 227,000	\$ 195,000	\$ 390,000	\$ 1,786,000	\$ -	\$ 1,786,000

ATTACHMENT 2

HOSPITAL DATA - EXTRAPOLATED FROM OSHPD

Facility Number:	106440755	106444012	106444013
Facility Name:	DOMINICAN SANTA CRUZ HOSPITAL - SOQUEL	SUTTER MATERNITY & SURGERY CENTER	WATSONVILLE COMMUNITY HOSPITAL
BEG-DATE	7/11/2002	1/11/2002	1/11/2002
END-DATE	6/30/2003	12/31/2002	12/31/2002
TYPE-CNTRL	NON-PROFIT	NON-PROFIT	INVESTOR
TYPE-CARE	GENERAL	SPECIALTY	GENERAL
TYPE-HOSP	COMPARABLE	COMPARABLE	COMPARABLE
TEACH-RURL			
PHONE	(831)462-7700	(831)477-2200	(831)724-4741
ADDRESS	1555 SOQUEL DR	2900 CHANTICLEER AVE	75 NIELSON STREET
CITY	SANTA CRUZ	SANTA CRUZ	WATSONVILLE
ZIP-CODE	95065-1705	95065	95076
OWNER	CATHOLIC HEALTHCARE	SUTTER HEALTH	COMMUNITY HEALTH SYSTEMS INC
MCAR_PRO#	05-0242	05-0714	05-0194
MCAL_PRO#	HSC00242F		
REG_MCAL#		HSP30714F	ZZR00194F
DAY_MCAR_TR	25,281	1,326	7,708
DAY_MCAR_MC	3,092	0	853
DAY_MCAL_TR	5,444	23	2,261
DAY_MCAL_MC	4,562	355	4,610
DAY-CNTY	2,846	3	242
DAY_THRD_TR	20,551	3,442	568
DAY-OTH	1,754	81	313
DAY-TOT	63,530	5,238	20,383
DIS_MCAR_TR	5,129	362	1,563
DIS_MCAR_MC	640	0	154
DIS_MCAL_TR	899	12	726
DIS_MCAL_MC	886	149	1,617
DIS_CNTY	483	2	54
DIS_THRD_TR	4,010	1,392	186
DIS_THRD_MC	0	0	1,339
DIS_OTH_IND	0	4	0
DIS_OTH	333	62	77
DIS_TOT	12,380	1,983	5,716
BED-ACUTE	294	30	106
BED-PSYCH	28	0	0
BED_LTC	37	0	0
BED-RESDNT	0	0	0
DAY-ACUTE	43,315	5,238	20,383
DAY-PSYCH	5,709	0	0
DAY-REHAB	4,232	0	0
DAY-LTC	10,274	0	0
DIS_ACUTE	10,333	1,983	5,716
DIS_PSYCH	890	0	0
DIS_REHAB	308	0	0
DIS_LTC	849	0	0
OCC_LIC	45.9	47.8	52.7
OCC_AVL	60.4	47.8	52.7
ALOS_ALL	5.1	2.6	3.6
ALOS_EXLTC	4.6	2.6	3.6
BAS-NURSRY	25	0	10
DAY-NURSRY	1,950	0	2,758
DIS_NURSRY	924	0	1,317
VIS_MCAR_TR	36,388	820	14,089
VIS_MCAR_MC	5,990	0	361
VIS_MCAL_TR	5,832	0	10,098
VIS_MCAL_MC	13,572	137	3,401
VIS-CNTY	4,236	10	492
VIS_THRD_TR	62,460	3,946	2,878
VIS_THRD_MC	0	0	10,684

Facility Number:	106440755	106444012	106444013
Facility Name:	DOMINICAN SANTA CRUZ HOSPITAL - SOQUEL	SUTTER MATERNITY & SURGERY CENTER	WATSONVILLE COMMUNITY HOSPITAL

VIS_OTH_IND	0	7	0
VIS-OTH	13,881	108	3,457
VIS-TOT	142,359	5,028	45,460
VIS-ER	38,203	0	25,565
VIS-CLIN	8,681	0	0
VIS-HOME	11,356	0	18,804
VIS-REF-OP	87,913	0	0
OP_ROOM	7	6	3
OP_MIN_IP	513,955	172,831	291,485
OP_MIN_OP	114,458	281,460	241,768
SURG_IP	3,310	907	1,862
SURG_OP	1,195	4,590	3,225
CT_SCANS	8,236	0	7,320
GR_PT_REV	532,782,049	39,850,799	328,601,450
DED_FR_REV	372,976,625	19,085,351	246,384,471
TOT-CAP-REV	111,199	0	0
NET_PT_REV	159,916,623	20,765,448	82,216,979
OTH_OP_REV	1,961,106	263,097	154,665
TOT_OP_EXP	156,020,697	18,175,137	77,080,754
NET_FRM_OP	5,857,032	2,853,408	5,290,890
NONOP_REV	3,953,048	203,600	157,749
NONOP_EXP	4,258,090	140,375	107,546
NET-INCOME	5,551,990	2,916,633	5,341,093
GR_REV_DLY	153,574,741	8,536,714	45,753,490
GR_REV_AMB	28,836,448	199,970	28,885,831
GR_REV_ANC	350,370,860	31,114,115	253,962,129
GR_IP_MCAR_TR	185,739,717	4,514,473	68,440,271
GR_IP_MCAR_MC	27,597,492	0	9,167,969
GR_IP_MCAL_TR	19,255,381	65,080	21,548,539
GR_IP_MCAL_MC	29,374,818	1,150,846	29,745,921
GR_IP_CNTY	13,307,018	36,840	2,992,727
GR_IP_THRD_TR	135,093,176	14,055,142	9,919,391
GR_IP_THRD_MC	0	0	39,123,275
GR_IP_OTH_IND	0	62,289	0
GR_IP_OTH	10,515,800	310,479	7,282,971
GR_IP_TOT	420,883,402	20,195,149	188,221,064
GR_OP_MCAR_TR	31,454,472	3,254,686	36,259,003
GR_OP_MCAR_MC	5,543,996	0	2,190,077
GR_OP_MCAL_TR	2,475,847	0	24,196,943
GR_OP_MCAL_MC	9,059,362	420,138	8,333,050
GR_OP_CNTY	2,177,878	20,730	1,394,564
GR_OP_THRD_TR	52,968,546	15,647,902	13,944,609
GR_OP_THRD_MC	0	0	43,825,760
GR_OP_OTH_IND	0	61,880	0
GR_OP_OTH	8,218,546	250,314	10,236,380
GR_OP_TOT	111,898,647	19,655,650	140,380,386
C_ADJ_MCAR_TR	159,821,849	4,939,401	85,444,137
C_ADJ_MCAR_MC	21,940,504	0	9,465,378
C_ADJ_MCAL_TR	15,419,610	26,507	36,754,004
C_ADJ_MCAL_MC	30,783,442	1,249,934	31,056,493
C_ADJ_CNTY	11,116,610	47,404	3,719,028
C_ADJ_THRD_TR	113,622,894	11,925,391	16,235,845
C_ADJ_THRD_MC	0	0	53,899,242
BAD-DEBT	10,612,282	842,506	5,792,029
CHAR-OTH	6,622,477	54,208	1,339,585
DED_OTH	3,036,957	0	2,678,730
CAP-REV-MCAL	111,199	0	0
NETRV_MCAR_TR	56,104,392	2,665,506	19,190,864
NETRV_MCAR_MC	11,200,984	0	1,892,668
NETRV_MCAL_TR	4,845,087	38.573	8,973,357

