

## Eli's Rehab Report

### You Be the Coder: Professional Courtesy Discounts

**Question:** Is there a specific policy to deal with professional courtesy discounts? Someone told me that this is illegal, but the doctor in my office has told us to write off costs of exams for his priest. Is there a difference between writing off the cost of the exam and writing off the insurance co-pay?

Michigan Subscriber

**Answer:** The government says it is unlawful to give courtesy discounts to Medicare patients unless you give the same discounts to Medicare. If you were to give a discount to your doctors priest and then bill Medicare for the full amount, it would be considered a routine waiver of co-insurance and is illegal. If, however, your practice charges the priest \$45 for a \$75 service, you can charge Medicare for the service using the \$45 fee as your billable amount, assuming that the priests deductible, co-payment and/or co-insurance amounts were already paid.

Medicare outlines its policy on discounts in Medicare's Program Integrity Manual, which states, Some discount arrangements are clearly permissible if they fall within a safe harbor. One safe harbor protects certain discounting practices in which a discount is the reduction in the amount a seller charges a buyer for a good or service. To be protected under the discount safe harbor, the discount must apply to the original item or service which is purchased and furnished ... the practice offering the discount may not charge Medicare or a secondary payer for the gross amount before the discount is removed.

Part A providers must fully and accurately report the discount in its cost report as a net discount. For Part A claims, the following types of discounts may be protected if they comply with the standards in the discount safe harbor (as outlined in the Program Integrity Manual: rebate check, credit or coupon directly redeemable from the seller and volume discount or rebate).

For Part A bills, the following discounts are not protected: cash payment, furnishing one good or service for free or at a reduced rate in exchange for any agreement to buy a different good or service, reduction in price applicable to one payer but not to Medicare or a state healthcare program and routine reduction or waiver of any co-insurance or deductible amount owed by a program beneficiary.

For a discount program to be protected for Part B billing, The discount must be made at the time of the sale of the good or service; rebates are not permitted for items or services if payable on the basis of charges. The discount must be offered for the same item or service being bought or furnished, and the discount must be clearly and accurately reported on the claim form.

The following types of discounts are not protected for Part B claims: rebates offered to beneficiaries, cash payment, furnishing an item or service for free or at a reduced rate in exchange for any agreement to buy a different item or service, reduction in price applicable to one payer but not to Medicare or a state healthcare program and routine reduction or waiver of any co-insurance or deductible amount owed by a program beneficiary.

Practices that dont collect required deductibles and co-pays are violating contracts with their carriers (both commercial insurance and Medicare), which usually constitutes fraud and carries very severe penalties. Physicians should refer to their own contracts for stipulations regarding courtesy discounts, but as a rule, practices generally should have an across the board policy of not offering courtesy discounts to any patients, regardless of insurance.

**Editors note: Brenda Messick, CPC**, senior consultant at Gates, Moore & Company, a physician practice management firm in Atlanta, answered You Be the Coder.

