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TRANSUNION HEALTHCARE WHITE PAPER

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# Healthcare Financial Hardship Limits: Finding the tipping point where out-of-pocket expenses place too great a strain on families.

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## **Introduction**

North Shore-LIJ Health System (NSLIJ) services seven million people in Long Island, Manhattan, Queens and Staten Island. In terms of capacity, it is the nation's second largest non-profit, secular healthcare system and the largest in the state of New York. In 2009, 1,020,000 patients visited NSLIJ between inpatient care, ambulatory surgeries and emergency room visits.

NSLIJ offers one of the most generous and progressive charity care programs in the country with discounts for uninsured and underinsured families up to five times the federal poverty level (FPL). In mid 2009, however, the health system grew concerned that there were still thousands of eligible patients slipping through the accounts receivable cycle and being classified as bad debt.

NSLIJ believed it could expand its charity care criteria to be more inclusive by adding a new calculation that analyzes out-of-pocket medical expenses as a percentage of family income. Affordability has become a major concern as out-of-pocket spending for healthcare cost sharing, such as premiums, deductibles and co-pays, has increased at much higher rates than families' incomes. Research conducted by the Center for Studying Health System Change (HSC) has shown a direct correlation between the increasing proportion of Americans reporting problems paying medical bills and the increasing proportion of insured people delaying or foregoing treatment.

The health system enlisted TransUnion Healthcare to analyze its accounts receivable and find a tipping point when out-of-pocket medical expenses place too great a financial strain on families. NSLIJ hoped that by incorporating another calculation into its charity care identification process, it could:

**Build more effective follow-up strategies for patient accounts with outstanding balances**

**Locate a new group of potentially eligible charity care patients**

**Strengthen the data and analytics used to identify accounts where the patient has not responded to billing and collection efforts and designate them as presumptive charity care**

### Purpose

The study's purpose was to analyze diminishing returns on medical debt collections over a certain percentage of a family's gross income, specifically to identify the tipping point when out-of-pocket medical expenses place too great a financial strain on families. This tipping point would be referred to as the healthcare financial hardship limit (HFHL).

### Hypothesis

A previous study found a sizeable increase in the number of medical bill problems households encounter when their spending exceeds 2.5 percent of income. By identifying an accurate HFHL within its own patient population, NSLIJ believed it could establish a more inclusive charity identification process up front, while still complying with financial assistance mandates imposed by the state of New York.

### Data

NSLIJ provided TransUnion Healthcare with an input file from the first quarter of 2009 which included all patients with outstanding balances greater than \$50 at discharge.

Approximately 43,600 self-pay and insured accounts were analyzed. Key data elements included amount owed by patient, amount paid by patient, and the financial burden calculation of patient responsibility balance (PRB) divided by annual gross income (AGI).

TransUnion Healthcare data and analytics were used to estimate income value since verified patient income was not well populated on the client input file.

### Analytic Approach

The approach TransUnion Healthcare took on behalf of NSLIJ was to:

- 1) Analyze a representative sample of both self-pay and insured NSLIJ patient accounts with outstanding PRB after discharge.
- 2) Rank-order the accounts from lowest to highest based on the PRB-divided-by-AGI financial burden calculation.
- 3) Distinguish between patients who pay more than 75 percent of their outstanding balance and those who do not.
- 4) Identify the HFHL as the percentage point where recoveries level off.
- 5) Compare that tipping point to known charity populations.

### Findings

The study showed that financial burden relative to patient balances and payments indicates the appropriate HFHL is approximately 3.5 percent for NSLIJ's patient population. In other words, recoveries level off when a patient's financial burden is greater than 3.5 percent of a family's AGI.

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“We’ve been able to add a third dimension to our charity care identification process that identifies the tipping point when out-of-pocket medical expenses as a percentage of income place too great a financial strain on families. When we got the study results back, it was clear there was a percentage point where recoveries leveled off, which was 3.5 percent. Because the results were so compelling, we wanted to take the best from both analytic worlds. So by adding the financial hardship metric to the existing analytics of family size and income, we now have tremendous confidence that we’re assigning charity care in the right place and to the right patient.”

