Franciscan ALLIANCE

MISHAWAKA, INDIANA

CORPORATE POLICY

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SUBJECT: Charity Care and Uninsured Patient Discount Policy

PURPOSE

Through Franciscan Alliance, Inc. (Franciscan), we continue the healing ministry of Christ in a Catholic health care system that upholds the moral values and teachings of the Catholic Church. Central concerns of this corporate ministry include compassion for those in need, respect for life and the dignity of persons. Franciscan believes in the dignity, uniqueness, and worth of each individual and, within the limits of our resources, Franciscan offers a comprehensive range of health care services to all regardless of race, creed, color, sex, national origin, handicap or an individual's financial capability. In light of this belief, we consider our health care services to be reaching out and responding, in a Christ-like manner, to those who are physically, materially, or spiritually in need.

Franciscan is committed to providing financial assistance, in the form of charity care or uninsured discounts, to persons who are uninsured or underinsured, who are ineligible for governmental or social service programs, and who otherwise are unable to pay for emergency services or medically necessary care based on their individual financial situation. Consistent with our mission to deliver compassionate, high quality, affordable health care and to advocate for those who are poor and disenfranchised, Franciscan strives to ensure the financial capacity of people who need medically necessary health care services does not prevent them from seeking or receiving that care. This policy is designed to allow relief from all or part of the charges related to emergency or medically necessary health care services that exceed a patient's reasonable ability to pay. In order to ensure transparency, consistency and fairness in relation to this policy, patients are expected to cooperate with Franciscan's procedures by providing necessary information to determine their eligibility for financial assistance. Patients deemed financially able, will be expected to pay for their own health care services to avoid shifting the burden of care to other patients and the general public.

To best serve the community needs of each locality, this policy identifies the circumstances under which the facilities comprising Franciscan will extend charity care to patients whose financial status makes it impractical or impossible to pay for emergency or medically necessary health care services, and the circumstances under which Franciscan facilities will provide discounts to

uninsured patients who may have the means to pay for medical services provided. The necessity for medical treatment of any patient will be based on sound clinical judgment without regard to the financial status of the patient.

This policy is a vital component of Franciscan's social accountability program by which we hold ourselves accountable to our constituencies in those communities where we are privileged to serve. This policy also ensures Franciscan's compliance with the Patient Protection and Affordable Care Act, enacted March 23, 2010, through the Internal Revenue Code section 501(r) and Indiana Law IC 16-21-9.

DEFINITIONS

Bad debt – cost of providing care to persons who are able but unwilling to pay some portion of the medical bills for which they are responsible.

Charity care – cost of health care services, provided in accordance with this charity care and uninsured patient discount policy, for which no or partial reimbursement will be received because of the recipient's inability to pay for those services.

Emergency services – goods and services provided in response to an emergency accident, meaning a sudden external event resulting in bodily injury, or an emergency illness, meaning the sudden onset of acute symptoms of such severity that the absence of immediate attention may result in serious medical consequences.

EMTALA – Emergency Medical Treatment and Active Labor Act

Family – shall mean the patient, patient's spouse (regardless of whether they live in the home) and all of the patient's children, natural or adoptive, under the age of eighteen who live in the home. If the patient is under the age of eighteen, the "family" shall include the patient's natural or adoptive parent(s) (regardless of whether they live in the home), and the parent(s)' children, natural or adoptive, under the age of eighteen.

Financial assistance – a reduction in the amount of charges billed for patients who are eligible for relief under this policy.

Financial assistance application – an application to receive financial assistance.

FPG – shall mean the Federal Poverty Income Guidelines that are published from time to time by the U.S. Department of Health and Human Services and in effect at the date of application for awards of financial assistance under this policy.

Guarantor – the person who is financially responsible for payment of services provided by the facility.

Medically necessary – inpatient or outpatient health care services provided for the purposes of evaluation, diagnosis and/or treatment of an injury, illness, disease or its symptoms, which otherwise left untreated, would pose a threat to the patient's ongoing health status. Services must be clinically appropriate and within generally accepted medical practice standards; represent the most appropriate and cost effective supply, device or service that can be safely provided and readily available within Franciscan facilities, with a primary purpose other than patient or provider's convenience. Services expressly excluded from medically necessary health care services include:

- cosmetic;
- experimental treatments/procedures or services part of a clinical research program;
- certain bariatric related services;
- complementary/alternative medicine (i.e. acupuncture, massage therapy, chiropractic services, etc.);
- private duty nursing;
- dental services;
- services deemed noncovered by Medicare/Medicaid;
- private and/or non Franciscan medical or physician professional fees; or
- other services and/or treatments at Franciscan's discretion.

