UNC HEALTH CARE

MEMORANDUM

To: President Erskine Bowles and Chancellor James Moeser

From: Bill Roper Bill Roper

Subject: Assuring Access to UNC Health Care

Date: August 28, 2006

I write to give you a response to each concern presented by John Hammond and Florence Soltys in your meeting with them last week. These are important issues, and we take them seriously.

In this past year, we have put in place the most generous financial assistance program in the history of UNC Health Care. With careful attention and monitoring, we are confident we have the correct policies to keep our pledge to serve the people of North Carolina.

In addition, in part because of what we have learned as we have investigated the concerns expressed in the petition, we are immediately implementing measures that will guarantee that we uniformly support these policies in a manner that gives each of our patients and their families the compassionate care and respect that they deserve. These measures will assure our community that UNC lives out its mission on a daily basis.

1. Concern:
UNC does not widely disseminate its financial assistance policy to patients.

Response:

- We are changing our appointment reminder messages and adding signs (including bilingual ones) in the clinics to offer financial counseling. Appointment reminder

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messages will be consistent and say: "Our mission is to serve your health care needs. Please know that financial counseling is available if you have any concerns about your ability to pay co-pays due at your appointment or existing UNC Health Care balances."

- We will create a financial assistance hotline. We will further assure "financial assistance is available" messages are clearly communicated in our bills, call center messages, our admission packet, and in patients' rooms and that we offer information about the appeals process to patients failing to qualify for financial assistance.
- Our financial assistance policy is posted on our website. We will assure that it is widely available within the Hospitals and clinics in both Spanish and English.
- In 2006 we provided more uncompensated care than in the history of UNC Health Care. See Attachment 1.

2. Concern:
Applying for financial assistance is so complex as to be excessively daunting to low-income individuals. The billing system is complex; patients receive collection notices before bills.

Response:

- The application for the financial assistance process we use mirrors that of applying for N.C. Medicaid and mainly requires assessment of income. By using this process, we are able to qualify many patients for Medicaid. For those patients not qualifying for Medicaid, the Financial Assistance Oversight Committee will review the Charity Care application and approval process with the goal of finding ways to simplify it. We have already started to elicit feedback from financial counselors about the application process.
- We are in the process of reorganizing our financial counselors with the goal of developing an integrated team of Health Care System counselors that can provide simultaneous financial counseling for both the UNC P&A and UNC Hospitals. We will include the Charity Care application process in this new training and emphasize how to assist patients in the application process. We also plan to hire additional financial counselors and will explore using volunteers to assist patients in applying for Charity Care and obtaining verifying documents. We have instituted an audit process of Charity Care applications to help ensure fair processing of them.
- There are 20 Medicaid Assistance Counselors (9 bilingual) employed and dispersed within the Health Care System to assist our patients with the application process, and a contract is in place to reimburse the Orange County Department of Social Services the cost of placing 2 (1 bilingual) Medicaid intake workers on-site within the Health Care System to process the applications for both Orange and other

counties agreeing to a reciprocal (courtesy) intake agreement with Orange County. Alamance, Chatham and Wake counties have not agreed to participate in the reciprocal intake agreement. For the fiscal year ending June 30, 2006, the Medicaid Assistance Counselors assisted 9,029 uninsured patients with their Medicaid applications and with hospital charges exceeding $102.8 million. They were successful in obtaining financial assistance through the Medicaid program for 6,332 patients with hospital charges of $78.3 million. We are developing reciprocity agreements with Piedmont Health and Orange County so that if a person is certified as needing financial assistance by one agency, all will honor his or her certification.

- We are currently working with Chatham Hospital to place a bilingual Medicaid Assistance Counselor on-site in their facility to assist low-income patients who are potentially eligible for Medicaid assistance with the application process.
- Several bilingual Medicaid Assistance Counselors have begun work with nine community-based practices for screening and referral of Medicaid application.

3. Concern:
Each clinic is implementing the financial assistance policy in their own way and there are no uniform procedures for applying for aid.

