

SENATE BILL REPORT

E2SHB 2574

As Reported By Senate Committee On:
Health & Long-Term Care, February 23, 2006
Ways & Means, February 27, 2006

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

Brief Description: Regarding hospital charity care and debt collection.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Cody, Morrell, Green and Upthegrove).

Brief History: Passed House: 2/13/06, 60-38.

Committee Activity: Health & Long-Term Care: 2/20/06, 2/23/06 [DPA-WM, DNP, w/oRec].

Ways & Means: 2/27/06 [DPA(HEA), DNP, w/oRec].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Franklin, Kastama, Kline and Poulsen.

Minority Report: Do not pass.

Signed by Senators Deccio, Ranking Minority Member and Brandland.

Minority Report: That it be referred without recommendation.

Signed by Senator Parlette.

Staff: Sharon Swanson (786-7447)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Health & Long-Term Care.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Fairley, Kohl-Welles, Pridemore, Rasmussen, Rockefeller and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Brandland and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Parlette, Pflug and Regala.

Staff: Tim Yowell (786-7435)

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. Under guidelines adopted in rule by the Department of health, hospitals are to provide discounts on a sliding scale basis for patients with family incomes 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.

Under current federal standards, for a family of four, a family income that is 100 percent of the federal poverty standard is \$19,350; for a family of four, a family income that is 250 percent of the federal poverty standard is \$48,375; and for a family of four, a family income that is 400 percent of the federal poverty standard is \$77,400.

Summary of Amended Bill: Hospitals are required to provide sliding fee schedule discounts to persons with family incomes between 101 and 200 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 201 to 300 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 website 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 most common languages other than English in Washington that are spoken by at least 5 percent of the residents in the county where the hospital is located. The Department of Health (Department) must develop model language and type and style standards for hospitals to use to satisfy the notice requirements to be included in the patient's bill.

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 Legislature is directed to establish a work group to develop standards and make recommendations related to: hospital patient debt repayment and collection practices; contingency fees charged by public district hospitals in connection with the use of collection agencies; installment payment plans; interest rates; appropriate, predictable, and fair repayment and debt collection practices for hospitals to apply to charity care, sliding fee schedule, and maximum charge patients. The work group must consist of representatives of the Department of Licensing, the Department of Health, hospitals, the Attorney General's

office, debt collection agencies, consumers and patients, and other interested parties. The report is due by November 15, 2006.

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

A person must apply for charity care or discounts within a reasonable period of time not to exceed 180 days from the date of billing.

Public hospital districts are prohibited from adding a collection agency fee to a debt collected on their behalf by a collection agent.

Hospitals may not maintain admission practices that result in a significant reduction of patients without third party coverage and who are under 300 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.

Amended Bill Compared to Original Bill: The amended bill reduces the threshold to qualify for a sliding fee scheduled discount to a family income of 101 - 200 percent of federal poverty guidelines from 101 - 250 percent.

A person with no third party coverage and a family income from 201 - 300 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. In the second substitute bill the qualifying amount was 251- 400 percent.

The amended bill includes language clarifying that the discounts a person can receive are for any charges for hospital services provided in a hospital.

A patient must apply for charity care or discounts within 180 days from the date of billing.

Public hospital districts are prohibited from adding a collection agency fee to a debt collected on their behalf by a collection agent.

The Legislature is directed to convene a work group to conduct an interim study to make recommendations related to contingency fees charged by public district hospitals in connection with the use of collection agencies in collecting discounted bills, installment payment plans, interest rates, and sliding fee schedules.

The requirement that hospitals notify patients of charity care policies takes effect 90 days after adjournment of session in which the bill is passed. All other requirements in the bill take effect on January 1, 2008.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The requirement that hospitals provide notice of their charity care policies and the legislative study take effect ninety days after adjournment of session in which bill is passed.

All other requirements in the bill take effect on January 1, 2008.

Testimony For (Health & Long-Term Care): People with chronic illness or who suffer a severe injury but do not have health insurance can find themselves in an overwhelming situation. The debt that can accrue during a short stay in a hospital, let alone a lengthy stay, is incredible. Many families find themselves in situations where they consider bankruptcy. To allow a hospital staff person the discretion to inform or not inform of charity care or discount costs is not acceptable. All hospitals must inform the uninsured or low income population that charity care is available. The last thing a person recovering from illness or injury needs is to be harassed by bill collectors. In many instances, a person will lose a job after a serious injury or illness because of his or her inability to work. For most people, health insurance is tied to their employment. The option of charity care is vital for people in these situations. It is vital that the discretion to inform about charity care or discount policies be taken from hospitals. Hospitals must be required to inform everyone about these policies.

Testimony Against (Health & Long-Term Care): This bill needs an amendment to limit the time frame in which a person can request charity care. Currently, a collection agent can wait years to find a person and get a judgement against him or her for an outstanding hospital debt. Even at that late date a person can request charity care. It is very important that a time frame be set in statute to prevent this type of defense years later.

Testimony Other: For rural hospitals or hospitals in lower income areas, charity care is an overwhelming reality. Many of our patients are Medicaid or Medicare patients or have no insurance at all. In some parts of the state, charity care costs have doubled or tripled in the past few years. This creates a huge burden on a hospital. Additionally, not all hospitals pay the same for costs. In one part of the state 130 percent of the state average may cover costs but not in all areas. This policy change could create additional burdens. Our concern is that the bad debt ratio will continue to rise as more people qualify for charity care. Of the 100 hospitals in Washington, most have a profit margin of 3-5 percent. Approximately, 30 hospitals operate at a deficit. Currently, there is no hard data on what a change like the one proposed in this bill will do to the struggling hospital industry. The Hospital Association request that the sponsor slow this bill down and conduct a study.

Who Testified (Health & Long-Term Care): PRO: William Dankin, Citizen; Mark Montgomery, Citizen; Amy Crewdson, Columbia Legal Services; Joshua Welter, Washington Citizen Action.

CON: Judy Warnick, Washington Collectors Association.

OTHER: Claudia Sanders, Washington State Hospital Association; Lisa Thatcher, Washington State Hospital Association; John Vanbrock, Yakima Memorial Hospital; Gary Peck, St. Joseph's Hospital.

Testimony For (Ways & Means): Medical costs are the leading cause of personal bankruptcy. People aren't being properly notified of the charity care for which they are

eligible. Instead, they are billed full charges; their debt is turned over to a collection agency which adds on additional fees; and the person finds themselves with insurmountable debt.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): PRO: Bill Daley, Washington Citizen Action.