

# Hospital Financial Assistance Policies: Ban Barriers to Charity Care for Eligible Patients

## Background

All Maryland hospitals are nonprofit and are required to provide free and reduced cost care as a condition of their tax-exempt status. Maryland also has a global-budgeting policy that sets rates and provides hospitals with funds for charity care each year based on last year's expenses.



## The Problem

Even if a patient is income-eligible for free or reduced-cost care, hospitals can still deny a patient's application for financial assistance if the patient fails either 1) an asset or 2) a service/geography test.

**Asset tests** allow hospitals to consider a household's monetary assets in addition to income eligibility. The hospital may determine that an individual is income-eligible but has assets that allow the hospital to reject the application for free or reduced cost care.

Maryland law currently prevents hospitals from considering certain assets such as retirement savings, 529 college savings accounts, one car, and \$10,000 in savings and up to \$150,000 in equity in a primary residence.

**Service/geography tests** -allow hospitals to deny free or reduced cost care to income-eligible patients outside of the hospital's service area.



## Solution: HB328 Prohibit use of barriers to care for income-eligible patients

### Medical Debt in Maryland

According to a September 2023 statewide poll, 14% of Maryland voters say that they or someone in their household have medical bills or debt that they are not able to repay. African-American households comprise 23% of those unable to pay a medical bill compared to 8% of white households.

### Why HB328 is Needed

#### Expands Access to Healthcare

No patient that is income-eligible should be denied free or reduced-cost care, particularly when Maryland pre-pays hospitals to provide this care and many hospitals fail to use all of their charity care each year.

#### Increases Fairness of Charity Care

Currently, not all nonprofit hospitals in Maryland use asset tests and service tests. For those that do, each hospital uses discretion to develop its own criteria for asset tests and service area boundaries. As a result, an income-eligible patient may receive free care at one hospital while being denied care at another hospital. This means access to affordable care is conditioned on where one becomes ill or has an emergency. This leads to inequitable outcomes and disparities.

#### Improves Financial Security, Reduces Chronic Illness

Reducing medical debt directly impacts household finances by improving credit scores<sup>1</sup> and access to credit. Research shows that households that have their medical debt relieved see improvements in physical and mental health outcomes as well as improved overall access to care.<sup>2</sup> Since medical debt is disproportionately held among low-income communities,<sup>3</sup> reductions in the burden of medical debt helps advance financial and health-based equity.

#### Supports Rational Use of Charity Care

Maryland nonprofit hospitals are required to provide free and reduced cost care to income-eligible patients as a condition of their tax-exempt status. Maryland's global budgeting provides hospitals with the funding required to provide this charity care annually. Yet, as the table below illustrates, many hospitals have high rates of charity care denial. Eliminating these tests for income eligible patients will make it easier for hospitals with high charity care denial rates to approve more applications. The costs to the hospitals for increased use of charity care is already built into the hospitals rates so they can afford these changes.





