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| DEPARTMENT: Legal | POLICY DESCRIPTION: Professional Courtesy Discounts |
| PAGE: 1 of 5 | REPLACES POLICY DATED: 12/11/98, 6/30/99, 1/1/01, 6/15/01, 3/15/02, 7/26/04, 11/30/04, 11/15/06, 3/1/07; 6/1/07, 12/1/07, 5/15/10, 9/1/12, 5/1/14 |
| EFFECTIVE DATE: February 1, 2024 | REFERENCE NUMBER: LL.018 |
| APPROVED BY: Ethics and Compliance Policy Committee | |

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| <p>SCOPE: All Company-affiliated facilities including, but not limited to, hospitals, ambulatory surgery centers, home health agencies, outpatient imaging centers, physician practices, Shared Services Centers (SSCs), and Corporate Departments, Groups and Divisions.</p> |
| <p>PURPOSE: To establish guidelines for extending professional courtesy discounts to physicians and their immediate family members.</p> |
| <p>POLICY: A Company facility, including physician practices, may extend a professional courtesy discount to a physician or member of that physician’s immediate family, provided that:</p> <ol style="list-style-type: none"> 1. it adopts a written professional courtesy policy regarding the extension of discounts that is consistent with the limitations herein. The facility’s board of directors as well as board of trustees must approve the policy in advance of its implementation. A facility may extend professional courtesy discounts for services and products provided after the effective date of the facility’s policy. A sample policy is attached (Attachment A); 2. it offers and applies the same discount to all physicians (and immediate family members of such physicians) who are on the facility’s medical staff or in the facility’s local community without regard to the volume or value of referrals or other business generated between the parties; 3. the health care items and services provided are of a type routinely provided by the facility; 4. the discount (see examples in Procedure number 5 below): <ol style="list-style-type: none"> a. is for the amount of the physician’s (or immediate family member’s) deductible and/or co-insurance payment in no event to exceed 25% of the amount expected to be received from all sources (i.e., total charges less any contractually agreed adjustment), or b. if the physician (or immediate family member) is not insured or the insurance does not cover the relevant service(s), does not exceed 25% of the total bill (after any applicable uninsured discount). <p>Note: If the facility has a practice of discounting a bill in response to an offer of prompt payment and/or extending “out-of-network” discounts to all eligible patients, then the physician (or immediate family member) may receive the greater of 1) the benefit of that discount if he/she complies with the facility’s prompt pay requirements, or 2) the benefit of the professional courtesy discount;</p> <ol style="list-style-type: none"> 5. the physician (or immediate family member) is not a Federal Health Care Program beneficiary (e.g., Medicare, TriCare), unless the facility makes a good faith determination of |

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financial need; and

6. the discount does not violate the federal anti-kickback statute or any federal or state law or regulation governing billing or claims submission.

If a physician or a physician's immediate family member receives a professional courtesy discount from an HCA-affiliated entity pursuant to this policy and that physician is employed by any HCA-affiliated entity, the value of the courtesy provided must be included as income on the physician's Form W-2 for the year in which the potential courtesy discount was received.

A Company facility should notify the SSC of its adoption of a professional courtesy discount policy and the terms of its policy. Company facilities in the same market and/or division are encouraged to adopt similar policies for ease of administration.

Any Company facility that chooses to extend professional courtesy discounts must notify individual insurers in each instance in which it extends a discount to a physician (or immediate family member) following the steps outlined in the Procedure section below. A facility must check with its Operations Counsel regarding whether similar notice must be provided for prompt pay and out-of-network discounts offered to insured patients. This should be followed so that the insurer is aware of any such discount arrangement.

The Business Courtesies to Potential Referral Sources Policy, [EC.005](#), does not limit or otherwise restrict facilities from adopting a Professional Courtesy Discount policy or from following this policy LL.018.

Imaging centers and other entities that do not have an organized medical staff (other than physician practices) may not offer Physician Courtesy Discounts.

PROCEDURE:

1. A facility is not obligated to provide professional courtesy discounts. In fact, a facility may choose not to offer such discounts.
2. After determining that it will extend professional courtesy discounts, a facility must establish a written policy and procedure to ensure that the discounts: do not exceed 25% of the amount expected to be received from all sources (i.e., total charges less any contractually agreed adjustment) if the physician has insurance, or 25% of the total bill after any applicable uninsured discount if the physician is uninsured, for services rendered or products provided; and are not extended to physicians or their immediate family members who are Federal Health Care Program beneficiaries (e.g., Medicare, TriCare, etc.) unless the facility makes a good faith determination that the individual receiving the discount has a financial need for

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such assistance. The determination must be made using a consistent methodology for all such individuals and must be contemporaneous with the period in which services were provided. Additionally, the facility's board of directors as well as board of trustees must approve the policy in advance of its implementation. A sample policy is attached (Attachment A). The facility should define what health care professionals are considered physicians for purposes of its policy.