Facility Number:	106440755	106444012	106444013
Facility Name:	DOMINICAN SANTA CRUZ HOSPITAL - SOQUEL	SUTTER MATERNITY & SURGERY CENTER	WATSONVILLE COMMUNITY HOSPITAL

NETRV_MCAL_MC	6,694,559	286,461	7,022,478
NETRV_CNTY	4,368,286	8,949	668,263
NETRV_THRD_TR	74,366,087	17,149,686	6,568,542
NETRV_THRD_MC	0	0	28,181,541
NETRV_OTH_IND	0	69,961	0
NETRV_OTH	2,337,228	546,312	9,719,266
INTER-TFR	886,553	0	0
INC_INVEST	(681,456)	53,096	0
EXP_DLY	42,209,321	3,474,842	12,510,797
EXP_AMB	9,208,205	85,709	7,077,623
EXP_ANC	50,674,300	6,284,248	26,447,550
EXP_GEN	23,029,875	3,070,461	11,160,696
EXP_FISC	6,076,840	766,862	4,553,999
EXP_ADM	18,208,084	2,602,475	8,406,621
EXP_UNASSG	6,614,072	1,890,540	6,923,468
EXP_SAL	60,114,246	5,268,621	27,353,731
EXP_BEN	33,781,387	1,886,897	11,787,579
EXP_PHYS	2,981,103	130,000	986,865
EXP_OTHPRO	6,216,851	1,035,301	3,922,219
EXP_SUPP	22,752,034	3,319,477	10,936,514
EXP_PURCH	13,775,127	3,041,954	7,979,385
EXP_DEPRE	7,204,896	1,028,822	4,159,711
EXP_LEASES	1,876,859	126,720	1,173,511
EXP_INSUR	678,842	234,384	733,302
EXP_INTRST	1,462,168	992,385	3,905,989
EXP_OTH	5,177,184	1,110,576	4,141,948
CUR-ASST	38,769,108	8,085,778	19,689,598
ASST_LIMTD	47,614,466	0	0
NET-PPE	49,131,962	15,568,233	56,492,889
CONST_PROG	1,648,405	0	0
INV_OTH	3,949,514	0	1,473,623
INTAN-ASST	0	365,583	0
TOT-ASST	141,113,455	24,019,594	77,656,110
CUR-LIAB	27,717,868	3,593,773	15,298,245
DEF_CRED	2,863,598	0	0
NET-LTDEBT	19,460,343	18,155,180	61,971,267
EQUITY	91,071,646	2,270,641	386,598
LIAB_EQ	141,113,455	24,019,594	77,656,110
CASH	2,652,281	3,716,744	0
BLDGS	83,202,701	10,985,127	49,744,823
EQUIPMENT	43,306,839	10,016,051	15,554,886
TOT-PPE	134,653,220	23,676,106	68,666,544
ACC_DEPRE	85,521,258	8,107,873	12,173,655
MORT-PAY	21,538,719	0	0
BOND-PAY	0	18,563,450	0
TOT-LTDEBT	21,538,719	18,585,670	62,063,267
CUR-MAT	2,078,376	430,490	92,000
INTER-PAY	0	181,158	62,063,267
HOSP_EMP	1,449	172	730
HOSP_FTE	1,057	109	564
NURS_EMP	657	0	322
PROD-HRS	1,985,386	205,047	1,042,682
NON_PRD_HR	303,438	22,021	187,922
PAID_HRS	2,288,824	227,068	1,230,604
MED_STAFF	484	186	156

Sutter Health and Affiliates Finance Policies and Procedures	
CHARITY CARE AND LOW INCOME UNINSURED POLICY	
Policy Number: 285	Origination Date: 10/90 Revised Date: 1/04 Next Review Date:
Approved by: Robert D. Reed, Chief Financial Officer	

POLICY

Sutter Health's mission statement, "**To enhance the health and well-being of people in the communities we serve through compassion and excellence**", reflects Sutter's social accountability to the communities in which we are located. Providing charity care (financial assistance) to the low-income uninsured, along with other community benefit services are important evidence of Sutter's mission fulfillment. It is imperative that the determination, reporting, and tracking of charity care are in concert with our not-for-profit mission and community obligation.

Partial and/or full charity care will be based on the individual's ability to pay as defined by Federal Poverty Income Guidelines and the attached sliding scale. Confidentiality of information and individual dignity will be maintained for all that seek charitable services. The handling of personal health information will meet all HIPAA requirements.

This policy along with individualized implementation procedures will be used by all Sutter Health hospitals. Any modification must be approved in writing by Sutter Health.

PURPOSE

The purpose of this policy is to define the eligibility criteria for charity care services and to provide administrative and accounting guidelines for the identification, classification and reporting of patient accounts as charity care.

Definition of Charity Care:

A low-income uninsured patient is eligible for Charity Care consideration based on meeting the income eligibility criteria as established by the Sutter Health Federal Poverty Income Guideline Sliding Scale.

Charity care and discounts provided by this policy are generally not available for "elective procedures", however, in certain cases an exception may be made. These exceptions require approval by affiliate administration. Specialized, high-cost services (i.e. experimental procedures, transplants, etc.) requiring charity care are also subject to the review of affiliate administration prior to the provision of service.

Final determination regarding eligibility for charity care for patients traveling from outside of the hospital's immediate service area is left to the discretion of the individual affiliate.

