
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2574

State of Washington

59th Legislature

2006 Regular Session

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

READ FIRST TIME 02/08/06.

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; adding a
3 new section to chapter 70.170 RCW; and creating a new section.

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, except to the extent provided otherwise in RCW
17 70.170.060(6), to pay deductibles or co-insurance amounts required by
18 a 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. If a recalculation of the
14 cost-to-charge ratio occurs sooner than twelve months from the last
15 update to the hospital's discount policy, the calculation existing
16 prior to the recalculation may be used for purposes of updating
17 hospital discount policies. The secretary shall develop alternate
18 means of determining hospital costs for hospitals that do not file
19 medicare cost reports, in consultation with such hospitals.

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

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

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

28 (b) A significant reduction in the proportion of individuals
29 admitted for inpatient hospital services for which payment is, or is
30 likely to be, less than the anticipated charges for or costs of such
31 services; or

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

35 (2) No hospital shall adopt or maintain practices or policies which
36 would deny access to emergency care based on ability to pay. No
37 hospital which maintains an emergency department shall transfer a

1 patient with an emergency medical condition or who is in active labor
2 unless the transfer is performed at the request of the patient or is
3 due to the limited medical resources of the transferring hospital.
4 Hospitals must follow reasonable procedures in making transfers to
5 other hospitals including confirmation of acceptance of the transfer by
6 the receiving hospital.

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

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

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

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

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

1 private or public health coverage sponsorship. Persons who may be
2 eligible for charity care shall be notified by the hospital.

3 (6) For uninsured persons with family income up to four hundred
4 percent of the federal poverty guidelines, hospitals must provide a
5 discount for any charges for services provided in the hospital.
6 Subsection (5) of this section shall determine the degree of the
7 discount for persons with family income of up to two hundred fifty
8 percent of the federal poverty guidelines. For persons with family
9 income in excess of two hundred fifty percent of the federal poverty
10 guidelines, no patient may be required to pay more than the greater of
11 one hundred thirty percent of the hospital costs, or an amount equal to
12 the state average percentage of hospital costs paid by private payers,
13 as determined by the department.

14 (7) Each hospital shall provide notice to patients of its charity
15 care policies. At a minimum, each hospital must post prominently in
16 locations easily accessible to and visible by patients, including its
17 web site, and in the bill sent to patients, a notice stating that
18 charges for services to people meeting the charity care or discount
19 criteria may be waived or reduced, and regarding the availability of
20 charity care and how to qualify. The department shall develop model
21 language, not to exceed fifty words, and type font and style standards
22 that hospitals must use to satisfy the requirement to provide notice in
23 the bill sent to patients. The language may be written on the
24 patient's actual bill if it complies with the department's type font
25 and style requirements. A notice of charity care policies also may be
26 provided to patients prior to discharge. Posted notices must be in
27 English and in each of the five most common languages in Washington
28 other than English that are spoken by more than five percent of
29 residents of the county where the hospital is located. The department
30 shall make a biennial determination of the five most common languages
31 spoken in Washington and the languages needed for posting in each
32 county. The notice must use clear language that would be easily
33 understood by individuals with limited education.

34 (8) Each hospital shall make every reasonable effort to determine
35 the existence or nonexistence of private or public sponsorship which
36 might cover in full or part the charges for care rendered by the
37 hospital to a patient; the family income of the patient as classified
38 under federal poverty ((~~income~~)) guidelines; and the eligibility of the

1 patient for charity care as defined in this chapter and in accordance
2 with hospital policy. An initial determination of sponsorship status
3 shall precede collection efforts directed at the patient.

4 ~~((7))~~ (9) The department shall monitor the distribution of
5 charity care among hospitals, with reference to factors such as
6 relative need for charity care in hospital service areas and trends in
7 private and public health coverage. The department shall prepare
8 reports that identify any problems in distribution which are in
9 contradiction of the intent of this chapter. The report shall include
10 an assessment of the effects of the provisions of this chapter on
11 access to hospital and health care services, as well as an evaluation
12 of the contribution of all purchasers of care to hospital charity care.

13 ~~((8))~~ (10) The department shall issue a report on the subjects
14 addressed in this section at least annually(~~(, with the first report~~
15 ~~due on July 1, 1990)~~). The department shall also provide information
16 to the public on hospital charges for the most common inpatient
17 diagnosis-related groups, as identified under the patient discharge
18 information collected under RCW 43.70.052, the relationship between
19 hospital costs and charges, and details on hospital charity care
20 policies.

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

23 (1) Before contracting with any entity to act as a hospital's
24 designated agent, assignee, or contractor for collection of its
25 accounts receivable, or to purchase its accounts receivable, the
26 hospital's governing board must have notice of, and affirmatively
27 approve, the debt collection practices of the entity. The practices
28 must include detailed information related to:

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

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

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

36 (i) Actions to foreclose on real property;

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

1 (iii) Actions to garnish wages; and
2 (iv) Actions to attach or seize a bank account or any other
3 personal property.

4 (2) On at least an annual basis, the governing board of every
5 hospital shall review a report on collection actions taken by the
6 entity that has a contract with the hospital under subsection (1) of
7 this section.

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

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

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

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

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

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

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

4 NEW SECTION. **Sec. 5.** The department of financial institutions
5 shall establish a work group to make recommendations related to
6 hospital patient debt repayment and collection practices. The work
7 group shall develop standards for appropriate, predictable, and fair
8 repayment and debt collection practices for hospitals to apply to
9 patients who are eligible for charity care, a sliding fee schedule, or
10 maximum charge as defined in RCW 70.170.060.

11 The work group shall include representatives of the department of
12 licensing, the department of health, hospitals, debt collection
13 agencies, consumers and patients, and other interested stakeholders.
14 The work group shall submit its recommendations to the legislature by
15 November 15, 2006.

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