

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 494
Finance

(Senator Brochin)

Health Services Cost Review Commission - Limit on Interest or Late Payment Fees

This bill requires the Health Services Cost Review Commission (HSCRC) to prohibit a hospital from charging a patient interest or late payment fees at a rate exceeding 5.0% per year.

Fiscal Summary

State Effect: The bill's requirement can be handled with existing HSCRC budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: HSCRC has jurisdiction over all hospital services. HSCRC must (1) require hospitals to disclose publicly their financial position and the verified total costs incurred by the facility in providing health services; (2) review for reasonableness and certify the rates of each facility; (3) keep informed as to whether a facility has enough resources to meet its financial requirements; (4) concern itself with solutions if a facility does not have enough resources; and (5) assure each purchaser of hospital services that the total costs are reasonable, the aggregate rates are reasonably related to the aggregate costs, and rates are set equitably among all purchasers.

The Code of Maryland Regulations (10.37.10.26) provides basic guidelines for patient billing. A patient must be given a bill for services at the earlier of the end of each regular billing period or upon discharge. The bill must cover substantially all care rendered and should generally represent the full charge for the patient's care. The charge is due within 60 days of discharge. A self-paying patient may receive a 2% discount by paying upon discharge or a 1% discount by paying within 30 days. A patient may be subject to interest or late payment charges at a rate of 1% per month beginning on the sixty-first day after the date of the earlier of the end of each regular billing period or discharge and every 30 days after that.

Background: In February 2009, HSCRC released a report on credit collection practices of Maryland acute general hospitals in response to a request from the Governor to evaluate these issues. HSCRC found that, nationally, most hospitals do not apply interest to outstanding medical bills, including those under a payment plan. Virtually all Maryland hospitals indicated they do not apply interest or penalties on unpaid bills prior to judgment. However, interest and penalties may be applied by third-party collection agencies. Based on these findings, HSCRC recommended in its report that interest and penalties be prohibited on all bills to uninsured patients prior to judgment for both hospitals and their third-party collection agencies. Further, HSCRC recommended that it convene a Credit and Collection Work Group to develop best practice standards for Maryland hospital collection policies and activities.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Report to the Governor: Review of Financial Assistance and Credit and Collection Activities of Maryland Hospitals*, Health Services Cost Review Commission, February 10, 2009; Department of Health and Mental Hygiene; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2009
ncs/mwc

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