Eligibility Criteria:

A. Charity Care Application: (See Attachment A)

1. A low income uninsured hospital patient who indicates the financial inability to pay a bill for a medically necessary service shall be evaluated for charity care assistance.
2. The Sutter Health standardized application form will be used to document each patient's overall financial situation. This application should be available in the primary language(s) of the affiliate service area.
3. Once a determination has been made a notification form will be sent to each applicant advising them of the facilities' decision.
4. Credit reports may be used when appropriate to verify an individual's financial status.
5. A patient's employment status may be taken into consideration when evaluating charity care status as well as potential payments from pending litigation, and third party liens related to the incident of care.
6. The amount and frequency of hospital bills may also be considered.
7. The data used in making a determination concerning eligibility for charity care should be verified to the extent practical in relation to the amount involved.

B. Full Charity Care:

The basic standard for full charity care write-off will be 300% of the most recent Federal Poverty Guidelines.

C. Partial Charity Care: (See Attachment B)

Partial charity care will be granted to patients earning between 301% and 400% of the most recent Federal Poverty Guidelines. For these patients, amounts greater than 120% of the average Medicare reimbursement percentage for the facility (based on the most recent Medicare Cost Report) will receive a charity discount from routine charges.

D. Medi-Cal Denied Patient Days and Non-covered Services:

Medi-Cal patients are eligible for charity care write-offs related to denied stays, denied days of care, and non-covered services. These Treatment Authorization Request (TAR) denials and any lack of payment for non-covered services provided to Medi-Cal patients are to be classified as charity.

E. Catastrophic Charity Care:

In order to qualify for Catastrophic Charity Care Circumstances the low-income uninsured hospital patient must meet the expense qualification as described below:

Expense Qualification:

The patient's Allowable Medical Expenses must exceed 30 percent of his or her Family Income determined as follows:

- i. The Hospital will multiply the Family Income as determined in Section K. by 30 %
- ii. The Hospital will determine the patient's Allowable Medical Expenses.
- iii. The Hospital will compare 30% of the Family Income as determined in Section K to the total amount of the patient's Allowable Medical expenses. If the total of the Allowable Medical Expenses is greater than 30% of the Family Income, then the patient meets the Catastrophic Charity Care qualification. The Hospital will subtract 30% of the Family Income from the Allowable Medical Expenses to determine the amount by which the Allowable Medical Expenses exceed the available income; this amount is then eligible for a charity care write-off.

Eligibility Period:

The eligibility period is one year from the date of the initial eligibility determination, unless over the course of that year the patient's family Income or insurance status changes to such an extent that the patient becomes ineligible.

F. Homeless Patients:

Emergency room patients without a payment source may be classified as charity if they do not have a job, mailing address, residence, or insurance. Consideration must also be given to classifying emergency room only patients who do not provide adequate information as to their financial status. In many instances, these patients are homeless and have few resources to cover the cost of their care.

G. Collection Agency:

If a collection agency identifies a patient meeting the hospital's charity care eligibility criteria their patient account may be considered charity care, even if they were originally classified as a bad debt. Collection agency patient accounts meeting charity care criteria should be returned to the hospital billing office and reviewed for charity care eligibility.

H. Special Circumstances:

1. Deceased patients without an estate or third party coverage will be eligible for charity.
2. Patients who are in bankruptcy or recently completed bankruptcy may be eligible for charity.
3. In rare occasions, a patient's individual circumstances may be such that while they do not meet the regular charity care criteria in this policy they do not have the ability to pay their hospital bill. In these situations, with the approval of management, part or all of their cost of care may be written off as charity care. There must be complete documentation of why the decision was made to do so and why the patient did not meet the regular criteria.

I. Governmental Assistance:

1. In determining whether each individual qualifies for charity care, other county or governmental assistance programs should also be considered. Many applicants are not aware that they may be eligible for assistance such as Medi-Cal, the Healthy Families Program, Victims of Crime, or California Children Services
2. The entity should assist the individual in determining if they are eligible for any governmental or other assistance.
3. Persons eligible for programs such as Medi-Cal but whose eligibility status is not established for the period during which the medical services were rendered, may be granted charity care for those services. An entity may make the granting of charity contingent upon applying for governmental program assistance. This may be prudent, especially if the particular patient requires ongoing services.

J. Time Requirements for Determination:

1. While it is desirable to determine the amount of charity care for which a patient is eligible as close to the time of service as possible, there is no rigid limit on the time when the determination is made. In some cases, eligibility is readily apparent and a determination can be made before, on, or soon after the date of service. In other cases, it can take investigation to determine eligibility, particularly when the patient has limited ability or willingness to provide needed information.
2. Every effort should be made to determine a patient's eligibility for charity care. In some cases, a patient eligible for charity care may not have been identified prior to initiating external collection action. Accordingly, each entity's collection agency should be made aware of the policy on charity care. This will allow the agency to report amounts that they have determined to be uncollectable due to the inability to pay in accordance with the facilities charity care eligibility guidelines.

K. Definition of Income:

1. Annual family earnings and cash benefits from all sources before taxes, less payments made for alimony and child support.
2. Proof of earnings may be determined by annualizing year-to-date family income, giving consideration for current earning rates.

L. Approval Matrix of who can grant Charity Care Write-off's:

Each entity, depending on their departmental make-up, levels of management and size, should have an approval level matrix for charity care.

M. Accounting for Charity Care:

Each affiliate will account for the charity care write-offs in separate Deduction from Revenue general ledger accounts. One account should be used to track charity care given under the full charity care provision, a second account should be used to track charity care under the partial charity care provision, the third account should be used to track charity care given under the catastrophic coverage component. This allows the affiliate to track and monitor the amount and type of charity care being granted. The transaction codes used for accounting for charity care and their mapping to the General Ledger must be reviewed periodically to ensure accuracy.

N. Roles and Responsibilities:

Procedures must be adopted that clearly address the various responsibilities in the determination of charity care. This includes the contact with the patient, provision of information, assistance to the patient, making the determination of charity care eligibility, and notifying the patient.

O. Recordkeeping:

Records relating to potential charity care patients must be readily obtained. Consideration should be given to maintaining a central file and spreadsheet of the Statement of Financial Condition, Charity Care Recommendation Summary forms and final disposition.

In addition, notes relating to charity application and approval or denial should be entered on the patient's account.