Patient – the person who is the recipient of services provided by the facility.

Prompt pay discount – if applicable, a discount on the patient balance owed if paid in full and within a specified timeframe as may be established by Franciscan's facilities.

Underinsured – patients having some level of insurance or third party assistance but still having out-of-pocket expenses that exceed his/her financial abilities.

Uninsured – patients (i) who do not have governmental or private health insurance, (ii) whose insurance benefits have been exhausted, or (iii) whose insurance may not cover medically necessary services.

Uninsured patient discount – a discount provided to patients receiving medically necessary health care services who do not have any governmental or private health insurance or whose insurance benefits have been exhausted.

POLICY STATEMENT

Subject to all the terms and conditions hereinafter set forth, Franciscan has adopted this policy to be in effect at all Franciscan facilities, including but not limited to physician offices, ambulatory care locations, and hospitals, for uninsured patients receiving emergency services or uninsured patients residing in Franciscan's primary service area requiring medically necessary health care services.

This policy is intended to address the financial assistance needs of patients:

A. Through the provision of full or partial charity care for emergency or medically necessary health care services:

1. To patients whose level of income/assets falls within or below a predetermined range (i.e. multiple of the FPG); or

2. To patients who have limited financial means relative to their medical bills and who are unable to pay, in part or in full, for medical services provided, without incurring undue financial hardship.

B. Through the provision of financial discounts to uninsured patients for emergency or medically necessary health care services performed at Franciscan's hospital locations.

This policy is not intended to create any legal entitlement or to constitute a binding contract or agreement for or on behalf of any person. This policy is to provide emergency services and medically necessary care without regard to race, creed, color, sex, national origin, handicap, or an individual's financial capability. Franciscan does not have the authority to waive any charges or co-payments from physicians or other health care professionals who are not employed by Franciscan.

Consistent with EMTALA, all applicable Franciscan facilities will provide an appropriate medical screening to any individual, regardless of ability to pay, requesting treatment for a potential emergency medical condition. If, following an appropriate medical screening, Franciscan personnel determine that the individual has an emergency medical condition, Franciscan will provide services, within the capability of the respective Franciscan facility necessary to stabilize the individual's emergency medical condition or will affect an appropriate transfer as defined by EMTALA.

ELIGIBILITY FOR FINANCIAL ASSISTANCE

Uninsured Patient Discount

Uninsured patients will be provided an uninsured patient discount for emergency services or medically necessary services performed at its hospital locations. The uninsured patient discount is based on the average rate of the respective Franciscan hospital facility's three best negotiated managed care contracts which will be calculated on an annual basis. Franciscan facilities may offer additional discounts based on the facts and circumstances unique to their local markets. This discount shall not be combined with other facility discounts, except for a prompt pay discount, if available. No discount shall be provided that violates any laws or government regulations.

Franciscan will identify uninsured patients during the registration and/or admissions process. The uninsured discount is applied automatically by the receivable system at the time of initial bill. All statements to patients will indicate the adjustment and the revised patient balance. The uninsured discount is a contractual discount and is not considered a charity care write off. Uninsured patient discounts will not be reversed due to nonpayment of an account. If, at any time, Franciscan becomes aware that a previously identified uninsured patient was in fact covered by insurance at the time of service, Franciscan will revoke the uninsured discount and issue a re-

vised statement to the patient and the associated insurance provider. Patients that are still not able to pay the balance after the uninsured discount are able to apply for a charity care write off or a medical financial hardship adjustment.

Charity Care

Charity care will be available to uninsured persons who receive emergency services or uninsured patients located in the respective Franciscan facility's primary service area who require medically necessary health care services that are not eligible for coverage that would otherwise pay for these services (whether through employer-based coverage, commercial insurance, government sponsored coverage, COBRA, or third-party liability coverage). Franciscan's uninsured patient discount will first be applied to the patient's balance prior to the application of any charity care write off.

Patients scheduled for elective, non-medically necessary procedures are expected to pay and shall not automatically be screened for charity care.

