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SECOND SUBSTITUTE HOUSE BILL 2574

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

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

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

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

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

27 ~~((+7))~~ (9) The department shall monitor the distribution of  
28 charity care among hospitals, with reference to factors such as  
29 relative need for charity care in hospital service areas and trends in  
30 private and public health coverage. The department shall prepare  
31 reports that identify any problems in distribution which are in  
32 contradiction of the intent of this chapter. The report shall include  
33 an assessment of the effects of the provisions of this chapter on  
34 access to hospital and health care services, as well as an evaluation  
35 of the contribution of all purchasers of care to hospital charity care.

36 ~~((+8))~~ (10) The department shall issue a report on the subjects  
37 addressed in this section at least annually(~~(, with the first report~~  
38 ~~due on July 1, 1990)~~). The department shall also provide information

1 to the public on hospital charges for the most common inpatient  
2 procedures, as identified under the patient discharge information  
3 collected under RCW 43.70.052, the relationship between hospital costs  
4 and charges, and 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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