P. Application of Policy:

This policy does not create an obligation to pay for any charges or services not included in the hospital bill at the time of service. This policy does not apply to services provided within the hospital by physicians or other medical providers including Anesthesiologists, Radiologists, Hospitalist, Pathologist, etc.

Q. Public Notice and Posting:

Public notice of the availability of assistance through this policy should be made through each of the following means:

1. Posting notices in a visible manner in locations where there is a high volume of inpatient or outpatient admitting/registration, such as emergency departments, billing offices, admitting offices, and hospital outpatient service settings.
2. Including language on bills sent to uninsured patients statements indicating:
 - a.) If the patient meets certain income requirements the patient may be eligible for a government-sponsored program or for financial assistance from the hospital
 - b.) A hospital phone number that patients may call for further information.
3. Posting notice of the availability of assistance and a contact phone number on the affiliate's web site.
4. Providing uninsured patient's a matrix outlining the types of financial assistance available.

Posted notices (as listed above) shall be in the primary language(s) of the affiliate's service area and in a manner consistent with all applicable federal and state laws and regulations. Posted notices shall contain the following information:

1. A statement indicating that the hospital has a financial assistance policy for low-income uninsured patients who may not be able to pay their bill and that this policy provides for full or partial charity care write-off.
2. Identification of a hospital contact phone number that the patient can call to obtain more information about the policy and about how to apply for assistance.

STATEMENT OF FINANCIAL CONDITION (Attachment A)

PATIENT NAME _____ **SPOUSE** _____
ADDRESS _____ **PHONE** _____
ACCOUNT # _____ **SSN** _____
(PATIENT) (SPOUSE)

FAMILY STATUS: List all dependents that you support

Name	Age	Relationship
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

EMPLOYMENT AND OCCUPATION

Employer: _____ Position: _____
Contact Person & Telephone: _____
If Self-Employed, Name of Business: _____

Spouse Employer: _____ Position: _____
Contact Person & Telephone: _____
If Self-Employed, Name of Business: _____

CURRENT MONTHLY INCOME

	Patient	Spouse
Gross Pay (before deductions)	_____	_____
Add: Income from Operating Business (if Self-Employed)	_____	_____
Add: Other Income:		
Interest and Dividends	_____	_____
From Real Estate or Personal Property	_____	_____
Social Security	_____	_____
Other (specify):	_____	_____
Alimony or Support Payments Received	_____	_____
Subtract: Alimony, Support Payments Paid	_____	_____
Equals: Current Monthly Income	_____	_____
Total Current Monthly Income (add Patient+Spouse Income from above)	_____	_____

FAMILY SIZE

Total Family Members _____
(add patient, spouse and dependents from above)

By signing this form, I agree to allow Sutter Health to check employment and credit history for the purpose of determining my eligibility for a financial discount. I understand that I may be required to provide proof of the information I am providing.

(Signature of Patient or Guarantor) (Date)

(Signature of Spouse) (Date)

CHARITY CARE CALCULATION WORKSHEET

Patient Name: _____ Patient Account #: _____
 Affiliate: _____

Special Considerations/Circumstances: _____

	Yes	No
Does Patient have Insurance?	<input type="checkbox"/>	<input type="checkbox"/>
Is Patient Eligible for Medicare?	<input type="checkbox"/>	<input type="checkbox"/>
Is Patient Eligible for Medi-Cal?	<input type="checkbox"/>	<input type="checkbox"/>
Is Patient Eligible for Other Government Programs (I.e. Crime Victims, etc)?	<input type="checkbox"/>	<input type="checkbox"/>
If eligibility exists for above programs, patient will not generally be eligible for charity care.		
Is Patient Self-Pay?	<input type="checkbox"/>	<input type="checkbox"/>

Charity/Financial Assistance Calculation:

Total Combined Current Monthly Income
 (From Statement of Financial Condition) \$ _____

Family Size (From Statement of Financial Condition) _____

Qualification for Charity Care/Financial Assistance (circle one): **Full** Partial
 (Identify using eligibility guide) Catastrophic No Eligibility

Partial Charity Write-off Calculation (complete this section only if patient qualifies for partial charity care):

A. Total Charges _____
 B. Medicare 120% Net Cost/Charge Ratio for Facility _____
 C. Patient Liability (Line A *times* Line B) \$ _____
 D. Discount Amount (Line A *minus* line C) \$ _____

Catastrophic Charity Write-off Calculation (complete section only if patient qualifies for catastrophic charity w/o):

A. Patient Liability (total charges unless another discount has been applied) _____
 B. Annual Income _____
 C. Patient Liability as Percent of Annual Income _____
 D. Is Line A divided by Line B greater than .30 (30%)? Yes No
 E. If no, patient is not eligible for this type of write-off \$0
 F. If yes, multiply Line B by 30% to identify the patient liability amount \$ _____
 G. If yes, Subtract line F from Line A to identify the write-off amount. _____

Total Amount of Recommended Charity Write-off(s): \$ _____

Worksheet Completed by: _____ Phone: _____

Approved by: _____
 (see approval matrix)

AUTHORIZED FOR CHARITY WRITE-OFF

APPROVAL MATRIX: to be developed by each entity in accordance with departmental make-up, levels of management and size. For example:

CEO and/or CFO	Above \$10,000
Business Services Director and/or Controller	up to \$10,000
Supervisors: Business Services, Patient Accounting, Admitting and/or Collections	up to \$1,000

Approval Signature(s)

Date: _____



ATTACHMENT B: Sutter Health Federal Poverty Income Guideline Sliding Scale

Eligibility Guide: Using household income and size as calculated in the Attachment A, identify eligibility for financial discount.

Family Size	Period	Federal Poverty Guidelines	If income is above 300% but below 400% (shown below), eligible for <i>Partial write-off</i>
1	Annual	\$9,310	\$37,240
	Monthly	\$776	\$3,103
2	Annual	\$12,490	\$49,960
	Monthly	\$1,041	\$4,163
3	Annual	\$15,670	\$62,680
	Monthly	\$1,306	\$5,223
4	Annual	\$18,850	\$75,400
	Monthly	\$1,571	\$6,283
5	Annual	\$22,030	\$88,120
	Monthly	\$1,836	\$7,343
6	Annual	\$25,210	\$100,840
	Monthly	\$2,101	\$8,403
7	Annual	\$28,390	\$113,560
	Monthly	\$2,366	\$9,463
8	Annual	\$31,570	\$126,280
	Monthly	\$2,631	\$10,523

Catastrophic Coverage:

If the Patient Liability is greater than or equal to 30% of the annual family income, amounts greater than 30% of the income may be written off to charity care due to catastrophic circumstances.



