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March 30, 2022

To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: The Office of the Attorney General's Consumer Protection Division and
Health Education and Advocacy Unit

Re: House Bill 694 (Hospitals - Financial Assistance - Medical Bill Reimbursement):
Support

The Office of the Attorney General's Consumer Protection Division (the Division) and the Health Education and Advocacy Unit (HEAU) support House Bill 694, and thank the Sponsor for working with hospitals, consumer advocates and state agencies to achieve a cost-effective and timely solution to the serious problem that was revealed on Page 1 of the February 2021 legislative report from the Health Services Cost Review Commission (HSCRC) entitled *Analysis of the Impact of Hospital Financial Assistance Policy Options on Uncompensated Care and Costs to Payers Mandated by House Bill 1420 (Ch. 470, 2020 Md. Laws) MSAR# 12823*:

HSCRC determined that approximately 60% of UCC (i.e. unpaid charges) attributable to individuals with a household income under 200% of the federal poverty level (FPL) is reported by hospitals as bad debt, rather than free care. **Hospitals are required by statute to provide free care to patients below this income level.** The analysis in this report suggests that hospitals attempted (and failed) to collect this debt from a sizable number of patients likely eligible for free care. In addition, **approximately 1% of total hospital charges to individuals who likely qualify for free care are paid by those individuals (this amounts to approximately \$60 million statewide).**

(Emphasis added).

The estimated amount of \$60 million in improperly collected payments from free-care eligible patients is based on data from HSCRC's hospital case mix data set; data from Maryland tax filings from the Maryland Office of the Comptroller (Comptroller's Office); and commercial insurance claims data from the Maryland Medical Care Database (MCDB) maintained by the Maryland Health Care Commission. The data does not, on its own, identify the free-care eligible patients who made payments they should never have been asked to make.

The bill requires HSCRC, in coordination with the Department of Human Services (DHS), the State-designated exchange (CRISP), the Comptroller's Office, and the Maryland Hospital Association (MHA), to develop a process that (1) identifies the patients who paid for hospital services who may have qualified for free care at the time of care in calendar 2017 through 2021; (2) provides reimbursement to the patients; (3) ensures that a patient's alternate address is used if the patient required an alternate address for safety reasons; and (4) determines how HSCRC, DHS, and the Comptroller's Office should share with or disclose relevant specified information, to the minimum extent necessary, to the hospital and in accordance with federal and State confidentiality laws.

By January 1, 2023, and January 1, 2024, HSCRC must report to this committee and the Health and Government Operations committee on the development and implementation by hospitals of the process required under the bill. If the process requires legislation for implementation, HSCRC must include legislative recommendations in the 2023 report; if not, hospitals must implement the process by January 1, 2023.

The hospitals will pay for the costs associated with the reimbursement effort and HSCRC will not take the costs into consideration when setting rates for the hospitals. We believe it is very important to not allow hospitals to shift to the State those costs associated with ensuring that hospitals fulfill their tax-exempt status obligations under federal and State laws, particularly in light of persistent concerns regarding whether the public receives adequate benefits as originally intended by the laws. *See* <https://www.modernhealthcare.com/not-profit-hospitals/not-profit-hospitals-dont-earn-tax-exemptions-researchers-say>

We urge a favorable report.

cc: Delegate Charkoudian, Sponsor