Bob LeWinter

Vice President of Regional Claims Recovery  
North Shore-LIJ Health System

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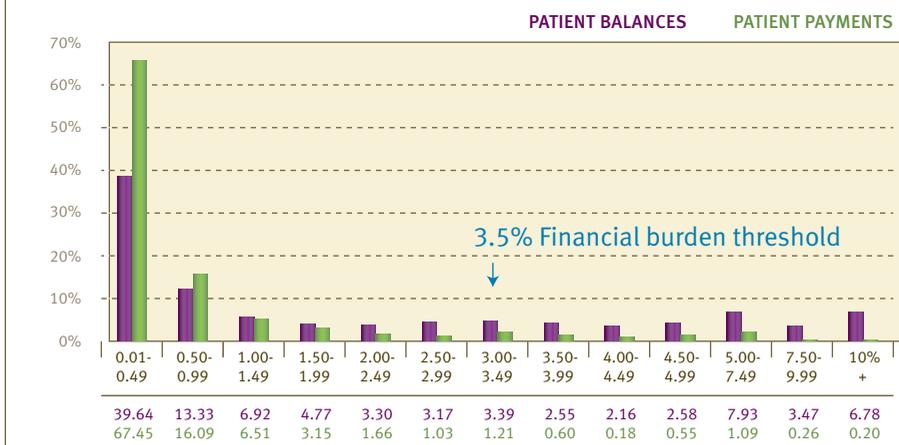
**Conclusion**

With trends suggesting a continued increase in families’ out-of-pocket spending for healthcare costs, accurately identifying the HFHL within a defined patient population will be critical in setting effective collections and charity care policies.

Moving forward, NSLIJ plans to incorporate the HFHL into its existing collections and charity care identification processes, which currently include three ways to help patients receive financial assistance:

- 1) Formal: The patient completes and submits a paper charity care application with supporting documentation.
- 2) Interactive: Hospital staff qualifies eligible patients over the phone by substituting TransUnion HealthCare data and analytics for traditional documentation. If the patient does not qualify for public assistance or other third-party reimbursement, staff can determine if the patient is eligible for NSLIJ charity care. NSLIJ also screens patients with high co-pays or deductibles for financial hardship. When a patient is found to have major recurring expenses greater than 75% of monthly income, hospital staff then determines if he or she is eligible for charity care. Otherwise, a payment arrangement is established.
- 3) Presumptive: When the patient hasn’t completed a charity application, contacted the hospital or taken any other action, NSLIJ screens the account against TransUnion HealthCare data and analytics and, if appropriate, designates the account as charity care.

**Key Findings:**  
Financial Burden Relative to Patient Balances and Payments



With the HFHL, NSLIJ has strengthened both its collection and charity care identification processes by introducing a new calculation: financial hardship. Incorporating this critical tipping point will enable NSLIJ to qualify more patients for financial assistance, and do so earlier in the revenue cycle. As a result, NSLIJ will achieve a more efficient adjudication process and reduce dollars spent on collections and financial assistance efforts.

For more information on TransUnion Healthcare solutions visit [transunionhealthcare.com](http://transunionhealthcare.com).

**About North Shore-LIJ Health System**

The nation's second-largest, non-profit, secular healthcare system, NSLIJ delivers world-class clinical care throughout the New York metropolitan area, pioneering research at The Feinstein Institute for Medical Research and a visionary approach to medical education, highlighted by the Hofstra NSLIJ School of Medicine. The winner of the National Quality Forum’s 2010 National Quality Healthcare Award, NSLIJ cares for people at every stage of life at 15 hospitals, long-term care facilities and more than 200 ambulatory care centers throughout the region. NSLIJ’s owned hospitals and long-term care facilities house about 5,600 beds, employ more than 10,000 nurses and have affiliations with more than 9,000 physicians. Its workforce of about 42,000 is the largest on Long Island and the ninth-largest in New York City. For more information, go to [www.northshorelij.com](http://www.northshorelij.com).

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U.S Patent No. 7,333,937; other patents pending.