
SUBSTITUTE HOUSE BILL 2574

State of Washington 59th Legislature 2006 Regular Session

By House Committee on Health Care (originally sponsored by Representatives Cody, Morrell, Green and Upthegrove)

READ FIRST TIME 02/03/06.

1 AN ACT Relating to hospital charity care and debt collection
2 policies; amending RCW 70.170.020, 70.170.060, and 19.16.500; and
3 adding a new section to chapter 70.170 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 70.170.020 and 1995 c 269 s 2203 are each amended to
6 read as follows:

7 ((~~As used in~~)) The definitions in this section apply throughout
8 this chapter((+)) unless the context clearly requires otherwise.

9 (1) "Department" means department of health.

10 (2) "Hospital" means any health care institution which is required
11 to qualify for a license under RCW 70.41.020((+2)) (4); or as a
12 psychiatric hospital under chapter 71.12 RCW.

13 (3) "Secretary" means secretary of health.

14 (4) "Charity care" means necessary hospital health care rendered to
15 indigent persons, to the extent that the persons are unable to pay for
16 the care or, where a provision does not expressly exclude third-party
17 coverage, to pay deductibles or co-insurance amounts required by a
18 third-party payer, as determined by the department.

1 (5) "Sliding fee schedule" means a hospital-determined, publicly
2 available schedule of discounts (~~(to charges)~~) for persons deemed
3 eligible for charity care(~~(+)~~). Such schedules shall be established
4 after consideration of guidelines developed by the department.

5 (6) "Special studies" means studies which have not been funded
6 through the department's biennial or other legislative appropriations.

7 (7) "Federal poverty guidelines" means the poverty income
8 guidelines established annually by the federal department of health and
9 human services.

10 (8) "Hospital costs" is the number derived by multiplying hospital
11 charges by that hospital's aggregate hospital cost-to-charge ratio
12 calculated by the health and recovery services administration from the
13 latest available medicare cost report.

14 **Sec. 2.** RCW 70.170.060 and 1998 c 245 s 118 are each amended to
15 read as follows:

16 (1) No hospital or its medical staff shall adopt or maintain
17 admission practices or policies which result in:

18 (a) A significant reduction in the proportion of patients who have
19 no third-party coverage and who have family income up to four hundred
20 percent of federal poverty guidelines or are otherwise unable to pay
21 for hospital services;

22 (b) A significant reduction in the proportion of individuals
23 admitted for inpatient hospital services for which payment is, or is
24 likely to be, less than the anticipated charges for or costs of such
25 services; or

26 (c) The refusal to admit patients who would be expected to require
27 unusually costly or prolonged treatment for reasons other than those
28 related to the appropriateness of the care available at the hospital.

29 (2) No hospital shall adopt or maintain practices or policies which
30 would deny access to emergency care based on ability to pay. No
31 hospital which maintains an emergency department shall transfer a
32 patient with an emergency medical condition or who is in active labor
33 unless the transfer is performed at the request of the patient or is
34 due to the limited medical resources of the transferring hospital.
35 Hospitals must follow reasonable procedures in making transfers to
36 other hospitals including confirmation of acceptance of the transfer by
37 the receiving hospital.

1 (3) The department shall develop definitions by rule, as
2 appropriate, for subsection (1) of this section and, with reference to
3 federal requirements, subsection (2) of this section. The department
4 shall monitor hospital compliance with subsections (1) and (2) of this
5 section. The department shall report individual instances of possible
6 noncompliance to the state attorney general or the appropriate federal
7 agency.

8 (4) The department shall establish and maintain by rule, consistent
9 with the definition of charity care in RCW 70.170.020, the following:

10 (a) Uniform procedures, data requirements, and criteria for
11 identifying patients receiving charity care;

12 (b) A definition of residual bad debt including reasonable and
13 uniform standards for collection procedures to be used in efforts to
14 collect the unpaid portions of hospital charges that are the patient's
15 responsibility.

16 (5) For the purpose of providing charity care, each hospital shall
17 develop, implement, and maintain a charity care policy which,
18 consistent with subsection (1) of this section, shall enable people
19 with family income below one hundred fifty percent of the federal
20 poverty ((level)) guidelines access to appropriate hospital-based
21 medical services, and a sliding fee schedule for determination of
22 discounts ((from charges)) for persons ((who qualify for such discounts
23 by January 1, 1990)) with family income from one hundred fifty to two
24 hundred fifty percent of the federal poverty guidelines. Discounts
25 under the sliding fee schedule shall be applied to the amount derived
26 from the calculation in subsection (6) of this section. The department
27 shall develop specific guidelines to assist hospitals in setting
28 sliding fee schedules required by this section. All persons with
29 family income below one hundred fifty percent of the federal poverty
30 ((standard)) guidelines shall be deemed charity care patients for the
31 full amount of hospital charges, provided that such persons are not
32 eligible for other private or public health coverage sponsorship.
33 Persons who may be eligible for charity care shall be notified by the
34 hospital.

35 (6) For persons with no third-party coverage and with family income
36 up to four hundred percent of the federal poverty guidelines, hospitals
37 must provide a discount for any charges for services provided in the
38 hospital. Subsection (5) of this section shall determine the degree of

1 the discount for persons with family income of up to two hundred fifty
2 percent of the federal poverty guidelines. For persons with family
3 income in excess of two hundred fifty percent of the federal poverty
4 guidelines, no patient may be required to pay more than the greater of
5 one hundred thirty percent of the hospital costs, or an amount equal to
6 the state average percentage of hospital costs paid by private payers,
7 as determined by the department.

