

**Department of Legislative Services**  
Maryland General Assembly  
2009 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1069

(Delegate Hammen, *et al.*)

Health and Government Operations

Finance

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**Health Services Cost Review Commission - Financial Assistance and Debt  
Collection Policies**

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This bill alters the requirements for hospital financial assistance and debt collection policies by requiring hospitals to (1) provide free and reduced-cost care to individuals with specified incomes; (2) develop an information sheet and provide certain notice to patients; and (3) submit to the Health Services Cost Review Commission (HSCRC) a debt collection policy that adheres to specified standards. A hospital that knowingly violates any financial assistance policy provision or regulation is subject to a fine of up to \$50,000 per violation. Uncodified language imposes reporting requirements on HSCRC.

The bill takes effect June 1, 2009.

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**Fiscal Summary**

**State Effect:** Potential minimal increase in special fund revenues from the bill's penalty provisions beginning in FY 2010. The bill's requirements can be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

### **Bill Summary:**

*Free and Reduced-cost Care:* Hospitals must develop a financial assistance policy for providing free and reduced-cost care to patients who lack sufficient health care coverage. At a minimum, the policy has to provide free care to patients with family income up to 150% of federal poverty guidelines (FPG) and reduced-cost care to low-income patients with family income above 150% FPG, in accordance with the mission and service area of the hospital. HSCRC may establish higher income thresholds by regulation. In establishing higher thresholds, HSCRC must consider a hospital's patient mix, financial condition, bad debt, and charity care. A hospital must post notice of its financial assistance policy in the billing office.

*Information Sheet and Notice to Patients:* Each hospital must develop an information sheet that (1) describes the hospital's financial assistance policy; (2) describes a patient's rights and obligations with regard to hospital billing and collection; (3) provides contact information on how to access assistance; (4) provides contact information for the Medicaid program; and (5) includes a statement that physician charges are billed separately. The information sheet must be given to the patient or a representative of the patient at specified times and must be referenced on the hospital bill. HSCRC must establish uniform requirements for the information sheet and review each hospital's compliance. Each hospital must also ensure the availability of staff who are trained to work with the patient or a representative of the patient to understand billing issues and how to apply for Medicaid and other programs that may help pay the hospital bill.

*Debt Collection Policies:* Each hospital must submit to HSCRC the hospital's debt collection policy. The policy must (1) provide for active oversight by the hospital of any contract for collection of debts on behalf of the hospital; (2) prohibit the hospital from selling any debt; (3) prohibit the charging of interest on bills incurred by self-pay patients before a court judgment is obtained; (4) describe in detail the consideration by the hospital of patient income, assets, and other criteria; (5) describe the hospital's procedures for collecting a debt; and (6) describe the circumstances in which the hospital will seek a judgment against a patient. HSCRC must review each hospital's implementation of and compliance with these policies.

*Reporting Requirements:* Uncodified language in the bill requires two reports by October 1, 2009. First, HSCRC must establish a workgroup on patient financial assistance and debt collection to review the need for uniform policies among hospitals. Second, HSCRC must study and make recommendations on incentives for hospitals to provide free and reduced-cost care to patients without the means to pay their hospital bills.

**Current Law:** Each hospital is required to have a financial assistance policy for providing free and reduced-cost care to low-income patients who lack health insurance. Hospitals must post a notice in conspicuous places throughout the hospital describing the financial assistance policy and how to apply for free and reduced-cost care.

HSCRC must develop a uniform financial assistance application and require use of the application by each hospital. This application must be written in simplified language and may not require documentation that presents an undue barrier to a patient's receipt of financial assistance. Each hospital must establish a mechanism to provide the application to uninsured or self-pay patients.

**Background:** Every hospital in Maryland offers financial assistance to patients with limited means. In 2008, hospitals provided more than \$260 million in charity care for those who met hospital guidelines and another \$600 million in free and reduced-price care for those who could not or would not pay their hospital bills.

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 hospitals in the State are, for the most part, adhering to voluntary standards for financial assistance. However, the State lacks any standards for credit and collection activities, and hospitals' articulated policies are ambiguous and varied. Hospital oversight of third-party collection agencies may not be rigorous enough to prevent unintended hardship for self-pay patients. Furthermore, other states have taken regulatory and legislative steps to promote more socially conscious behavior on the part of their hospitals. Based on these findings, the HSCRC report includes such recommendations as:

- revision of current financial assistance eligibility standards to provide free care to residents below 200% FPG;
- improved communication and notification standards, including written notice;
- prohibition of interest and penalties on all bills to uninsured patients prior to judgment, including third-party collection agencies; and
- establishment of a Credit and Collection Workgroup to develop best practice standards for hospital collection policies and activities.

**Additional Comments:** HB 776 of 2009 is an identical bill dealing with hospital financial assistance and debt collection policies.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None designated; however, SB 776 is identical.

**Information Source(s):** Office of the Attorney General; Department of Health and Mental Hygiene; Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; University System of Maryland; University of Maryland Medical System; Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2009  
mlm/mwc Revised - House Third Reader - March 31, 2009  
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