



# YOUR GUIDE TO SLIDING FEE SCALES

Setting one up, explaining it to  
your patients, and using one

# INTRODUCTION

**A**s you navigate setting up your practice, you may consider offering a sliding scale for your professional fees.

Every provider finds that they have patients that have a hard time meeting the posted price of service. Does this mean you are going to turn these patients away? This guide will give you the pros and cons of doing so, and offer some guidelines if you choose to offer a sliding scale to your clients.

We hope you find it useful.

The TotalMD team





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A sliding fee scale  
program can be  
beneficial to both  
the patient and the  
provider— but it does  
take some work

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# CONTENT

06	<b>Section 1: Sliding Fee Scale Basics</b>
	1.1 What is a sliding fee scale
07	<b>Section 2: Why a Sliding Fee Scale</b>
	2.1 Is a sliding fee scale right for you
	2.2 Why do providers offer sliding fee scale to their patients
09	<b>Section 3: Accommodating Sliding Fee Scale Patients</b>
	1.2 Contractual considerations
	1.3 Restrictions due to insurance considerations
	3.1 Decide what a normal charge will be
	3.2 List operating expenses
	3.3 What does the provider need for a salary
	3.4 Get a monthly figure
	3.5 How many clients will the practice see
	3.6 Minimum fee determination
	3.7 Make the sliding fee schedule
	3.8 Write a sliding fee scale policy
	3.9 Develop advertising
	3.10 Create an application process
	3.11 Consider the insured patients
	3.12 Consistent application of the sliding fee scale
	3.13 Update and assess regularly
16	<b>Section 4: Educating Patients</b>
	4.1 Tell the patients about the program
	4.2 How the program works
	4.3 Requesting entry into the program
	4.4 Administering the program
	4.5 Exhausting other payment resources
	4.6 Applying for the program
	4.7 Renewing for the discount
	4.8 Discounts and income
	4.9 Documentation requirements
	4.10 Updating the policy
	4.11 Notice of approval/denial
	4.12 Payment issues
	4.13 Information storage

# CONTENT

## 20      Section 5: Drawbacks to Sliding Fee Scale Programs

- 5.1    Devaluing the services provided
- 5.2    Disparaging the full fee patients
- 5.3    Longer work hours

## 21      Section 6: And Finally

- 6.1    Wrapping up the pros
- 6.2    Wrapping up the cons
- 6.3    Conclusion

## 23      Section 7: References

## SECTION ONE

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# Sliding Fee Scale Basics

## What is a sliding fee scale?

There are many ways to create a sliding fee scale in an office, probably all of which a provider may have done, or considered doing, in the past:

- A clergy member asks the provider to help a member of their flock in dire need with limited resources.
- A managed care referred patient has exhausted their benefits and the patient is seen at a publicly advertised rate.
- A managed care referral has a grim financial outlook, has several dependents and is unable to pay their copay. The copay is forgiven.

All of these are examples of sliding or variable rates. To benevolent providers they do pose a risk of civil and/or criminal fraud, as well as claims for breach of contract in some instances. When applying a sliding fee, lack of insurance cannot be used as the only yardstick. This is prohibited by most state's laws. Fines and prison are a very real possibility if the provider charges the insured patient more than the uninsured patient.

Sliding fee scale breaks down to this: the less money a patient has, the less they must pay. However, they have to meet the practice's established minimum.

Another consideration is seeing patients that particularly appeal to the provider. If a provider wants to specialize in a sub-specialty, this is a way to do so. It is also a way to service patients whose insurance has changed and they are now either uninsured or on an out-of-network plan. Before implementing a sliding fee practice, the provider will want to make sure that it fits with their philosophy and vision for their practice.

## SECTION TWO

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# Why a Sliding Fee Scale

## Is a sliding fee scale right for you?

**B**efore moving any further in the process, the provider must examine their practice and see if it is appropriate for them to offer a reduction in cost to patients. There are many considerations:

- It could be called discriminatory— does the provider feel that they are penalizing their patients that make more money by charging less to others?
- Does it make you look cheap— does the provider feel that their services become devalued by offering the reduction in cost?
- Do you have to overcharge others to offer this service— it is hardly philanthropic to rob Peter to pay Paul.
- Would offering a certain amount of pro bono slots work better— by doing this, most of the clients pay the same price for services.
- Can shorter appointments be offered at a reduced rate instead — would it make more sense to do this than go through the work of creating the sliding fee scale?
- Can you balance the caseload— are there enough patients paying on the high end of the scale to keep the business afloat?