Response:

- We are hiring additional financial counselors and will make certain that consistent criteria are used for all financial assistance applications. We also will make certain new patients are directed to financial counselors and given an appointment, even if they indicate an inability to pay.
- We will measure the effectiveness of our implementation by charting the number of patients approved for financial assistance and testing through mystery shoppers the access to financial assistance in each clinic on a periodic basis.

4. Concern:
Each clinic must be profitable to participate in the incentive compensation program.

Response:

- Most, if not all, of our primary clinics operate in deficit and are subsidized by the UNC Health Care System.
- We have investigated specific cases and have found no pattern of discrimination in the clinics. Wewill make certain that faculty do not have disincentives to provide care for indigent patients.

- Over the last year, with broad input and the assistance from the University's General Counsel, we have developed Compensation Plans for the departments of the School of Medicine. We are just now implementing these plans. Faculty incentive payments will be based on performance in all these areas. Incentive payments will be weighted, based on the mix of clinical care, research and teaching for each individual faculty member. The number of faculty in the SOM who are solely involved in clinical care is about 20%.
- To ensure all patients are valued equally, productivity is measured based on Medicare-defined Relative Value Units (RVUs) for the clinical care-based component of faculty incentive payments. Faculty are given credit for their clinical work based on the number of RVUs earned and are compared with their peers nationally. The number of RVUs assigned to a particular clinical activity is unrelated as to whether a patient has medical insurance or not. In other words, there is no benefit in terms of individual incentive payments for a faculty member to see an insured patient versus an uninsured patient. It should also be noted that faculty recruitment and retention requires a base salary competitive with those offered at peer institutions.
- It is possible that a clinical faculty member would still favor seeing insured patients based on the notion that for his/her department or division it would result in more favorable finances and, thus, ultimately a greater incentive payment for each faculty member in that department. The ability of an individual department to provide faculty incentive payments does, of course, depend on the overall financial resources of the department from all revenue sources: clinical, research and state. We have discussed a number of alternatives to protect against this possibility, including the establishment of a Financial Assistance Fund that would pay rates comparable to Medicaid payments for seeing uninsured patients. Selection of the best method is in the discussion stage at present.

5. Concern:
The coalition doesn't feel Dr. Roper has listened to their concerns.

Response:

- Dr. Roper will personally direct our efforts to address the coalition's concerns and will substantially strengthen our efforts to ensure that not one person is denied the care they need.

6. Concern:
Piedmont Health Services has not made sub-specialist appointments at UNC since January 2006.

Response:

- There is a perception that Piedmont Health Services (federally-supported regional health centers) has had difficulty making appointments in clinics in sub-specialty surgical areas. This is a misperception that stems from that fact that there are significant appointment backlogs in many of those clinics. The first available appointment may be months away.
- Total referrals from Piedmont are actually up from 3,706 in FY 2005 to 3,964 in FY 2006, a 7% increase.
- We are developing protocols for access to sub-specialists and ancillaries from Piedmont and UNC primary care.
- We are discussing creating a contract with Piedmont in which UNC would help fund increased primary care supply in PHS to accommodate these referrals of Emergency Department patients who have no primary care medical home.

7. Concern:
Frail patients are being not safely discharged from our inpatient units and the Emergency Department.

Response:

- It is UNC's responsibility to do everything within our power to arrange safe and medically appropriate care after a visit to the Emergency Department or to the Hospitals. We pledge to have discharge planning at the appropriate level of care while respecting our patients' autonomy.
- We will audit the discharge plans for all our frail unaccompanied patients.

8. Concern:
UNC Health Care has taken too many financially needy patients to court for judgments against their assets. Several individuals have lost their homes.

Response:

- In 2004, there was an increase of cases for debt collection sent to the State Attorney General from 193 in 2003 to 784 in 2004 per year. This resulted from the Hospitals previously installing new software that improved the identification/qualification of both charity and bad debt accounts. This action enabled further compliance with existing State collection statutes, and the Attorney General's Office recruited more staff to handle the internal collection referrals. The additional Attorney General staff has continued to augment our collection efforts with State employees and those who have debts that exceed $2,000.
- We have no record of anyone losing his/her home. The State Attorney General's Office represents the Health Care System for court-related collection matters, and

our mutual operating protocol is that no primary dwelling or primary income producing property will be foreclosed on.

