




## POLICY STATEMENT

**TO:** Hospital Administrators  
Hospital CFOs  
Consultants

**FROM:** Sonia D. Chambers, Chair 

**DATE:** September 16, 2003

**RE:** Policy Statement - 2003-1  
Assessing of Penalties -  
Benchmarking Rate Application Process  
(*RESCINDS AND REPLACES POLICY STATEMENT 99-5*)

This policy statement is issued to clarify the Authority's position regarding the penalties that may be assessed under the Benchmarking rate application process, pursuant to 65 C.S.R. 26.

- 1 - **Inpatient and/or Outpatient unjustified overages - Penalties for unjustified inpatient and/or outpatient overages will be assessed.**
- 2- **Outlier penalties - These will be assessed, if applicable.**
- 3- **Governmental Contractuals - These will be assessed, if applicable.**

**4- Discount Contract Penalties:  
(projected actual and budget years)**

A. Contracts utilized without current approval, but which provide an economic benefit and meet all other criteria for approval, will be assessed a penalty of twenty percent (20%) of the discount.

B. Contractual allowances which do not meet the criteria for a discount contract with a third-party payor (e.g. no signed contract, non-allowable adjustments, etc.) will be assessed a penalty at 100% of the discount.

C. Contracts that do not provide an economic benefit will be assessed a penalty at 100% of the discount.

**5- Underspent Wages - A penalty will be assessed, if applicable, after factoring in the addition or reduction of FTEs.**

**NOTE: All applicable penalties are assessed when the rate application is processed. However, assessed penalties (which include penalties being held in abeyance) may be levied with the current rate decision or placed in abeyance to be levied at such times as the Authority elects to apply the penalties.**