## Why do providers offer sliding fee scales to their patients?

A sliding fee scale can attract patients and serve local communities.

Providers have many reasons for creating a sliding fee scale. They include altruistic reasons like giving back to the community and wanting to share their knowledge to a wider base of patients.

As well, they may be involved with religious or other community programs to which they want to offer their services. Sliding fees are particularly attractive to practices that are new and growing as a way to attract patients and to serve the local community.

It is also a way to get patients to come in at off-peak hours and fill gaps in the schedule. Whatever the reason is that a provider would consider offering a sliding fee scale, a lot of work goes into setting up the process.



## SECTION THREE

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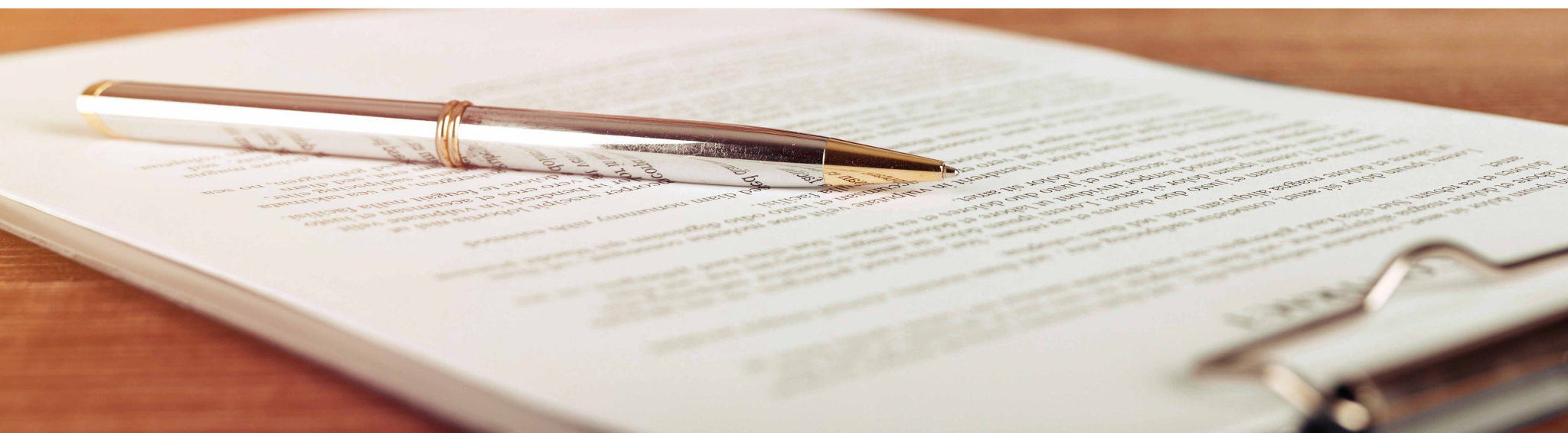
# Accommodating Sliding Fee Scale Patients

## Contractual considerations

Never waive  
a copay!

A provider must be careful if they are contracted with insurance company(s) to provide services. If the provider charges \$75 with a \$10 copay to the patient and subsequently waives the copay, they are, in effect, charging \$65 for that service and committing fraud by charging the insurance company for the full stated amount.

Providers have been sued for waiving copays, so never waive a copay! When a provider is contracted to provide a service for a patient and then provides the same service for another at a lower rate, misrepresentation could be claimed and open the provider to a criminal and/or civil lawsuit.



# Restrictions due to insurance considerations



With both government and private payers being adamant about cost containment, it is the focus of certain departments to ascertain even the appearance of fraud in billing practices. Providers must be aware and not cross these lines when billing private versus insurance-covered patients.

There are also considerations for seeing patients beyond their managed care allowance. The provider must be careful to read the limitations in place for moving a patient from a covered patient to a self-pay patient at a lower rate. The terms of the plan will say what is permissible.

The flipside to all of this is if providers are seeing private patients, they do not have to deal with the insurance companies and the endless battle to get paid. Self-pay patients typically pay at the time of service. It is becoming more common to have patients that do not want their insurance company to have access to their health records, especially in the mental health field. By offering the self-pay option, the patient gains anonymity and the patient remains with the practice.

