

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

House Bill 423 (Delegate Hurson)  
Health and Government Operations

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**Hospitals - Free and Reduced-Cost Care**

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This bill requires a hospital to develop a financial assistance policy for providing free and reduced-cost care to low-income patients who lack health care coverage.

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**Fiscal Summary**

**State Effect:** The development of a uniform financial assistance application and the collection and verification of free care documentation could be handled with existing Health Services Cost Review Commission (HSCRC) resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** HSCRC must develop a uniform financial assistance application and require each hospital to use the form to determine eligibility for free and reduced-cost care. A hospital must provide the form to each patient who does not indicate public or private health care coverage at the time the patient submits information to the hospital regarding financial responsibility for care provided by the hospital.

A nonprofit hospital that receives a property tax exemption must report the value of the tax exemption to HSCRC and annually devote half this amount, not reimbursed through rates, to the provision of free and reduced-cost care. HSCRC must require nonprofit

hospitals to provide documentation for the free and reduced-cost care provided and audit the documentation to verify compliance.

**Current Law:** There is no requirement that a hospital have a financial assistance policy. Hospitals participate in an uncompensated care fund that proportionately reimburses a hospital for uncompensated care. A nonprofit hospital must submit an annual community benefit report to HSCRC detailing the community benefits provided by the hospital during the preceding year.

**Background:** There are 47 general hospitals in Maryland, of which only one (Southern Maryland Medical Center) is for-profit. In response to lawsuits and unfavorable press across the country, the American Hospital Association has developed a Statement of Principles and Guidelines on Hospital Billing and Collection Practices. The guidelines fall under the general headings of helping patients with payment for hospital care, making care more affordable for patients with limited means, and ensuring fair billing and collection practices. Community Catalyst, a national advocacy organization, has developed hospital patient financial assistance principles that include free care for individuals with incomes up to 200% of the federal poverty level guidelines (FPG) and discounted care for individuals between 200% and 400% FPG.

In fiscal 2005, the value of nonprofit hospitals' total property tax exemption was about \$3 million. In 2003, Maryland hospitals provided over \$550 million in uncompensated care (a combination of bad debt and charity care).

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Medicaid, Maryland Health Care Commission, Health Services Cost Review Commission), State Department of Assessments and Taxation, Department of Legislative Services

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