3. Each facility that decides to extend discounts and adopts the requisite policy must provide explanatory guidance to all who have responsibility for implementing the facility's discount policy (e.g., registration and billing personnel).

Assuming the facility has adopted a policy to extend 25% discounts, the following examples are appropriate:

- a. A physician is treated at the facility, and the bill for services is \$1,500 with a contractually agreed adjustment of \$500, which brings the bill to \$1,000. The physician's insurance pays \$800. The physician's co-insurance payment of \$200 may be written-off because it is less than 25% of the total amount expected to be received after contractual adjustments.
 - b. A physician is treated at the facility, and the bill for services is \$1,500 with a contractually agreed adjustment of \$500, which brings the bill to \$1,000. The physician's insurance pays \$700, and the physician would be responsible for \$300. The facility may write-off \$250 (25% of the total amount due after contractual adjustments), and the physician will owe the facility \$50.
 - c. A physician is treated at the facility, and the bill for services is \$1,500. The physician either has no insurance or the insurance does not cover the particular services. The facility has an uninsured discount of 30%. The facility may discount the bill \$712.50 (30% discount for uninsured = \$450 and 25% of the balance (\$1,050) = \$262.50), and the physician owes the facility \$787.50.
 - d. A physician is treated at the facility, which has a practice of discounting patients' bills 50% for payment upon discharge, and the bill for services is \$1,500. The physician has no insurance. The facility may discount the bill \$750 (50%) if the physician pays the facility \$750 upon discharge.
4. It is not necessary to publicize the availability of the discount; however, if a facility chooses to extend professional courtesy discounts, it must apply the procedures in Section 5 below for anyone who requests the discount and qualifies as a physician or a member of his or her immediate family and is not a Federal Health Care Program beneficiary (e.g., Medicare, TriCare, etc.), unless there is a good faith determination of financial need.
 5. Each facility that adopts a policy to extend professional courtesy discounts must perform the following steps:

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- a. Follow the routine billing process (i.e., bill the claim to the appropriate third party payer).
- b. Bill any copayment or deductible to the physician or immediate family member.
- c. Receive notice from the physician/immediate family member that he/she is eligible for a discount by virtue of his/her status as a physician/immediate family member. At this time, the Business Office/Service Center must inform the physician or his/her immediate family member that it is possible that the third party payer will seek a similar discount as to its payment obligation, and, if so, the physician discount will be eliminated and the physician/immediate family member will be billed for, and expected to pay, the previously discounted portion.
- d. After receiving notification from the physician/immediate family member, the Business Office/Service Center must:
 - 1) generate a letter to the third party payer notifying them of the discount (see sample letter – Attachment A) or otherwise provide written notice to the third party payer regarding the discount (for example, by noting the potential existence of a discount on the claim form); and
 - 2) process an adjustment transaction; for example, Patient Accounting system users would utilize a “P-Line” transaction, utilizing specified GL Account number 500298 (Physician Courtesy Discount).
- e. If the facility receives notice from the third party payer that it is seeking a discount similar to the physician/immediate family member’s discount, the facility should reverse the adjustment transaction to eliminate the discount and inform both the physician/immediate family member and the third party payer that it has done so. For example, Patient Accounting System Users must submit another “P-Line” and complete each field in the transaction exactly as the original transaction appeared, and enter a minus sign (-) ahead of the dollar amount. (The normal impact of a P line is to reduce or credit the account and by entering a minus sign, you are actually having a debit effect on the account).

DEFINITIONS:

Physician is defined by regulation as a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, or a chiropractor.

Professional courtesy discount is a discount extended to physicians (or their immediate family members, other than those who are Federal Health Care Program beneficiaries (e.g., Medicare, TriCare, etc.) unless the facility makes a good faith determination of financial need, for inpatient or outpatient medical services performed, or products provided or billed by a Company facility including, but not limited to, surgical procedures, medical treatment, laboratory services, radiology services and dispensing pharmaceutical products.