## Decide what a normal charge will be

In the locale that services will be offered, research needs to be done to produce a baseline of normal and acceptable fees for that region. It could vary widely depending on where the practice is located.

## List operating expenses

**A**fter considering both hard and soft costs such as employee salaries, loan expenses, insurance costs, lease fees, furniture rental, etc., what does it take to run the practice for one year?

## What does the provider need for a salary

**D**ecide what the provider(s) wants to make this year. Add this amount to the above-determined expenses.



## Get a monthly figure

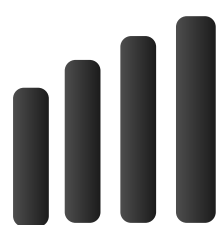
**T**he amount that was determined above should now be divided by 12 to deliver the minimum income needed on a monthly basis.

# How many patients will the practice see



Look at last year. How many clients were seen in the previous 12 months. Divide this number by 12 as well to determine the average number of patients seen per month.

# Minimum fee determination



Now divide the monthly income needed by the average number of patients seen by the practice. This is the minimum fee that can be charged and still keep the doors open, so this is the bottom of the sliding fee scale— the absolute least to be charged for any patient to be seen.

# Make the sliding fee schedule

Based on the first step where the locale was surveyed to find what the market would bear, a schedule will be determined something like this based on a local market-bearing of \$30 - \$150 for a patient visit.

Federal Poverty Level	Fee
Less than 100% of the FPL	\$30
100-200% of the FPL	\$70
200-300% of the FPL	\$110
More than 300% of the FPL	\$150



A second way to determine calculations is  $.001 \times$  Family or Individual Yearly Income —i.e. \$50,000 income means a \$50 per session payment.

A third way is a pricing chart similar to this:

Income	Amount Reduced
\$30,000 - \$45,000	15%
\$20,000 - \$29,999	25%
Less than \$19,999	35%

# Write a sliding fee scale policy

What financial details will need to be provided to qualify for these discounts? These could include:

- Proof of Insurance or Lack Thereof
- Proof of Income (a variety of evidence can be used for this)
- Household size
- Proof of Residency
- Upcoming income (such as inheritances expected)



## Develop advertising



How will the patients know about this policy? Will you post it on the practice's website or in the office, or both? Here is an example of an appropriate sign:

### Notice to our patients

Our practice will serve all patients regardless of their ability to pay.

For essential services, discounts are offered on the basis of family income.

If you're interested in more information, please ask the front desk or visit our website.

Thank you!

## Create an application process

Keeping patient confidentiality and privacy in mind, a screening process needs to be in place to determine who qualifies for the reduced fee services. The process must be efficient, respectful and culturally appropriate to prevent barriers in the administration of these services.

## Consider the insured patients

If it is allowed by the insurance contract(s) and applicable rules and regulations, insured patients may also fall into this sliding fee scale demographic. If a patient qualified via the set parameters of the sliding fee scale, the patient could possibly be offered a reduction of their copay. This is a practice that needs to be carefully considered and possibly have legal counsel examine the applicable contract(s) prior to opening this door.