Dominican Hospital
CHW

8610adm-159

POLICY STATEMENT

CHARITY CARE/FINANCIAL ASSISTANCE

RICK HARRON, Chief Financial Officer
Prepared by

11/5/03

5/9/94

Date issued

Replaces statement issued on

Authorized by

POLICY:

Charity care, the caring for persons with special needs and an inability to pay for needed services, holds a high priority for the Adrian Dominican Sisters. Service to the poor and vulnerable is integral to the Sisters' mission and is clearly evident in Dominican Hospital's Mission and Philosophy:

A further commitment is to serve the health care needs of the poor.

We at Dominican Value:

“Human life, the dignity of all persons, the right to health care....

Leadership in society that is positive and active on issues affecting the well-being of people.”

The granting of charity care/financial assistance will be based solely on the person's ability to pay, regardless of age, gender, race, socio-economic or immigrant status, sexual orientation or religious affiliation. Inpatients and outpatients will be screened for their financial ability to pay for treatment and to determine the need for charity care/financial assistance, a payment plan and/or assistance with other resources. Based on the individual circumstances of patients, every reasonable effort will be made to explore appropriate alternative sources of payment and coverage from third parties, and other public and private programs, to allow Dominican to provide the maximum level of charity care/financial assistance to the greatest number of persons in need. Information about Dominican's Financial Assistance program will be posted in the Emergency and main Admitting Departments and will be written in the primary languages spoken by the residents of the community served by Dominican. Refer to Attachment CC-A.

Dominican is committed to providing charity care/financial assistance to those deemed eligible. Dominican will assess patients prior to services being rendered, if feasible, and after services are rendered, if not already done so, to determine charity care/financial assistance. The manner of screening shall reflect the Dominican Spirit of compassionate caring, human dignity and faithful stewardship. It is an expectation that the patient/guarantor will cooperate and supply all necessary information required to make a determination for charity care/financial assistance eligibility. Applicants are required to fully cooperate and apply for any program for which they may be eligible prior to their evaluation for charity care/financial assistance. The PFS Director

or CFO may waive such conditions in situations where the patient/guarantor is not capable of meeting these requirements.

Dominican will report charity care as required by law, in the annual Social Accountability Report and may voluntarily report such information as deemed appropriate. Charity care statistics shall not include amounts that are properly considered to be bad debt or contractual discounts.

PROCEDURE:

A. DEFINITION OF CHARITY CARE/FINANCIAL ASSISTANCE:

General guidelines for identifying patients eligible for charity care/financial assistance have been provided below. These guidelines cover the screening of patients who qualify for a charity care/financial assistance and are to be used by Patient Accounting office personnel and other staff. When possible, the extent of charity care/financial assistance to individual patients should be determined prior to the rendering of service.

B. CHARITY CARE/FINANCIAL ASSISTANCE FINANCIAL SCREENING:

All patient's who present themselves as not able to fulfill/satisfy their full responsibility for care will be financially screened. Requests for a charity care/financial assistance forms should be made to the Patient Accounting Department. The completed information is to be returned to the PFS Director for review and follow up. While the requests for charity will require the patient's involvement, requests for consideration may originate from a family member, close friend or associate of the family. A referral may also be initiated by any member of the medical staff or hospital staff, including physicians, nurses, financial counselors, social workers, case managers, chaplains, religious sponsors, or others, who may be aware of the potential need for charity care/financial assistance consideration.

Requests for charity care should be submitted prior to rendering of services. However, charity care allowances will be considered after the rendering of service if there is a documented need.

Charity care/financial assistance is provided on an individual occurrence basis. At the time a patient applies for charity care/financial assistance all outstanding receivables from prior services, including those in bad debt status, are to be reviewed. When applicable, the need for charity care/financial assistance is to be re-evaluated at the following times:

- Subsequent rendering of services,
- Income change,
- Family size change,
- When an account that is closed is to be reopened, or
- When the last financial evaluation was completed more than a year before.

The information supplied on the completed application will be used by authorized representatives of Patient Accounting in the evaluation of the patient's financial situation

and in making a decision regarding the patient’s ability to pay for services provided, or for full or partial waiver of payment (sliding fee schedule). See Attachment CC-C for “Charity Care/Financial Assistance Application Process.”

Attachment CC-D is used to assist in analyzing potential charity care based on net income. It is based on 200% of the Federal Poverty Guideline, which is one of the criteria that Santa Cruz County uses for determining Medi-Cruz eligibility. The table allows for a decreasing level of charity care (10% increments), as a person’s income increases (5% increments). Anyone falling within this criterion would receive, as a minimum, the charity percent indicated. In addition, if there are extenuating circumstances not apparent by reviewing a person’s income, additional charity may be allowed. The table is not contractual in nature, but rather an understanding subject to revision if substantial changes in the patient’s circumstances or hospital’s capability for charity care are subsequently disclosed.

In addition to income, assets need to be taken into consideration when reviewing a person’s ability to pay. A patient is allowed one car, one home, and liquid assets up to the following amounts:

SINGLE: Medi-Cal for 2003 is: \$2,000
 FAMILY: Guideline \$3,000

Examples of liquid assets are cash, stocks, and bonds. Assets exceeding these amounts would be expected to be “spent down” to this level before charity would be provided. If a person has more than one car or home, the value of the second car or home is included with the value of other liquid assets and is then compared to the above allowed amounts. If the total value of their includable assets exceeds the allowed amount, the excess must be spent down before charity is considered.

Approval levels are as follows:

Dollar Range	Type of Case	Approval Level
\$40 - \$999	Individual Cases	Patient Accounting Supervisor
\$1,000-\$9,999	Individual Cases	PFS Director
\$10,000 +		CFO

Assignment of Financial Responsibility:

1. Prior to rendering of services, the Financial Counselor will screen the patient’s financial status for potential charity care referral.
2. Income on Attachment CC-D refers to total net earnings from all sources. These sources include money wages before deduction, but not including food or rent in lieu of wages. Other sources are payments from Social Security, public assistance, unemployment and worker’s compensation, veterans benefits, child support, alimony, pensions, regular insurance and annuity payments, and income from estates and trusts, assets drawn down as withdrawals from a bank, sale of property, and one-time insurance or compensation payments. The ability to borrow against assets should also be considered as another source of cash.

