

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 328 (Delegate Lopez, *et al.*)
Health and Government Operations

Finance

Hospitals - Financial Assistance Policies - Revisions

This bill modifies the required components of acute care and chronic care hospital financial assistance policies by (1) prohibiting hospitals from considering household monetary assets in determining eligibility for free and reduced-cost care and (2) removing the requirement that the provision of reduced-cost care or payment plans be in accordance with the mission and service area of the hospital.

Fiscal Summary

State Effect: Any additional workload for the Health Services Cost Review Commission (HSCRC) can be handled with existing budgeted resources. Any impact on Maryland Department of Health (MDH) hospitals is indeterminate but likely minimal, as discussed below. Any impact on uncompensated care is indeterminate but anticipated to be minimal overall. To the extent hospital rates increase from additional uncompensated care, Medicaid expenditures (61% federal funds, 39% general funds) and federal matching revenues increase beginning as early as FY 2025, as discussed below.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Hospital Financial Assistance Policies

Each hospital, or related institution, under the jurisdiction of HSCRC must develop a financial assistance policy for providing free and reduced-cost care to patients who lack health care coverage or whose health care coverage does not pay the full cost of the hospital

bill. A patient's family income must be calculated at the time of service or updated, as appropriate, to account for any change in financial circumstances of the patient that occurs within 240 days after the initial hospital bill is provided.

The financial assistance policy must provide, at a minimum (1) free medically necessary care to patients with family income at or below 200% of the federal poverty level (FPL); (2) reduced-cost medically necessary care to patients with family income above 200% FPL, in accordance with the mission and service area of the hospital; (3) a payment plan that is available to uninsured patients with family income between 200% and 500% FPL, in accordance with the mission and service area of the hospital; and (4) a mechanism for a patient to request the hospital reconsider the denial of free or reduced-cost care that includes specified information regarding the Health Education and Advocacy Unit.

In addition to income-based criteria, a hospital *may* consider household monetary assets in determining eligibility for free and reduced-cost care. Excluded monetary assets must be adjusted annually for inflation in accordance with the Consumer Price Index. Monetary assets that are convertible to cash must be excluded, including:

- at a minimum, the first \$10,000 of monetary assets;
- a safe harbor equity of \$15,000 in primary residence;
- retirement assets that the Internal Revenue Service has granted preferential tax treatment as a retirement account, including qualified or nonqualified deferred compensation plans;
- one motor vehicle used for the transportation needs of the patient or any family member of the patient;
- any resources excluded in determining financial eligibility under Medicaid; and
- prepaid higher education funds in a Maryland 529 account.

Health Services Cost Review Commission

HSCRC is an independent commission within MDH charged with constraining hospital growth and establishing hospital rates to promote cost containment, access to care, equity, financial stability, and hospital accountability. HSCRC oversees acute and chronic care hospitals.

Uncompensated Care

Uncompensated care is care provided for which no compensation is received, typically a combination of charity care, financial assistance, and bad debt. The uncompensated care fund (UCF) maintains access to care in communities with higher uncompensated care by limiting the financial strain on hospitals. HSCRC must factor the cost of uncompensated

care into the State's hospital rate setting structure. Each year, HSCRC determines the total amount of uncompensated care that will be placed in hospital rates for the year, and the amount of funding available for the uncompensated care pool. Regulated hospitals draw funds from the pool if they experience greater-than-average levels of uncompensated care and pay into the pool if they experience a below average level of uncompensated care, ensuring the total cost of uncompensated care is shared equally across all hospitals.

State Fiscal Effect: The bill prohibits a hospital financial assistance policy from considering household monetary assets or the hospital's mission and service area in determining a patient's eligibility for free and reduced-cost care. HSCRC advises that 27 of 45 (60%) hospitals under HSCRC jurisdiction currently use asset tests or otherwise consider assets in determining a patient's eligibility for free or reduced-cost care. The actual number of patients who may additionally qualify under the bill – either due to removal of asset tests or the geographic service area requirement – cannot be reliably estimated.

The bill's changes regarding use of asset test impacts MDH's chronic care hospitals, including Western Maryland Hospital Center and Deer's Head Hospital Center. However, any impact on these facilities cannot be reliably estimated and is likely minimal.

The bill's changes may also increase uncompensated care by an indeterminate but likely minimal amount overall. Under the bill, the potential increase to the overall UCF depends on the relative differences between hospitals, not the overall amount of uncompensated care statewide. Additionally, the bill may decrease the total balance of medical debt owed, as more patients may qualify for free and reduced-cost care rather than being unable to pay their bill, resulting in bad debt. A smaller balance of medical debt owed by patients decreases the uncompensated care pool. Therefore, by potentially increasing the number of patients eligible to receive free and reduced-cost care, the bill may decrease the balance of medical debt owed by patients, thus having a substitutive effect on the UCF.

Hospital rates are paid by all payers in the State. As such, should hospital rates increase to account for additional uncompensated care, expenditures for health insurers, Medicaid, and self-pay patients may increase. To the extent hospital rates increase, Medicaid expenditures (61% federal funds, 39% general funds) increase and federal matching revenues increase accordingly.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2024
rh/jc Third Reader - March 8, 2024

Analysis by: Amberly E. Holcomb

Direct Inquiries to:
(410) 946-5510
(301) 970-5510