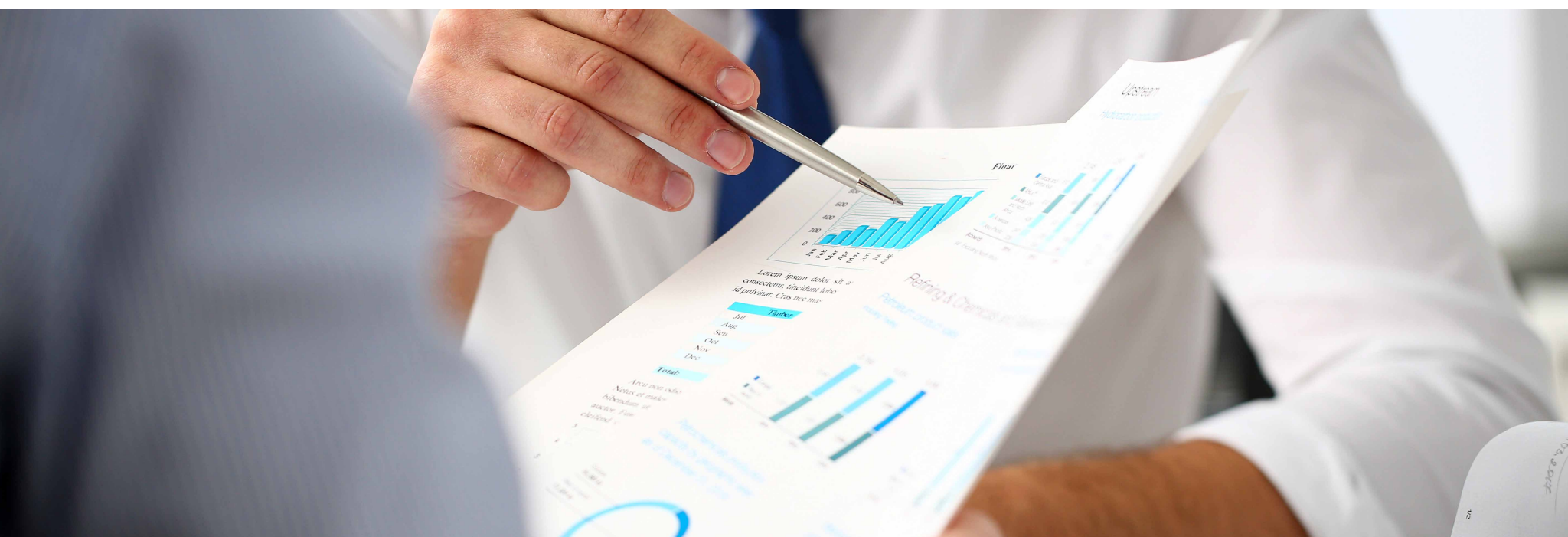
# Consistent application of the sliding fee scale

It would be advisable, once a sliding fee scale is created for a practice, to create a form that gathers the information needed to assess a patient for admission to the program. That will make sure that the program is administered fairly across the board.

## Update and assess regularly

To keep the sliding fee scale from negatively impacting the bottom line of the practice, it needs to be evaluated annually. Not only will the provider want to give thought to the dollars and patients of the practice, the Federal Poverty Guidelines vary from year to year.

Recertification of the patient eligibility to the program should also be done on an annual basis. Patients' needs change regularly as well.



## SECTION FOUR

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# Educating the patients regarding the sliding fee scale program

The provider will want to be sure that all patients are aware of the program in order to keep the practice operating well. The administrator of the program, whether that be the provider themselves, or an appointed employee will want to adhere to the guidelines outlined below.

## Tell the patients about the program

As each patient is informed of the program, an application may be provided. As mentioned earlier, the office will want to place notification in the office itself and possibly on the website.

## How the program works

Advise the patients that they will not be refused service for monetary reasons as long as they are willing to fill out the accompanying paperwork and are found to be eligible for the program. Services will be provided at a discount going forward from acceptance into the program.



## Requesting entry into the program

**P**atients, family members, social services staff, etc. may request entry for a patient when they are aware of a financial difficulty for the patient. The forms can be obtained from the program administrator.



## Administering the program

**P**atients should be given the name of the program administrator. This person will provide the forms and assistance with the program and its policies and procedures. Confidentiality in this process is key.

## Exhausting other payment resources

**A**ll third-party, state and federal assistance must be exhausted prior to entering this program.

## Applying for the program

**T**he patient or responsible party must complete the paperwork to be considered for the program. By signing the application, they are authorizing the practice to confirm their statements on the form. Providing false information will result in revocation of the privilege and all discounted amounts being reinstated and payable immediately. This will be spelled out on the forms.

During the initial application process, there will be a two-week period of time for the patient to provide any necessary information. After that point in time, the date of the application will be restarted.

# Renewing for the discount



A patient on the program will be required to submit an updated application every 12 calendar months or if their financial situation changes. If the patient does not fill out the renewal application, the practice will notify them in writing that their participation in the program is being terminated, unless the information is submitted within 10 business days. If the patient is non-compliant, full fees will be charged on-going from the date of the initial renewal request.

# Discounts and income



Discounts are based on income and family size. A family is defined as a head of house, spouse and dependent child(ren).

Income includes earnings, unemployment compensation, workers' compensation, Supplemental Security Income, Social Security, veterans' payments, survivor benefits, public assistance, pension or retirement income, interest, dividends, rents, royalties, income from trusts, educational assistance, alimony, child support, and any assistance from outside the household. Noncash benefits such as food stamps and housing subsidies are not considered.

# Documentation requirements

It is suggested that applicants provide:

- Prior year W-2
- Two most recent pay stubs
- Two most recent bank statements

Self-employed individuals should provide the most recent three months income and expenses for their business.