A patient's qualification for charity care will be determined through a financial assistance application and screening process. Patients who may qualify for Medicaid, HCI, or any other governmental assistance must be denied coverage or assistance from those governmental programs prior to receiving approval for charity care. Franciscan may also utilize an external vendor, service, or data source that would provide information on a patient's or guarantor's ability to pay (i.e. credit scoring).

Eligibility for charity care may be determined at any point in the collections cycle (i.e. prior to the provision of services, during the normal collections cycle, or may be used to re-classify accounts after they have been deemed uncollectible and subsequently returned from a third party collection agency).

Franciscan applies a two step test in determining a patient's/guarantor's eligibility for charity care – a minimum income test and a means test. Under the minimum income test, the patient's/guarantor's family income that is documented on the financial assistance application is compared to the FPG. Under the means test, an evaluation of the patient's/guarantor's medical bills, assets, liabilities, income and expenses as documented on the financial assistance application is evaluated and a patient/guarantor who is otherwise eligible for charity care may have the amount of charity care reduced or eliminated by the amount of qualified assets (if any) that would not send the family into medical indigence or otherwise adversely affect the well-being of the patient or the patient's family. The following sliding scale will be used in the determination of the level of charity care write off:

Annual Family Income	**Amount of Write-Off**
≤ 200% of FPG	100%
201-250% of FPG	80%
251-300% of FPG	60%
301-350% of FPG	40%
351-400% of FPG	20%

Medical Financial Hardship Adjustment

Uninsured and underinsured patients/guarantors who do not qualify for charity care, but have medical bills that exceed 20% of their annual income (unless they have qualifying assets) may be given a medical financial hardship adjustment based upon the totality of their circumstances and/or an extended payment plan. The medical financial hardship adjustment would be initiated through the completion of a financial assistance application. If circumstances warrant, the following medical financial hardship percentage adjustments will be used:

Medical Bill as % of Annual Family Income	Adjustment
20 – 29%	15%
30 – 39%	20%
40 – 49%	25%
50 – 59%	30%
60 – 69%	35%
70 – 79%	40%
80 – 89%	45%
90 – 100%	50%

PROCEDURE FOR FINANCIAL ASSISTANCE

Communication to Patients

1. Franciscan communicates the availability of financial assistance in appropriate care settings such as emergency departments, admitting/registration areas, billing offices, outpatient service settings, and on Franciscan facilities' websites. Signs/postings will inform patients that free or reduced cost care may be available to qualifying patients who complete a financial assistance application.
2. Brochures summarizing this policy will be available in multiple languages specific to the geographic area of each Franciscan facility.
3. Financial counselors and business office personnel are available to help patients understand and apply for local, state, and federal health care programs and Franciscan's financial assistance programs as described in this policy.
4. All billing statements and statements for services will inform uninsured patients that financial assistance is available.
5. Patients/guarantors may request a copy of the financial assistance application by calling the Franciscan billing office or downloading a copy from Franciscan facilities' websites.
6. Patients/guarantors can request financial assistance information by calling Franciscan's billing office phone line on a 24 hour basis.
7. Individuals other than the patient, such as the patient's physician, family members, community or religious groups, social services, or hospital personnel may make requests for financial assistance on the patient's behalf, subject to applicable privacy laws.
8. Prior to transfer to a collection agency, Franciscan will send a minimum of 4 statements and make 7 phone call attempts to contact the patient/guarantor at the address and phone number provided by the patient/guarantor. Statements and communications will inform

the patient of the amount due and if they can not pay their balance the availability of financial assistance.

9. Annual education programs will be provided to all of Franciscan's revenue cycle office staff and its collection agencies regarding the provisions of this policy.

Financial Assistance Application

Each patient has the opportunity to apply for financial assistance at all times throughout his or her relationship with Franciscan – prior to treatment, throughout treatment, and up to the resolution of his or her account. Patients wishing to apply for financial assistance are responsible for initiating and completing the financial assistance application in a timely fashion which is defined as within 30 days after (i) its receipt by the patient/guarantor by U.S. mail or electronic submission or (ii) after notification by the patient/guarantor to the Franciscan billing office that they are seeking financial assistance via the online financial assistance application. Completion includes filling out, signing, and submitting the financial assistance application along with all requested documentation of income, expenses, assets, and liabilities. Franciscan's billing office will place the patient's account on hold once a financial assistance application has been requested and until a financial assistance determination is made.

