

HOUSE BILL REPORT

HB 2574

As Reported by House Committee On:

Health Care
Appropriations

Title: An act relating to hospital charity care and debt collection policies.

Brief Description: Regarding hospital charity care and debt collection.

Sponsors: Representatives Cody, Morrell, Green and Upthegrove.

Brief History:

Committee Activity:

Health Care: 1/20/06, 1/31/06 [DPS];

Appropriations: 2/3/06, 2/4/06 [DP2S(w/o sub HC)].

Brief Summary of Second Substitute Bill

- Increases the thresholds for qualifying for sliding fee schedule discounts to 250 percent of the federal poverty guidelines.
- Requires hospitals to provide notice to patients of their charity care policies.

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Cody, Chair; Campbell, Vice Chair; Morrell, Vice Chair; Appleton, Clibborn, Green, Lantz, Moeller and Schual-Berke.

Minority Report: Do not pass. Signed by 5 members: Representatives Hinkle, Ranking Minority Member; Curtis, Assistant Ranking Minority Member; Alexander, Bailey and Condotta.

Staff: Chris Blake (786-7392).

Background:

Hospitals are required to develop and maintain charity care policies. These policies must allow individuals to qualify for either charity sponsorship of the full amount of their hospital charges or discounts from charges according to a sliding fee schedule.

In order to qualify for full charity sponsorship, the individual who is responsible for the payment of hospital charges must have a family income that is 100 percent of the federal

poverty standard or less. In order to qualify for a sliding fee schedule discount, the individual who is responsible for the payment must have a family income that is between 101 and 200 percent of the federal poverty standard. Hospitals may apply the sliding fee schedule discount to individuals whose income exceeds 200 percent of the federal poverty standard.

Summary of Substitute Bill:

The threshold to qualify for access to medical services as a charity care patient for the full amount of hospital charges is increased to include individuals with a family income below 150 percent of the federal poverty guidelines. The threshold to qualify for a sliding fee schedule discount is increased to include those with no third party coverage and a family income between 150 to 250 percent of federal poverty guidelines. The discounts in the sliding fee schedules must be based upon the larger of 130 percent of hospital costs or the state average cost paid by private payers. Those with no third party coverage and a family income from 251 to 400 percent of federal poverty guidelines cannot be charged more than the larger of 130 percent of hospital costs or the state average cost paid by private payers.

Each hospital must provide notice to its patients of its charity care policies. At a minimum, notice regarding the opportunity to apply for charity care must be posted in a place that is easily accessible and visible to patients, on the hospital's web site and included in the bill that is sent to the patient. The notice must use clear language that a person with limited education could understand. The notice must be in English and in the five languages other than English that are most frequently spoken in the hospital's service area.

Hospitals must offer people who qualify for a sliding fee schedule the option to pay their bills in reasonable installments at an interest rate that does not exceed the rate that the hospital pays to borrow working capital.

The governing board of a hospital must be notified of the debt collection practices of any entity that it contracts with to collect or purchase the hospital's accounts receivable and it must approve those practices and review annual reports of debt collection actions. The entities must provide information about contacts with patients who have hospital debts, policies allowing debtors to make installment payments, and the circumstances in which civil actions are filed against debtors.

The Department of Health's annual charity care report must provide information on hospital charges for the most common inpatient procedures, the relationship between hospital costs and charges, and details on hospital charity care policies.

Hospitals may not maintain admission practices that result in a significant reduction of patients without third party coverage and who are under 400 percent of federal poverty guidelines or who are unable to pay.

The general authority of local government entities to use debt collection agencies does not apply to public hospital districts acting pursuant to their charity care responsibilities.

Substitute Bill Compared to Original Bill:

The substitute bill decreases the income threshold to qualify for charity care for the full amount of hospital services from 200 to 150 percent of federal poverty guidelines. The income threshold to qualify for a sliding fee scale is decreased from those below 400 percent of federal poverty guidelines to those with no third party coverage and whose income is below 250 percent of federal poverty guidelines. Those with no third party coverage and whose income is below 400 percent of federal poverty guidelines are to be charged the larger of 130 percent of hospital costs or the state average cost paid by private payers.

Notices of charity care policies must be posted on the hospital's web site. Notices posted in hospitals must be in English and the five most common languages other than English in the hospital's service area.

The maximum interest rate that hospitals may charge patients is changed from either the lower of the Consumer Price Index or 3 percent to the rate that the hospital pays to borrow working capital.

The substitute bill prohibits hospitals from maintaining admission practices that would result in a significant reduction of patients without third party coverage and who are under 400 percent of federal poverty guidelines or who are unable to pay.

The Department of Health's annual charity care report must also provide information about the hospital charges for the most common inpatient procedures, the relationship between hospital costs and charges, and hospital charity care policies.

The general authority of local government entities to use debt collection agencies does not apply to public hospital districts acting pursuant to their charity care responsibilities.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Hospital debt is forcing many Washington citizens to go into bankruptcy. Hospital care is not affordable for people with lower incomes. Hospitals are not notifying patients about charity care policies. Hospitals are not providing patients with accurate estimates of costs. Hospitals are charging unreasonably high interest rates to uninsured patients. Patients have been harassed by collection agencies for hospital debt. Notice of charity care should be in multiple languages for people who are not proficient in English. There should be a statutory model for a notice form.

(With concerns) Hospitals alone cannot be asked to assume the burden of making sure that the health care system works. Washington already has strong charity care laws. Costs of charity care for hospitals is currently rising. Many hospitals have expanded their charity care policies

beyond current minimums. This bill may have unintended financial consequences on hospitals. Taking away reimbursement from hospitals for charity care will force hospitals to shift the costs elsewhere.

Testimony Against: None.

Persons Testifying: (In support) Joshua Welter, Doris Durand and Argentina Daley, Washington Citizen Action; Janet Varon, Northwest Health Law Advocates; Jim Stovall; William Dankiw; and Jocelyn Pape.

(With concerns) Claudia Sanders and Lisa Thatcher, Washington State Hospital Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care. Signed by 17 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Schual-Berke and P. Sullivan.

Minority Report: Do not pass. Signed by 13 members: Representatives Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Hinkle, Pearson, Priest, Talcott and Walsh.

Staff: Amy Hanson (786-7118).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Health Care:

The threshold to qualify for access to medical services as a charity care patient for the full amount of hospital charges is decreased to the current level, which is individuals with a family income below 100 percent of the federal poverty guidelines. The bill specifies that the data on charges for the most common inpatient procedures required in the Department of Health's (Department) annual charity care report is to come from patient discharge data collected by the Department.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (With concerns) The Washington State Hospital Association would like to see the charity care levels that exist in current law remain at those levels. We recognize the

need to get our hands around the charges assessed to those who do not have insurance. The other issue we are looking at is the provision in the bill for hospitals to offer installment plans. We think that there is an appropriate level at which this provision does not become too administratively burdensome to hospitals.

Testimony Against: None.

Persons Testifying: (With concerns) Lisa Thatcher, Washington State Hospital Association.

Persons Signed In To Testify But Not Testifying: None.