

# Eliminating Barriers to Health Care Benefits Maryland Families and Our Economy

## Position Statement Supporting House Bill 328

*Given before the House Health & Government Operations Committee*

HB 328 ensures that income-eligible Maryland residents receive free or reduced-cost care by eliminating additional barriers to charity care that some nonprofit hospitals have put in place. As nonprofit hospitals, Maryland's hospital systems receive substantial tax benefits and, in return, are required to provide free and low-cost care to income-eligible residents. Additionally, through Maryland's unique global budgeting system, hospitals are compensated through rate-setting for the charity care that they anticipate spending based on the prior year's expenses. Therefore, the benefits to the hospital in terms of tax breaks are substantial while the costs are built into Maryland's rate-setting system. **The Maryland Center on Economic Policy supports House Bill 328 because we believe that no patient that is income-eligible should be denied free or reduced cost care when Maryland already has a system in place to pre-pay hospitals for charity care.**

Even though many hospitals fail to use all their allocated charity care dollars each year, 27 Maryland nonprofit hospitals created barriers for low-income patients who try to access free or low-cost care. These barriers deny struggling households the charity care that they are entitled to by law, and that the General Assembly expanded in 2020. One barrier, the asset test, varies by hospital but may, for example, eliminate a household with two cars from receiving free or discounted care even if they have very low income. Another barrier, the service area test, is used by hospitals to limit charity care to patients who live within a certain radius of the hospital. In urban areas, patients may live between several hospitals and would not know which one to go to since these geographic boundaries are not publicized. In an emergency, patients are sent to whatever hospital is nearest, so even if a patient did know which hospital would provide them with charitable care, they are not given a choice in the matter.

Hospital debt is already devastating for many families and Black households are hit hardest. In fact, 14% of Maryland voters say that they or someone in their household have medical bills or debt that they are not able to repay. Black households comprise 23% of those unable to pay a medical bill compared to 8% of white households. 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 a person becomes ill or has an emergency. This leads to economically inequitable outcomes and disparities.

There are 47 hospitals in Maryland and 20 do not use any tests. At these 20 hospitals, if a patient is eligible for free or discounted care, they receive it. That should be the case statewide. Passage of HB 328 will bring consistency, clarity, and fairness to hospital financial assistance statewide. It will expand financial assistance to eligible patients that need it at this critical time. For these reasons, **the Maryland Center on Economic Policy respectfully requests the House Health & Government Operations Committee to make a favorable report on House Bill 328.**

---

## Equity Impact Analysis: House Bill 328

### *Bill Summary*

HB 328 ensures that income-eligible Maryland residents receive free or reduced-cost care by eliminating additional barriers to charity care that some nonprofit hospitals have put in place.

### *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. Currently, not all nonprofit hospitals in Maryland use asset 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 leads to inequitable outcome and disparities.

### *Equity Implications*

Reducing medical debt directly impacts household finances by improving credit scores 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. Since medical debt is disproportionately held among low-income communities, reductions in the burden of medical debt helps advance financial and health-based equity.

14% of Maryland voters say that they or someone in their household have medical bills or debt that they are not able to repay. Black households comprise 23% of those unable to pay a medical bill compared to 8% of white households.

### *Impact*

House Bill 328 will likely **improve racial, health, and economic equity** in Maryland.