Applicants are treated with dignity and respect throughout the financial assistance process and all information/materials received will be confidentially maintained. The patient's cooperation in providing Franciscan with necessary information is crucial to the financial assistance process. Typically a patient is not eligible for financial assistance until he or she has applied for and has been deemed ineligible for federal and state governmental assistance programs. As a result, Franciscan will make resources available to assist patients in enrolling in or applying for such programs.

If the patient fails to fully complete or submit the financial assistance application along with the requested documentation of income, expenses, assets and liabilities, Franciscan will begin its regular collection activity, including possible transfer to a collection agency and nonpayment communicated to credit reporting agencies if the patient/guarantor does not respond to Franciscan's collection efforts as described above.

Franciscan will inform patients, in the form of a written letter, a notice of determination within 45 days after receiving a completed application and all the requested documentation. The notice of determination will indicate whether the patient was granted financial assistance, the reason for any financial assistance denial, the patient's remaining balance due, and indicate that if the patient's/guarantor's financial situation has changed since filing their financial assistance application they should notify Franciscan's billing office. All written notifications of determination will be kept on file.

Franciscan will work with patients/guarantors to resolve the remainder of their balance after financial assistance including the availability of paying their balance via a mutually agreed upon payment plan. Patients are responsible to make mutually acceptable payment plan ar-

rangements with Franciscan within 30 days of their notice of determination. Payment plans will not exceed 10% of the patient's / guarantor's family income per year unless the family has qualified assets for which a higher payment plan may be established. The minimum monthly payment amount is $25. Patients are responsible for communicating to the Franciscan billing office anytime an agreed upon payment plan may be broken. Lack of communication by the patient may result in further account collection activity including use of an outside collection agency.

Franciscan will send a minimum of 2 statements to patients who fail to make payment arrangements after their notice of determination or who do not comply with the mutually agreed upon payment plans. This communication will take place prior to transfer to a collection agency.

Patients whose accounts have been transferred to a collection agency may request financial assistance and complete a financial assistance application with requested documentation and be considered for a full or partial charity care write off.

Along with the completed financial assistance application, the patient/guarantor must submit the following documentation:

- Family income from all sources including but not limited to gross wages, unemployment compensation, workers' compensation, social security income, supplemental security income, public assistance, veteran's payments, survivor benefits, pension or retirement income, interest, dividends, rent, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, lottery/gaming winnings, etc.
- If employed, copies of the most recent three months of pay stubs
- If self employed, copies of most recent two years of business' profit and loss statement
- If unemployed, unemployment benefits statement and / or letter signed from person who is supporting the patient explaining what type of financial support is provided
- If disabled, verification of any disability pay and/or physician's report documenting inability to work for given period of time
- If retired, copies of social security and any pension/retirement income
- Copies of statements from savings and checking accounts, certificates of deposit, stocks, bonds, money market accounts, etc.
- Equity in real estate, excluding the patient's/guarantor's primary residence
- Number of dependents
- Applicants whose current financial position is not adequately reflected by prior income reports may submit statements and/or appropriate documentation of their current/future financial position
- Copies of any medical bills with other health care providers to validate medical financial hardship
- Copies of most recent state and federal income tax forms including copies of
    - W2s
    - Schedule C Profit and Loss from Business
    - Schedule D Capital Gains and Losses

    - Schedule E Supplement Income and Loss
    - Schedule F Profit and Loss from Farming
- If no federal tax return was filed, a copy of Form 1722 from IRS as confirmation

Franciscan may request a credit history to confirm the patient's/guarantor's financial assistance information. Patients will be advised if additional documentation is needed. Financial assistance applications received without sufficient and/or appropriate income, expense, asset and liability information will be pended for 15 days after which the financial assistance application will be denied. All or a portion of any amount which has previously been written off as charity care will be reinstated if it is subsequently determined that the patient's/guarantor's financial assistance application contained a material misrepresentation.

Franciscan will recognize the following circumstances as charity care:

- Patient/guarantor who has filed bankruptcy and whose debts to Franciscan have been fully or partially discharged by the Court.
- Deceased patient with no estate and no other guarantor requiring the discharge of debt by Franciscan.
- Homeless patient, with no evidence of income or assets through communication with the patient, credit reports and other appropriate means with, to the best of Franciscan's knowledge, no guarantor or governmental payment program available.
- Patient / guarantor whom Franciscan knows to be an illegal alien, with no evidence of income or assets through communication with the patient/guarantor, credit reports and any other appropriate means, who refuses to cooperate with Franciscan in applying for governmental payment programs.
- Newly eligible Medicaid patient who has unpaid accounts for dates of service ninety days prior to patient's Medicaid effective date and to the best of Franciscan's knowledge, there is no guarantor or other financial assistance available from a governmental payment program.

