

Policy Strategies for Addressing Medical Debt Problem

The rising costs of health care paired with providers' increasingly aggressive medical debt collection practices have devastating consequences for individuals, families, and entire communities. As the situation worsens, consumers, community groups, and policy makers are organizing to enact a variety of strategies to alleviate the financial devastation of medical debt on families. Policy strategies fall into three broad categories: (1) voluntary changes by health care providers, (2) city and county ordinances, and (3) state legislation. So far there is no pending federal legislation to address the issue of medical debt.

(1) Voluntary Changes by Health Care Providers

(A) Tenet Healthcare Corporation's "Compact with the Uninsured"

In January 2003, Tenet announced a Compact with Uninsured Patients. Tenet is the second largest hospital operator in the United States with 111 hospitals in 17 states. Through the Compact, Tenet agreed to:

- Provide assistance to patients in applying for -subsidized health care programs.
- Charge uninsured patients at rates equivalent to the rates charged to managed-care plans.
- Negotiate reasonable payment schedules with patients before they leave the hospital.
- Cease legal action against patients who are unemployed or otherwise without significant income.
- No longer place liens on such patients' homes.

(B) Healthcare Corporation of America (HCA) pledges discounted prices

HCA, the largest hospital chain in the U.S., announced in March 2003, that they would:

- Make eligible for charity care all patients whose household income is 200% of the federal poverty level.
- Make eligible for discounted care on a sliding scale basis uninsured patients with annual incomes between 200-400% of the federal poverty level.
- Not garnish the wages of patients who demonstrate that they cannot pay their bills.
- Not place liens against patients' homes that are worth \$300,000 or less.

(C) Oregon Association of Hospitals adopts uniform charity care policy

As a result of grassroots organizing by the Oregon Health Action Campaign and The Access Project, The Oregon Association of Hospitals has urged its members to adopt a standard charity care policy, including:

- Free or discounted care for uninsured patients with incomes below 150% of the federal poverty level.
- A sliding scale fee system for patients with incomes above 150% of the poverty level.
- Interpreter services for patients completing financial assistance forms.
- Increased outreach about the existence of financial assistance.

(D) Virginia group negotiates for free care, freeze in debt collections

In Alexandria, Virginia, the Tenants' and Workers' Support Committee surveyed uninsured consumers with medical debt and brought these consumers to a meeting with hospital administrators. The hospital agreed to increase interpreter services, make public its charity care policies, and enact a freeze on debt collection from ten patients' accounts. The committee is continuing to push for an improved charity care policy, an end to debt collection of low-income patients, and changes in city and state policy on providing care to the uninsured.

(E) Yale-New Haven Hospital reviews collection policies on older debts

Yale – New Haven Hospital has agreed to review all of its collection policies on older debts. The announcement follows a series of challenges to the hospital's free care and medical debt collection policies. In February 2003, the Connecticut Attorney General filed suit against the hospital for "hoarding" \$37 million in "free bed funds."

The suit alleged that the hospital hoarded the funds by not providing patients with information about the program or application process. Then, in March, 2003 the Wall Street Journal printed an extensive article about a low-income YNHH patient who was sued for his late wife's hospital bill of nearly \$40,000. Despite making increasingly larger weekly payments for 20 years, the hospital put a lien on his home, cleaned out his savings account, and demanded payment for their legal fees. Soon after the story printed, the hospital apologized, marked the patient's \$40,000 bill "paid in full," and pledged to review its collection policies.

YNHH's announcement also follows a detailed report on the Hospital's charity care and collection policies by the Connecticut Center for a New Economy. The report recommends that the hospital:

- Immediately cease all debt collections on "bad debt" accounts.
- Overhaul their free care program and identify patients who are not able to pay.
- Identify and enroll patients eligible for public assistance programs.
- Refrain from unnecessary legal action, stop charging interest above inflation, and not compromise patients' home-ownership, employment or savings.