3. All patients requesting charity will be asked to provide, if available, last year's W-2. If not available, documentation representative of current income is sufficient.
4. Charity is provided on an individual basis. When a patient is considered for charity, all outstanding accounts are to be reviewed and considered.
5. The patient/guarantor will be notified in writing of approval/denial of their charity care/financial assistance request within 30 days of receipt of completed application. If a patient/guarantor feels that a denial for charity care/financial assistance was made in error, they will be instructed to provide additional information that may assist Dominican in reconsidering the request.
6. When possible, the benefits of Medical, Medi-Cruz and other programs will be explained to the patient at the time of registration. All patients will be requested to apply when appropriate.

C. ADDITIONAL SITUATIONS WHEN CHARITY CARE/FINANCIAL ASSISTANCE MAY APPLY

- Patients covered by a third party payer, who are unable to pay for their deductibles, co-pays, and/or non-covered services, are also eligible for charity care/financial assistance as set forth in this Policy and Procedure.
- Services provided to Medicaid beneficiaries that are medically necessary but are not covered by the respective Medicaid program qualify as charity.
- If a patient is unable to provide required documentation due to clearly being indigent (e.g., homeless), the facility may categorize write-offs as charity if consistent with internal facility procedures (i.e., local Authorization Policy) and so long as the rationale for the decision is documented.
- If the patient cannot pay the balance on the account within 30 days of bill receipt, Dominican will first consider a short-term payment plan (30 days to 6 months). Short-term payment plans are paid in full within six months and do not require the patient to provide a financial statement. If the patient cannot pay in full within six months, the account representative will provide a Financial Assistance Application Form (Attachment CC-B) to the patient/guarantor for completion. After review of the completed application a long-term payment plan (six months to 1 year, unless special circumstances warrant a longer time period) and/or charity care/financial assistance will be considered.
- If a self-pay account (or the self-pay portion of an insurance account) is assigned to a collection agency, and the agency determines that a patient/guarantor is unable to meet their financial obligations to Dominican Hospital, and meets the criteria established in this policy and procedure, the collection agency is instructed to document the review, and then cancel and return the claim with documentation that supports

Dominican Hospital guidelines. Dominican will retroactively re-classify the account and the write-off as charity care.

D. ONGOING OUTPATIENT ACCOUNTS:

An ongoing account may remain open and considered active as long as the insurance information, doctor, and diagnosis remain the same. Charity will be considered every six months after all insurance payments have been received and the remaining unpaid balance is determined to be patient responsibility. Cases will be presented using the same guidelines as outlined in the Charity Care Procedure.

E. CLASSIFICATION OF GOVERNMENT AND OTHER PROGRAM SUBSIDIES

In accordance with Dominican's Community Benefit Policy and Procedure, uncompensated costs for patients who are covered by Medicaid or other government insurance programs will not be reported as charity care. The subsidies for these programs will be classified as "Uncompensated Costs of Medicaid or Other Public Programs," and will be detailed as such in the annual "Social Accountability Report."

F. BUDGETING AND REPORTING OF CHARITY ALLOWANCES:

Within Dominican's Social Accountability Budget, specific dollar amounts and detailed plans for charity care will be included. Charity care data will be disclosed in the annual financial statements.

G. LEVEL OF CHARITY CARE TO BE PROVIDED:

The Hospital is called to meet special needs in the community to the best of its ability. The question of how much charity care is enough in terms of a certain amount of committed dollars requires consideration of a number of factors:

- The extent of unmet need in the community;
- The financial position of the Hospital;
- Market competitiveness;
- Projected capital requirements;
- Opportunities for innovative service delivery,

The Hospital will evaluate the effectiveness of its existing special needs programs as it takes these factors into account. The Hospital will include a description of its special needs programs and will quantify the current and upcoming budget year's anticipated amounts of care for special needs (charity care).

Dollar commitment is only one measure of the Hospital's mission in addressing special needs. Needs assessment and priority setting are prerequisites to appropriate resource allocation. The extent to which identified needs can be shown to have been met through careful planning and management is a far greater indicator of success in fulfilling the Hospital's mission than is a standard dollar amount.

Formulated: 5/9/94

Reviewed: 6195,4196,3197

Revised:

Attachment CC-A**Hospital Signage Instruction**

Notices regarding the Financial Assistance Program will be posted in the Emergency and main Admitting Departments, and may also be posted in other strategic locations in Catholic Healthcare West facilities written in the primary languages spoken by the residents of the community served by the facility.



Catholic Healthcare West

CHW

Financial Assistance Program

Consistent with its mission, Catholic Healthcare West facilities provide free or reduced cost medical services to persons who are unable to pay for their care.

CHW Policy 4.50

July, 2002

Please discuss your individual needs with an admitting representative or financial counselor. Upon completion of a Financial Assistance Application Form, along with the submission of all required documents, you may be eligible for financial assistance as defined by Catholic Healthcare West policy.



Catholic Healthcare West

Account # _____

Patient Name: _____

FINANCIAL ASSISTANCE APPLICATION

LAST NAME (PATIENT)		FIRST	MIDDLE	SOCIAL SECURITY #	BIRTHDATE
RESIDENCE ADDRESS (FACILITY ADDRESS IF HOMELESS)			HOW LONG	PHONE	
CITY		STATE		ZIP	
LAST NAME (GUARANTOR IF DIFFERENCE FROM ABOVE)			SOCIAL SECURITY #	BIRTHDATE	
EMPLOYER OF GUARANTOR (NAME AND FULL ADDRESS)					
PHONE				MONTHLY GROSS PAY \$	
OTHER EMPLOYER (NAME AND FULL ADDRESS)					
PHONE				MONTHLY GROSS PAY \$	
IF UNEMPLOYED, NAME OF LAST EMPLOYER AND FULL ADDRESS					
LAST EMPLOYMENT DATE					
FAMILY MEMBERS (IF MORE SPACE IS NEEDED, PLEASE ATTACH AN ADDITIONAL SHEET OF PAPER)		BIRTHDATE	RELATIONSHIP	EMPLOYED BY	EMPLOYER PHONE
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
<input type="checkbox"/> RENT HOME <input type="checkbox"/> OWN HOME		OTHER MONTHLY INCOME		SPECIFY SOURCE	
				\$	
OWED TO OTHERS	TO WHOM OWED	PRESENT BALANCE	MONTHLY PAYMENT	ASSETS	BANK NUMBER & ACCOUNT NUMBER
RENT/MORTGAGE				CHECKING	ACCOUNT BALANCE
UTILITIES				SAVINGS OR CERTIFICATE	
FOOD				403(B) OR 401(K)	
AUTO LOAN				STOCKS & BONDS	
CREDIT CARDS				IRA	
				AUTO (YEAR & MAKE)	
				AUTO (YEAR & MAKE)	
OTHER OBLIGATIONS (CHILD SUPPORT, ALIMONY, INSURANCE PAYMENTS)				RESIDENCE MARKET VALUE	
ADDITIONAL INFORMATION (SEE BACK)				INSURANCE CASH VALUE	
BILLS OWED TO OTHER MEDICAL PROVIDERS				OTHER ASSETS (DESCRIBE E.G., SECOND HOME)	
COST OF PRESCRIPTION MEDICATION(S)					
TOTAL DEBTS				TOTAL ASSETS	