  Once approved, the patient will remain eligible for charity care for a maximum of four months. The eligibility period will begin from the date of the patient's approval of charity care. Charity care discounts will be given for current open accounts and the following four months of emergency services or medically necessary care. After the eligibility period has elapsed, the patient must reapply for financial assistance.

Appeals of Assistance Determinations

A patient or guarantor can appeal a financial assistance determination decision by providing additional information or a written explanation of extenuating circumstances to the Franciscan billing office within 30 days of receiving the financial assistance notice of determination. Franciscan will notify the patient/guarantor of the outcome of the appeal. Only one appeal for each determination will be accepted.

Quality Assurance

To provide patients with a quality financial assistance program, Franciscan will:

- Perform random audits of applicable patient accounts to ensure that financial assistance is communicated and administered in compliance with the terms of this policy.
- Provide annual financial assistance policy training and education to Franciscan revenue cycle and collection agency staff.
- Periodically review this policy for clarity, applicability, and legal and tax compliance.

External Collection Agency Practices

As previously described within this policy, Franciscan makes reasonable efforts to confirm patients are not eligible for financial assistance programs prior to external collection agency assignment or otherwise engaging in extraordinary collection actions. Neither Franciscan nor its external collection agencies will pursue involuntary bankruptcy proceedings against a patient. Franciscan will not place involuntary liens on a patient's/guarantor's primary residence if they qualify for full or partial charity care. In cases where a voluntary lien has secured a Franciscan debt, Franciscan will not execute a lien that forces the sale, vacancy or foreclosure of a patient's/guarantor's primary residency to pay for outstanding medical bills. Franciscan will not cause a bench warrant, an order issued by a judge or court for the arrest of a person (i.e. body attachment). Garnishment of wages is permitted only if the patient / guarantor does not qualify for full or partial charity care and a court determines that the patient's / guarantor's wages are sufficient for garnishment. Collection agencies will notify credit reporting agencies of nonpayment of balances only if the patient / guarantor does not qualify for full or partial charity care. Once an agency has identified a patient/guarantor that may be eligible for financial assistance, they will inform the patient/guarantor as such and provide him or her details of how to apply for such assistance. On an annual basis, external collection agencies will be educated on Franciscan's financial assistance programs and the provisions of this policy which are subject to Franciscan's internal audit review for adherence.

REPORTING

Community Benefits Reporting

Franciscan will identify the level of financial assistance provided to eligible patients by facility within its annual Community Benefit Report.

Financial Statement Reporting

To facilitate the appropriate financial statement reporting of financial assistance, Franciscan's billing office will use specifically identified transaction codes when applying charity care write offs, uninsured patient discounts, and medical financial hardship adjustments. Periodic reports will be prepared for management's use and discussion and presented to Franciscan's Board of Trustees and leadership committees.

Uninsured patient discounts will be classified in the facilities' financial statements in the deductions from revenue section as a contractual allowance deduction. The cost of medical services classified as uninsured patient discount will be included in quarterly and annual Community Benefit reports. Charity care write offs and medical financial hardship adjustments, after the application of the uninsured patient discount, will be classified as charity care in the facilities' financial statements and will be included in quarterly and annual Community Benefit reports.

Regulatory Requirements

In implementing this policy, Franciscan's management and facilities shall comply with all other federal, state, and local laws, rules, and regulations that may apply to activities conducted pursuant to this policy.

DISCLAIMER

This document is intended to serve as a statement of policy and not as a contract or agreement with any patient or former patient. This document does not entitle any person to charity care, uninsured patient discounts, or medical financial hardship adjustments. This document does not create and is not intended to create any third party beneficiaries nor is it intended to create any legal rights with regard to any person or entity, including but not limited to any patient, former patient, governmental entity or agency, third-party payor or guarantor or anyone acting on behalf of such entity or administering benefits for such entity. This document does not create and is not intended to create any legal duties with regard to Franciscan or its facilities to any person or entity. All determinations are final and are committed to the sound, unfettered discretion of such personnel.