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Immediate family is defined by regulation to include husband or wife; birth or adoptive parent, child, or sibling; stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild. **However, please note this is a maximum definition and each facility should consider what definition is appropriate for its policy (e.g., a facility may decide it is appropriate to limit professional courtesy discounts to the physician’s spouse and dependent child(ren)).**

REFERENCES:

- 69 Fed. Reg. 16054 (March 26, 2004)
- 79 Fed. Reg. 51096 (Sept. 5, 2007)

Professional Courtesy Discount - SAMPLE Facility Policy

POLICY NAME: Professional Courtesy Discounts

DATE: (facility to insert date here)

NUMBER: (facility to insert number here)

Purpose: To establish guidelines for extending professional courtesy discounts to physicians (as defined below) **[optional: and their immediate family members]**.

Policy: A professional courtesy discount will be offered to all physicians **[pick one: on Facility's medical staff or in the local community] [optional: or a member of their immediate family]** provided that:

1. the same discount is offered to all physicians **[optional: and their immediate family members]** without regard to the volume or value of referrals or other business generated between the parties;
2. the health care items and services provided are of a type routinely provided by Facility;
3. the discount (see examples in Procedure number 1 below):
 - a. is for the amount of the physician's **[optional: or immediate family member's]** deductible and/or co-insurance payment in no event to exceed ___ % **[can not be greater than 25%]** of the amount expected to be received from all sources (i.e., total charges less any contractually agreed adjustment), or
 - b. if the physician **[optional: or immediate family member]** is not insured or the insurance does not cover the relevant service(s), does not exceed ___ % **[can not exceed 25%]** of the total bill after any applicable uninsured discount.

Note: The physician **[optional: or immediate family]** may receive the greater of 1) the benefit of Facility's practice of discounting a bill in response to an offer of prompt payment and/or extending "out-of-network" discounts to all eligible patients if he/she complies with Facility's prompt pay requirements, or 2) the benefit of the professional courtesy discount;
4. the physician **[optional: or immediate family]** is not a Federal Health Care Program beneficiary (e.g., Medicare, TriCare, etc.), unless there is a good faith determination of financial need; and
5. the discount is not offered with the intent to induce referrals from the physician.

Individual insurers in each instance must be notified when Facility extends a discount to a physician **[optional: or immediate family]** following the steps outlined in the Procedure section below.

This policy applies to services and products provided after the effective date of this policy.

Definitions:

“Physician” is defined as a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, or a chiropractor.

“Professional courtesy discount” is a discount extended to physicians **[optional: or their immediate family members]** other than those who are Federal Health Care Program beneficiaries (e.g., Medicare, TriCare, etc.) (except those determined to have a financial need), for inpatient or outpatient medical services performed, or products provided or billed by Facility including, but not limited to, surgical procedures, medical treatment, laboratory services, radiology services, and dispensing pharmaceutical products.

“Immediate family” is defined as husband or wife; birth or adoptive parent, child, or sibling; stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild. **[Please consider which of these you wish to include.]**

Procedure:

1. [Assuming the facility has adopted a policy to extend 25% discounts, the following examples are appropriate] Examples of implementing this policy:

- a. A physician is treated at Facility, and the bill for services is \$1,500 with a contractually agreed adjustment of \$500, which brings the bill to \$1,000. The physician’s insurance pays \$800. The physician’s co-insurance payment of \$200 may be written-off because it is less than 25% of the total amount expected to be received after contractual adjustments.
- b. A physician is treated at Facility, and the bill for services is \$1,500 with a contractually agreed adjustment of \$500, which brings the bill to \$1,000. The physician’s insurance pays \$700, and the physician would be responsible for \$300. Facility may write-off \$250 (25% of the total amount due after contractual adjustments), and the physician will owe Facility \$50.
- c. A physician is treated at Facility, and the bill for services is \$1,500. The physician either has no insurance or the insurance does not cover the particular services. The facility has an uninsured discount of 30%. Facility may discount the bill \$712.50 (30% discount for uninsured = \$450 and 25% of the balance (\$1,050) = \$262.50, and the physician owes Facility \$787.50.
- d. A physician is treated at Facility, which has a practice of discounting patients’ bills 50% for payment upon discharge, and the bill for services is \$1,500. The physician has no insurance. The facility may discount the bill \$750 (50%) if the physician pays Facility \$750 upon discharge.

2. The appropriate personnel must perform the following steps:

- a. Follow the routine billing process (i.e., bill the claim to the appropriate third party payer).
- b. Bill any copayment or deductible to the physician **[optional: or immediate family]**.
- c. Receive notice from the physician **[optional: or immediate family member]** that he/she is eligible for a discount by virtue of his/her status as a physician **[optional: or immediate family member]**. At this time, the Business Office/Service Center must inform the physician **[optional: or his/her immediate family member]** that it is possible that the third party payer will seek a similar discount as to its payment obligation, and, if so, the physician discount will be eliminated and the physician **[optional: or immediate family member]** will be billed for, and expected to pay, the previously discounted portion.