- The Financial Assistance Oversight committee will review all accounts before they are turned over to the Attorney General for collection. They will ensure that no patient sent to the Attorney General qualifies for financial assistance and will coordinate UNC Hospitals and UNC P&A efforts to avoid duplication of judgments.
- We will work with President Bowles to nominate a community representative to UNC Health Care System's Board of Directors and will add community membership to other internal committees that address the needs of our most vulnerable citizens.

9. Concern:
Monthly re-payment amounts required by UNCHCS are too high for financially needy patients to pay; re-payment periods should be extended. The billing system is too complex.

Response:

- We currently offer patients an extended interest-free period to pay their bills provided they make arrangements to make monthly payments.
- Through external agencies we offer longer repayment periods with no negative consequences to the patient's credit record, and we will make certain that patients are aware of these options.
- We will create uniform standards for extended payment plans that match the terms to the individual's income and assets for all agencies to use.
- Patient billing is extremely complicated due to extensive insurance and legal requirements. We will create a single call number to improve access to billing representatives at UNC Hospitals and UNC P&A. We will cross-train our billing representatives to answer questions about bills from either entity.

10. Concern:
The Geriatric Clinic has a 20% no-show rate which is caused by intimidating pre-appointment reminders. The patient is told to be prepared to pay co-pays and deductibles and any past due accounts.

Response:

- The Geriatric Clinics has had a steady no-show rate of about 15% for the past 5 years. It is lower than the no-show rate in many of our clinics.
- We would like to have no-show rates of below 10% throughout the system and have started an institution-wide Patient Access and Efficiency (PAcE) Initiative.

The overall goals of the PAcE Initiative are to provide markedly improved appointment access for all patients and design easier systems for patients, physicians and staff.

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11. Concern:
There is no audit of the UNC Health Care System.

Response:

- In consultation with the State auditor, it is necessary to conduct multiple audits of the constituents of UNC Health Care .
- In 2005, UNC Health Care produced its first annual report of the Health Care System. It was done in cooperation with the Office of the State Auditor to compile the operating results and financial position of the UNC Health Care System. Per our agreement with the Office of State Auditor, an annual report will be compiled each year to provide useful information about the entity's operations and programs and to ensure accountability to the citizens of North Carolina. UNC Hospitals and Rex Hospital have certified audits. The UNC P&A is a part of UNC-Chapel Hill and is audited thereby.

12. Concern:
UNC Health Care has excessive bonuses. Employees are intimidated by management and fear retaliation.

Response:

- The incentive compensation plan for the current fiscal year will weigh achievement of financial margin at 50%, and quality and patient and employee satisfaction will have a combined weight of 50%.
- A board-approved incentive compensation plan was formalized for FY 2001 for senior management at the Health Care System after the acquisition of Rex Healthcare. Rex had a comparable plan in place for its senior executives. This was done to be consistent with market practices and for retention purposes. Department heads and managers were included for the first time in 2005.
- We hope to include all employees this year with a formal board-approved incentive compensation plan.
- The executive team has a 30% maximum payout; while managers have a maximum payout of 10%. The maximum requires exceeding all quality and safety, employee and patient satisfaction and financial goals at P&A, UNC Hospitals and Rex Hospital. These goals are developed and approved by the UNC Health Care Board of Directors. We have not achieved the top level of excellence to date but continue to strive toward that goal.

- The most recent employee satisfaction survey indicated improvement in three of four categories. The results were as follows:

    1. "Employees generally feel that they are valued by the leadership of UNC Health Care System".
       10.1% improvement
    2. "I feel that I receive information on what is going on here when I need to hear it."
       4.2% improvement
    3. "I feel UNC Health Care System makes good efforts to consider employees' opinions on things."
       3.5% improvement
    4. "Would I recommend to family and friends that they come to UNC Health Care System for care?"
       2.1% decrease

In conclusion, we are proudly a public institution; and serving the people, especially those most vulnerable, is core to our mission. We will strive to improve how we serve the people of North Carolina because this institution is operated by and for the people of NC.

cc: UNC Health Care System, Board of Directors
Chair, Bill McCoy

Attachment 1

Uncompensated Care
2001-2006