



*Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary*

February 28, 2020

The Honorable Shane E. Pendergrass, Chair  
Health and Government Operations Committee  
Room 241, House Office Building  
Annapolis, MD 21401-1991

**RE: House Bill 1081 – Health Facilities – Hospitals – Medical Debt Protection – Letter of Information**

Dear Chair Pendergrass:

The Maryland Department of Health (Department) respectfully submits this letter of information for HB 1081 – Health Facilities – Hospitals – Medical Debt Protection.

HB 1081 modifies requirements surrounding hospital collection of bad debt, particularly when debt collection activities affect individuals who are eligible for free or reduced-cost care. Specific requirements under the legislation involve reporting, payment plans, caps and limitations, timelines and prohibitions for debt collection activities that could result in adverse outcomes, such as loss of primary residence or arrest.

Maryland Medicaid participants are not financially responsible for payments on health care services received; therefore, the provisions of HB 1081 would not affect the Medicaid-enrolled population. If enacted, there would be an indeterminate fiscal impact on the Medicaid program, due to Maryland's unique, all-payer approach to uncompensated care for acute care hospitals.

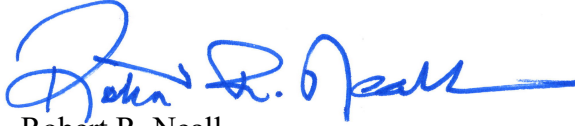
During the annual update factor process that determines all-payer hospital global budgets for the upcoming fiscal year (FY), the Health Services Cost Review Commission (HSCRC) prospectively calculates the cost of uncompensated care, forming a statewide pool. The calculation takes into account actual statewide uncompensated care for the prior year, as well as a logistic regression model that includes area deprivation index, payer type and site of care for each hospital. The per-hospital regression is also adjusted for the percentage of services delivered to commercial patients in the emergency department, which the HSCRC identifies as the greatest indicator of likely uncompensated care.

Under HB 1081, as written, the uncompensated care pool would likely increase, thereby increasing the amount owed by payers of health care—including Medicaid—according to the

payer mix of hospital utilization in that year. Medicaid is typically about 20 percent of the hospital revenues, accounting for 21 percent of total hospital charges in FY 2019.

I hope this information is useful. If you would like to discuss this further, please contact Director of Governmental Affairs Webster Ye at (410) 260-3190 or [webster.ye@maryland.gov](mailto:webster.ye@maryland.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert R. Neall", with a long horizontal stroke extending to the right.

Robert R. Neall  
Secretary