- d. After receiving notification from the physician **[optional: or immediate family member]**, the Business Office/Service Center must:
 - i. generate a letter to the third party payer notifying them of the discount (see sample letter – Attachment A) or otherwise provide written notice to the third party payer regarding the discount (for example, by noting the potential existence of a discount on the claim form); and
 - ii. process an adjustment transaction; for example, Patient Accounting system users would utilize a “P-Line” transaction, utilizing specified GL Account number 500298 (Physician Courtesy Discount).
- e. If Facility receives notice from the third party payer that it is seeking a discount similar to the physician’s **[optional: or immediate family member’s]** discount, Facility should reverse the adjustment transaction to eliminate the discount and inform both the physician **[optional: or immediate family member]** and the third party payer that it has done so. For example, Patient Accounting System Users must submit another “P-Line” and complete each field in the transaction exactly as the original transaction appeared, and enter a minus sign (-) ahead of the dollar amount. (The normal impact of a P line is to reduce or credit the account and by entering a minus sign, you are actually having a debit effect on the account).
- f. If the physician is employed by an HCA-affiliated entity, notify the employer of the value of the discount for inclusion as income on the physician’s Form W-2, even if the discount is applied to services provided to the physician’s immediate family member and not directly to the physician.

Adopted by Facility’s Board of Trustees on _____, 200_, and approved by Facility’s Board of Directors on _____, 200_.

References:

Professional Courtesy Discounts Policy, LL.018

69 Fed. Reg. 16054 (March 26, 2004)

Sample Letter to Payer

_____ Insurance Company

Re: Dr. _____ -- Claim # _____

Attn: Claims Processing Supervisor

Dear Sir or Madam:

Dr. _____ [or name of immediate family member], a patient who received services from our facility and for whom we submitted claim # _____, is a physician [immediate family member of a physician] who qualifies for a professional courtesy discount under our facility's policy (copy attached). We have waived \$ _____, which had the effect of forgiving all [part] of Dr. _____'s [immediate family member's name's] otherwise applicable co-payment or deductible.

Please direct any response you have to:

[Address and phone number of Business Office Director or designee]

Sincerely,

Chief Executive Officer

Attachment

CHECKLIST

This checklist is designed to give guidance in determining whether a facility's policy on extending discounts to physicians and their immediate family members meets Company guidelines in the Professional Courtesy Discount Policy, LL.018.

The answer to each statement should be yes or true. If the answer to any statement is no, the facility's policy should be revised in accordance with the requirements of LL.018.

| Statements | Answer (Yes or True) |
|---|-------------------------|
| Policy Development | |
| Your facility has adopted a written policy regarding the extension of discounts to physicians and their immediate family members and the policy has been adopted by the facility's governing body. | |
| Policy Application | |
| The policy applies the same discount to all physicians and their immediate family members. | |
| If the individual receiving the discount has insurance, the discount is limited to the lesser of the amount of the deductible and/or co-insurance payment or 25% of the amount expected to be received from all sources (i.e., total charges less any contractually agreed adjustment). | |
| If the individual receiving the discount is not insured, the discount is limited to no more than 25% of the total bill after any applicable uninsured discount. | |
| If your facility discounts all bills to the public for prompt payment or extends "out-of-network" discounts, an individual who qualifies for the discount is given the greater of the professional discount or the prompt payment or "out-of-network" discount, if applicable. | |
| The discount does not apply to Federal Health Care Program beneficiaries (e.g., Medicare, TriCare, etc.) unless the facility determines and documents that the individual has a financial need. | |
| The amount of any discount provided to an employed physician is included as taxable income in the physician's statement of wages. | |
| When notified that an individual is eligible for a discount, the Business Office/Service Center informs the individual that the third party payer may seek a similar discount and if the third party billed requests a discount, the discount will be eliminated | |

| Statements | Answer (Yes or True) |
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| and the physician will be billed for the previously discounted portion. | |
| The routine billing process is followed (i.e., the claim is billed to the appropriate third party payers). | |
| The individual receiving the discount is billed for any copayment or deductible. | |
| Individual insurers are notified by your facility in each instance in which it extends a discount according to the provisions of the Procedure Section of LL.018. | |
| When a discount is given, an adjustment transaction is processed in accordance with the Procedure Section of LL.018. | |
| If a third party payer requests a similar discount, the adjustment transaction is reversed to eliminate the discount and the third party payer and the individual who would have received the discount are informed that the discount has been eliminated. | |