I CERTIFY THAT ALL STATEMENTS MADE IN THIS APPLICATION ARE TRUE AND COMPLETE. YOU ARE HEREBY AUTHORIZED TO CHECK MY CREDIT HISTORY IN ORDER TO EVALUATE THIS APPLICATION FOR FINANCIAL ASSISTANCE CONSIDERATION.

SIGNATURE

DATE

In order for this application to be considered for Financial Assistance, ALL of the following documents are required, if applicable

- ✓ Completed Financial Assistance Application Form
- ✓ A copy of the prior year tax return
- ✓ Documentation representative of current income
- ✓ A copy of social security, disability, or unemployment check or award letter
- J A copy of a state AHCCS/Medicaid Decision/Denial Notice. You can obtain this by contacting the AHCCS/Medicaid office in the area in which you live. All potentially eligible patients must provide a valid "Notice of Action" from AHCCS/Medicaid stating completion of the application and the reason for acceptance or denial. **Any** Notice of Action stating a failure to provide information or failure to participate in the interview will not be accepted in consideration of this application for financial assistance.

Please return your completed application with all requested forms in the enclosed self-addressed stamped envelope within 10 days. Contact _____ at _____ if you have any questions.

Please be advised that this is not a guarantee that financial assistance will be awarded; and payments should continue on a regular basis until a determination has been made. Your application and the information provided will be reviewed and verified and a decision will be provided to you in writing.

Thank you for your cooperation. We look forward to being of assistance to you to resolve your account.

Return by this Date: _____

Account Number: _____ Account Balance: _____

Charity Care/Financial Assistance Application Process

Responsible Person/Department	Procedure
1. Patient/Referral Source	Refers to PFS Director as soon as the need is realized
2. Financial Counselor/Patient Accounting	<p>Pre-screens for coverage – I/P services and elective OP surgery before or upon admission or at time of service. In accordance with EMTALA regulations, in emergency situations,</p> <ul style="list-style-type: none"> • Patients will be screened for potential charity care/financial assistance referral following the rendering of services.
3. Eligibility Worker/Patient Accounting	<p>Takes application for other government programs including financial statement or determines to make application as a charity case before, during, or after patient stay.</p> <p>If appropriate, and when possible,</p> <ul style="list-style-type: none"> • Will explain the benefits of Medicaid and other public and private programs at the time of registration and • Will ask potentially qualified patients/guarantors to apply. <p>If application for charity care/financial assistance is considered appropriate,</p> <ul style="list-style-type: none"> • Will facilitate the charity care/financial assistance application process by providing forms and instruction. Refer to Attachment CC-B. • Will process completed application utilizing guidelines on Attachment D (Charity Income Guidelines). • Will approve/deny requests for charity care/financial assistance in accordance with internal facility controls. • Will notify the patient in writing of charity (financial assistance) approval/denial and/or set up payment arrangement for any remaining balance. This notification will occur within 30 days of receipt of the completed application. Refer to Attachments CC-E and CC-F. • Will disclose charity care data in the annual financial statements and in the quarterly Social Accountability Report.
4. PFS Director/Patient Accounting.	<p>Reviews all attached documentation of referral to be sure it meets charity care/financial assistance guidelines.</p> <p>Establishes percent of charity appropriate according to policy. Reviews and approves all cases under \$9,999.</p> <p>Approved cases that are \$10,000 or greater are forwarded to the CFO for approval.</p>

Responsible Person/Department	Procedure
5. CFO	Reviews and approves cases that are \$10,000 or greater.
6. Collection Agency/Patient Accounting	<p>If a self-pay account (or the self-pay portion of an insurance account) is assigned to a collection agency, and the agency determines that a patient/guarantor is unable to meet their financial obligations to Dominican, and meets the requirements of Dominican Charity Care/Financial Assistance Policy and Procedure,</p> <ul style="list-style-type: none"> • The Collection agency will document the review, cancel and return the claim with documentation that supports Dominican's guidelines to Dominican for re-classification. • Dominican will retroactively re-classify the account and the write-off as charity care.

The designated hospital staff person provides patient/guarantor with a Financial Assistance Application (Attachment CC-B) to complete and sign. Authorization to check credit history is granted to CHW when the patient/guarantor signs the form.

The application form requests financial information, including a listing of liabilities and assets. Assets include gross income from all sources. Sources include but are not limited to: wages, salaries, payments from Social Security, public assistance, unemployment and worker's compensation, veterans benefits, child support, alimony, pensions, regular insurance and annuity payments, income from estates and trusts, assets drawn down as withdrawals from a bank, sale of property or liquid assets and one-time insurance or compensation payments. The ability to borrow against assets, e.g., a life insurance policy, should also be considered as another source of cash. Food or rent in lieu of wages will also be considered if appropriate documentation is provided. (Note: When the Federal Poverty Guidelines (Attachment CC-D) are utilized in determining charity care/financial assistance eligibility, the total gross earnings refers to total income from all such sources.)

The Charity Care – Annual Family Income Levels, 200% Federal Poverty Guidelines (Attachment CC-D) may be used to determine an appropriate level of charity care/financial assistance. The standard is based on 200% of the current Federal Poverty Guideline, a percentage used by many counties for determining Medicaid eligibility.

Charity Care/Financial Assistance Application Process (continued)

In addition to income, the following assets are to be considered when reviewing a person's ability to pay. A patient is allowed one car, one home, and liquid assets up to the following amounts:

Medicaid Guideline (established in 1989) is: \$2,000 (Individual)
\$3,000 (Family)

Examples of liquid assets include, but are not limited to cash, stocks, and bonds. Assets exceeding these amounts would be expected to be "spent down" to this level before charity care/financial assistance will be provided. If a person has more than one car or home, the value of the second car or home is included with the value of other liquid assets and is then compared to the above-allowed amounts. If the total value of their includable assets exceeds the allowed amount, the excess must be spent down before charity care/financial assistance is considered.

