

MARYLAND HOSPITAL HOSPITAL BILLING AND DEBT COLLECTION PRACTICES

Background

Earlier this year news coverage and actions by a California consumer advocacy group served to raise the issues of how hospitals charge those who are uninsured and underinsured, public disclosure of hospital charges, hospital charity care policies, and hospital debt collection practices.

These activities have given rise to a variety of new efforts throughout the nation to target the price variations and billing practices of hospitals, ranging from legislation to litigation. The issue is expected to be the focus of Congressional hearings this fall or early next year, and will likely be a topic for debate during the 2004 Presidential election.

The primary focus of concern is that hospitals are charging patients without health insurance more than they do the government—for Medicare and Medicaid—and large commercial insurers. Outside of Maryland, the Medicare and Medicaid programs set payments that are not only less than hospital charges, but also less than the actual cost of caring for these patients. Further, large private insurers are able to negotiate substantial discounts from charges on behalf of those they insure. Government underfunding and the need to find resources to cover the cost of caring for the uninsured have forced hospitals outside of Maryland to set their charges higher. This results in people without insurance—and without the clout to negotiate discounts—paying higher charges.

However, this isn't the case in Maryland. Maryland's hospital rate-setting commission requires that all payors—government, commercial, and self-pay—be charged the same rates for the same care provided in the same hospital. Thus, in Maryland, individuals without health insurance pay the same amount for their hospital care as commercial insurers, HMOs, and others. Because the rate-setting commission allows a portion of uncompensated care costs to be included in hospital rates, all payors equitably share in the cost of caring for those who cannot. As a result, those without insurance don't face the same inequities in their hospital bills in Maryland that they would in other parts of the country. And, Maryland hospitals do not face the same pressures to shift costs to those without the clout to negotiate discounted prices.

The other issues being scrutinized—sharing charge information with the public, policies for identifying and assisting low income patients, and debt collection practices—are all determined by individual hospital policy in Maryland, as well as throughout the nation. However, these practices are influenced by federal laws and regulations under Medicare, which govern hospitals' billing and debt collection processes. Further, state regulation in Maryland also governs hospitals' practices.

The Maryland hospital rate-setting commission uses a sophisticated formula to ensure that a hospital only recovers a reasonable amount of bad debt and charity care through uncompensated care funding. Maryland hospitals also are expected to make a good faith effort to collect from individuals who have the means to pay.

Given the heightened attention, MHA conducted a survey of its members to obtain more information on Maryland hospitals' debt collection practices. Thirty-four of 50 acute care hospitals (68 percent) responded to the survey.

Survey Findings

- Maryland hospitals' debt collection policies clearly distinguish between "charity care"—unable to pay, and "bad debt"—unwilling to pay.
- All hospitals have a formal written charity care policy, which they readily make available to patients in a variety of ways—from posting, inclusion on admission information and billing statements, and briefings by financial counselors.
- Many require patients to complete formal charity care applications.
- At a minimum, most hospitals use the federal poverty guidelines as criteria for charity care.
- Most hospitals have financial counselors who work with patients and their families to develop payment plans. Counselors are trained to outline charity care policies and hospital billing practices.
- Hospitals generally refer debts to a collection agency only after hospitals have made repeated efforts to collect. Referrals to collection agencies range from 90–180 days.
- While all hospitals report using debt collection agencies, no hospital reported selling their debts to an agency.
- Legal action depends on responsiveness of patient to efforts to collect outstanding debt and the patient's ability to pay. When legal action is taken, the majority of hospitals report that someone at the hospital must provide specific approval before litigation is instituted by the collection agency.
- Most hospitals report that they accept reasonable payment plans.

Next Steps

While Maryland hospitals already have a number of practices in place that address public concerns, still more can be done. The American Hospital Association (AHA) has been proactively encouraging all hospitals to conduct an audit of their billing and debt collection practices and to adopt its recommendations for improving billing practices.

The Maryland Hospital Association has urged Maryland hospitals to adopt AHA's recommendations as well. Further, MHA's policymaking councils have developed a set of principles and guidelines regarding billing practices which were adopted by the MHA Executive Committee of the Board in October 2003. Those principles include:

- Treating all patients with dignity and respect regardless of their ability to pay;
- Making hospital charity care policies and financial assistance information readily available to all patients; and,
- Assuring that hospital financial counselors and debt collection agencies reflect the values and policies set forth by the hospital.