# Updating the program

The sliding fee scale program should be updated during the first quarter of the calendar year every year with the latest Federal Poverty Guidelines, <http://aspe.hhs.gov/poverty>.





## Notice of approval/denial

The determination of the sliding fee scale application will be provided to the applicant(s) in writing. This will include the percentage of the discount applied or the reason of denial will be included. If there is less than a 100% discount, a payment arrangement must be made immediately with the practice.

## Payment issues

If a patient is unwilling to pay and/or leaves the office without payment being made for the services rendered, the patient will be sent a letter regarding their payment obligations. If the patient is not already a part of the program, a copy of the application will be sent to them with the letter. If the patient does not respond or make payment within a 60-day time period, this will constitute a refusal to pay. At that time, the practice can either offer the patient a payment plan, waive the charges or refer the patient to collections.

Records  
need to be  
kept with  
dignity and  
the utmost  
privacy.

## Information storage

The sliding fee scale program decisions will be maintained in a confidential manner where the administrator of the program can use them. These records will be kept with dignity and the utmost privacy.

## SECTION FIVE

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# Drawbacks to sliding fee scale programs



## Devaluing the services provided

Some providers feel that the patient is more inclined to be positively involved with their own care if they have an investment in the process. The more they pay for the service, the more they may value it. However, those who absolutely cannot afford to pay the high-end of the scale may still value the services as what they are paying seems of value to them.

However, by offering a sliding fee scale program, is a negative message being sent? Does this say to the client that the services being provided are too high-priced to start with? Do those on the lower end of the scale receive less valuable services?

## Disparaging full fee patients

Will it seem that the patients that are paying the full price for your services are subsidizing the patients on the other end of the scale? The policy must be fully transparent and accessible to all patients so that they understand why the program is offered and why or why not they are eligible to participate.

## Longer work hours

No argument, seeing patients for reduced rates will increase the number of patients that have to be seen in order to meet the practice's goals. Working longer hours also increases the possibility of burnout.



## SECTION SIX

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# And finally

## Wrapping up the pros



**E**stablishing a sliding fee scale program is not easy but it does have some positive points:

- For a growing practice it is a good way to fill in gaps in the schedule and to attract new patients
- A provider can specialize in patients with a certain diagnosis for research purposes
- The sliding fee scale is seen as a community service

Whatever the reason(s) a practitioner decides to offer a sliding fee scale, there are some downsides and cautions to be considered.

## Wrapping up the cons

**S**ome of the reasons **not** to offer a sliding fee scale program are:

- Is the practice in contract(s) with insurance and will this cause issues with the program?
- Is it worth the time and effort to set up the program?
- Does the practice **really** want to offer this service?

Whatever the reason(s) a practitioner decides to offer a sliding fee scale, there are some downsides and cautions to be considered.

# CONCLUSION

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In conclusion, a sliding fee scale program can be beneficial to both the patient and to the provider, but it does take some work— mostly on the part of the practice. If the providers are committed to providing this type of service, it needs to be done right. The foundation of the program must be solid to make sure there are not repercussions from insurance companies down the road. If not conducted correctly, the provider could face legal action, reversal of payment(s) and other dire consequences. Remember **Never Waive a Copay!**

Be sure to create a paper trail when admitting patients to the program. However, the paper trail needs to be kept confidential— just as you would a medical record. By documenting the reason that a patient is/is not on the program, providers protect themselves and the patient from legal action.

Altruism is all very well and good, however, the practitioner must consider all of the ramifications of offering reduced fee services. If they are willing to put in the necessary work to offer a sliding fee scale correctly, then this can be a good thing for all concerned.

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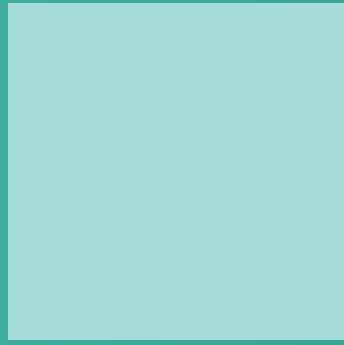
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# ABOUT TOTALMD

Founded in 2008 by two medical software industry experts, TotalMD offers medical software for private practices and medical billers. Known for providing easy-to-use practice management and billing software, TotalMD has expanded its suite of solutions to include EHR software, EDI solutions, and patient communication solutions.