In addition to listing liabilities and assets, the patient/guarantor will also be asked to provide, if applicable:

- documentation representative of current income
- a copy of social security, disability, or unemployment check or award letter
- a copy of state AHCCS/Medicaid Decision/Denial Notice.

The patient/guarantor will be asked to return the completed form within ten days for charity care/financial assistance consideration.

Charity Income Guidelines (Based on net yearly income)

# in household	% of Charity	(Based on net yearly income)									
		100%	90%	80%	70%	60%	50%	40%	30%	20%	10%
1	\$17,960	\$18,858	\$19,756	\$20,378	\$21,522	\$22,450	\$23,348	\$24,246	\$25,144	\$26,042	
2	\$24,240	\$25,452	\$26,664	\$27,876	\$29,088	\$30,300	\$31,512	\$32,724	\$33,936	\$35,148	
2A	\$24,240	\$25,452	\$26,664	\$27,876	\$29,088	\$30,300	\$31,512	\$32,724	\$33,936	\$35,148	
3	\$30,520	\$32,046	\$33,752	\$35,098	\$36,624	\$38,150	\$39,676	\$41,202	\$42,728	\$44,254	
4	\$36,800	\$38,640	\$40,480	\$42,320	\$44,160	\$46,000	\$47,840	\$49,680	\$51,520	\$53,360	
5	\$43,080	\$45,234	\$47,388	\$49,542	\$51,696	\$53,850	\$56,004	\$58,158	\$60,312	\$62,466	
6	\$49,360	\$51,828	\$54,296	\$56,764	\$59,232	\$61,700	\$64,168	\$66,636	\$69,104	\$71,572	
7	\$55,640	\$58,422	\$61,204	\$63,986	\$66,768	\$69,550	\$72,332	\$75,114	\$77,896	\$80,678	
8	\$61,920	\$65,016	\$68,112	\$71,208	\$74,304	\$77,400	\$80,496	\$83,592	\$86,688	\$89,784	
9	\$68,200	\$71,610	\$75,020	\$78,430	\$81,840	\$85,250	\$88,660	\$92,070	\$95,480	\$98,890	
10	\$74,480	\$78,204	\$81,298	\$85,652	\$89,376	\$93,100	\$96,824	\$100,548	\$104,272	\$107,996	

1. Patient may own their primary residence.
2. 1 adult may have liquid assets of \$2,000.00; two or more adults may have liquid assets of \$3,000.00
3. Patient and spouse may each own their own vehicle.



Attachment CC-E

Sample Financial Assistance Approval Letter

Date:

Account Number:

Patient Name:

Balance Due:

Dear _____

Upon careful review of your Financial Assistance Application we have approved the request to provide financial assistance to cover hospital charges*. Please note that this decision in no way obligates Catholic Healthcare West to provide financial assistance in the future.

You will be responsible for the amount indicated below:

Total Account Balance	\$ _____
Less Financial Assistance	\$ _____
Amount Owed by Patient/Guarantor	\$ _____

Important Note: Only hospital services are included in this account and the total account balance does not reflect any physician charges.

If you have any questions regarding your account, please direct them to _____ at _____

Sincerely,

Hospital Designee, Title

*Clinic services excepted. Adapt to situation as appropriate; may not apply to clinic or chronic situations.



Attachment CC-F

Sample Financial Assistance Denial Letter

Date:

Account Number:

Patient Name:

Balance Due:

Dear _____

Your Financial Assistance Application and the information you have provided have been carefully evaluated. Regretfully, we have determined that you are not eligible for financial assistance based on the hospital's Financial Assistance Policy and criteria.

Should you feel that this decision was made in error, and you have additional information that may assist us in reconsidering your request, or if you have any questions regarding your account, please contact _____ at _____

If your financial information changes in the future you may reapply for financial assistance.

The current balance on your account is \$_____

Sincerely,

Hospital Designee, Title



0395

Policy/Procedure Title	Charity Policy & Procedure	Manual Location	Volume I-Leadership
Policy/Procedure #	0029	Effective	10/03 Page 1 of 2
Department Generating Policy	Administration		
Affected Departments	Hospital Wide		
Prepared By: Bill Hansen	<i>[Signature]</i>	Dept Title	CFO
Board Approval: Bill Hansen	<i>[Signature]</i>	Date/Title	Chairman 4/6/04

I. PURPOSE:

It is the purpose of Watsonville **Community** Hospital to render Charity Care to the community it serves.

II. POLICY:

Watsonville Community Hospital will admit all patients requiring emergency medical attention without regard to their ability to pay.

III. PROCEDURE:

- A. A Charity patient is defined as a person who is determined by the hospital as being unable to pay for hospital care, or a person who has **exhausted** all personal resources and third party coverage during their hospital stay. All other resources will first be applied to the patient's account, including Medi-Cal, Medi-Cruz, and other their **party** sources. The hospital may write off all, or only a portion of an account, as charity when the patient is able to **pay a parr** of the account. Patients who applied for Medi-Cal or Medi-Cruz are not eligible for charity until denied by these sources of coverage.
- B. The distinction between bad debt **and** charity is the unwillingness **of** the patient to pay versus the demonstrated inability of the patient to **pay**. Applying **this** distinction is achieved through determination of the financial status of **an** individual patient. This determination **is** complex **and** requires **varying degrees** of judgement.
- C. It is preferable to identify if a patient's qualifications for charity **services** as **early as** possible. However, Watsonville Community Hospital will allow for correcting an inaccurate determination and for recognizing the impact of event which occur during **the** hospital stay or thereafter which render the patient unable to **pay**. A patient's eligibility can change if the patient is suddenly **faced** with catastrophically large medical bills. Collection efforts, including the use **of** outside collection agencies, does not preclude a patient from receiving charity care.
- D. Employment **status** along with future **earning** potential to meet **the** obligation within a reasonable period **of** time will be considered. The patient may **be** offered charity care for a portion of their account if the likelihood of **future earnings** is not evident.
- E. Consideration will be given to reevaluate a patient's eligibility for charity when the following occur:
 - 1. Subsequent rendering of services
 - 2. Income change
 - 3. Family **size** changing
 - 4. When **any part** of the **patient's** account is written **off** as bad **debt** or is in collections
 - 5. When **an** account is equal to or greater **than** a year old