8 (7) Each hospital shall provide notice to patients of its charity
9 care policies. At a minimum, each hospital must post prominently in
10 locations easily accessible to and visible by patients, including its
11 web site, and in the bill sent to patients, a notice stating that
12 charges for services to people meeting the charity care or discount
13 criteria may be waived or reduced, and regarding the availability of
14 charity care and how to qualify. A notice of charity care policies
15 also may be provided to patients prior to discharge. Posted notices
16 must be in English and also in the five languages other than English
17 that are most frequently spoken in the hospital's service area. The
18 notice must use clear language that would be easily understood by
19 individuals with limited education.

20 (8) Each hospital shall make every reasonable effort to determine
21 the existence or nonexistence of private or public sponsorship which
22 might cover in full or part the charges for care rendered by the
23 hospital to a patient; the family income of the patient as classified
24 under federal poverty ((income)) guidelines; and the eligibility of the
25 patient for charity care as defined in this chapter and in accordance
26 with hospital policy. An initial determination of sponsorship status
27 shall precede collection efforts directed at the patient.

28 ~~((+7))~~ (9) The department shall monitor the distribution of
29 charity care among hospitals, with reference to factors such as
30 relative need for charity care in hospital service areas and trends in
31 private and public health coverage. The department shall prepare
32 reports that identify any problems in distribution which are in
33 contradiction of the intent of this chapter. The report shall include
34 an assessment of the effects of the provisions of this chapter on
35 access to hospital and health care services, as well as an evaluation
36 of the contribution of all purchasers of care to hospital charity care.

37 ~~((+8))~~ (10) The department shall issue a report on the subjects
38 addressed in this section at least annually(~~(, with the first report~~

1 ~~due on July 1, 1990~~)). The department shall also provide information
2 to the public on hospital charges for the most common inpatient
3 procedures, the relationship between hospital costs and charges, and
4 details on hospital charity care policies.

5 NEW SECTION. Sec. 3. A new section is added to chapter 70.170 RCW
6 to read as follows:

7 (1) Upon a determination by a hospital that a person without third-
8 party coverage is eligible for a sliding fee schedule or other discount
9 under RCW 70.170.060, the hospital shall offer that person the option
10 to pay his or her bill in reasonable installments that take into
11 account the person's income, assets, and other financial obligations.
12 Interest rates for installment payment plans shall not exceed the rate
13 the hospital pays to borrow working capital.

14 (2) Before contracting with any entity to act as a hospital's
15 designated agent, assignee, or contractor for collection of its
16 accounts receivable, or to purchase its accounts receivable, the
17 hospital's governing board must have notice of, and affirmatively
18 approve, the debt collection practices of the entity. The practices
19 must include detailed information related to:

20 (a) Contacts with patients who have debts to the hospital,
21 including written, telephonic, and electronic contacts;

22 (b) Policies related to the ability of debtors to make installment
23 payments, and interest rates charged on any remaining balances;

24 (c) Circumstances under which the entity files civil actions to
25 collect debts, and undertakes any of the following collection actions
26 to execute a judgment in connection with a debt:

27 (i) Actions to foreclose on real property;

28 (ii) Actions to place a lien on any property;

29 (iii) Actions to garnish wages; and

30 (iv) Actions to attach or seize a bank account or any other
31 personal property.

32 (3) On at least an annual basis, the governing board of every
33 hospital shall review a report on collection actions taken by the
34 entity that has a contract with the hospital under subsection (2) of
35 this section.

1 **Sec. 4.** RCW 19.16.500 and 1997 c 387 s 1 are each amended to read
2 as follows:

3 (1)(a) Agencies, departments, taxing districts, political
4 subdivisions of the state, counties, and cities may retain, by written
5 contract, collection agencies licensed under this chapter for the
6 purpose of collecting public debts owed by any person, including any
7 restitution that is being collected on behalf of a crime victim.

8 (b) Any governmental entity as described in (a) of this subsection
9 using a collection agency may add a reasonable fee, payable by the
10 debtor, to the outstanding debt for the collection agency fee incurred
11 or to be incurred. The amount to be paid for collection services shall
12 be left to the agreement of the governmental entity and its collection
13 agency or agencies, but a contingent fee of up to fifty percent of the
14 first one hundred thousand dollars of the unpaid debt per account and
15 up to thirty-five percent of the unpaid debt over one hundred thousand
16 dollars per account is reasonable, and a minimum fee of the full amount
17 of the debt up to one hundred dollars per account is reasonable. Any
18 fee agreement entered into by a governmental entity is presumptively
19 reasonable.

20 (2) No debt may be assigned to a collection agency unless (a) there
21 has been an attempt to advise the debtor (i) of the existence of the
22 debt and (ii) that the debt may be assigned to a collection agency for
23 collection if the debt is not paid, and (b) at least thirty days have
24 elapsed from the time notice was attempted.

25 (3) Collection agencies assigned debts under this section shall
26 have only those remedies and powers which would be available to them as
27 assignees of private creditors.

28 (4) Nothing in this section applies to public hospital district
29 responsibilities pursuant to chapter 70.170 RCW.

30 (5) For purposes of this section, the term debt shall include fines
31 and other debts, including the fee required under subsection (1)(b) of
32 this section.

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