The report recommends that the state:

- Improve the state's Medicaid Disproportionate Share Hospital program to eliminate inappropriate cost-shifting from hospitals to tax-payers.
- Pass legislation to protect consumers from lawsuits, court and foreclosure costs, liens on homes, harassment from collectors, and interest charges.
- Institute fair pricing policies – charging uninsured patients the same discounts as HMO's.

(2) City and County Ordinances

(A) San Francisco, CA City and County mandate charity care policy reporting

In 2001, the Board of Supervisors for the City and County of San Francisco, California passed Ordinance Number 163-01, the Charity Care Policy Reporting and Notice Requirement. The Ordinance was created in order to enable the City and County of San Francisco to evaluate the need for charity care in the community, and plan for fulfilling the City's obligation to provide care to indigent.

The Ordinance requires that hospitals:

- Submit copies of their charity care policies and copies of the application forms to the City and County.
- Notify patients of these policies (wherever possible, verbally and when written, in multiple languages) and provide the City and County with copies of these notices.
- Report to the City and County:
 - The dollar amount of charity care provided each year.
 - A calculation of the hospital's cost-to-charge ratio.
 - The total number of applications for and approvals and denials of charity care
 - The number of patients seeking charity care who were referred to other medical facilities, these patients' zip codes, and to which facilities they were referred if they were denied.

In this ordinance, charity care is defined as "the provision of services without the expectation of reimbursement," and therefore the definition excludes bad debt, partial reimbursement by public and private health insurance programs, and charity care provided pursuant to the requirements of the Hill-Burton program.

(B) Nassau County, NY passes law requiring hospitals to report charity care

In January 2003, Nassau County, New York legislature passed a law authorizing their Department of Health to require hospitals to report on the availability, accessibility, amount, and criteria for charity care programs, and require patient notification of policies on charity care. This law improves upon the San Francisco ordinance by:

- Requiring compliance by ALL hospitals (the San Francisco Ordinance exempted a number of hospitals)
- Requiring reporting by hospitals twice yearly.
- Establishing a hotline for people to report noncompliant hospitals.
- Authorizing penalties for non-compliant hospitals.

(3) State Legislation and Laws

PROPOSED LEGISLATION

(A) California legislation exposes policies, reduces prices, and protects consumers

Health care access advocates in California have introduced a number of bills to provide more affordable care to the uninsured and underinsured and to protect consumers from financial devastation due to medical debt. The proposed bills would require hospitals to:

- Report to the state and post publicly their charity care and payment policies
- Limit the price paid by uninsured patients to the price paid by government and HMO payers.
- Make public their "chargemasters," the list detailing the price of all medical procedures. This legislation arose after it became public that Tenet dramatically engaged in price gauging to collect more money from HMO's and Medicare.
- Provide the uninsured with information about state programs for the uninsured, and check whether patients are eligible for these programs.
- Cease premature referral to collections.
- Protect patients from being asked to pay a hospital bill in dispute by the health plan and the hospital.
- Report additional information to the Office of Statewide Health Planning and Development about the cost and quality of the care they provide.

(B) Illinois considers a Discriminatory Pricing Reform Act

In March 2003, the Discriminatory Pricing Reform Act passed out of the Illinois Senate Health and Human Service Committee. If passed, the legislation would mandate an end to hospital billing practices that charge the highest fees to those who can least afford to pay them by:

- Prohibiting hospitals from collecting more than the cost of services for hospital care from:
 - Uninsured patients whose income is less than 300% of the federal poverty level
 - Uninsured patients who spend of 20% of their annual income on medical services
- Prohibiting hospitals from undertaking debt collection activities until an assessment is done to determine whether the patient meets the Act's eligibility requirements.

EXISTING LAWS

(C) Statewide Charity Care Policies

A handful of states have statewide charity care policies. For instance, Massachusetts has a statewide standard for charity care. Massachusetts residents whose income falls below 200% of the poverty level is eligible for free care in a hospital. Patients with incomes between 200-400% of the poverty level are eligible for partial free care, based on a sliding scale. Patients of any income level are eligible for funds from a medical hardship pool to cover bills beyond the patient's ability to pay. Massachusetts' hospitals must also post notices around the hospital to notify patients of the existence of the free care program and application process.



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