



Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Dennis R. Schrader, Acting Secretary

February 16, 2021

The Honorable Shane E. Pendergrass
Chair, Health and Government Operations Committee
241 House Office Building
Annapolis, MD 21401-1991

RE: HB 565 – Health Facilities – Hospitals – Medical Debt Protection – Letter of Information

Dear Chair Pendergrass and Committee Members:

The Maryland Department of Health (MDH) respectfully submits this letter of information for House Bill (HB) 565 – Health Facilities – Hospitals – Medical Debt Protection.

HB 565 modifies requirements surrounding hospital collection of bad debt. Specific requirements under this legislation involve restrictions on the threshold for debt collection and interest charged, payment plans and screening for financial assistance eligibility, and timeframes for debt collection activities.

Maryland Medicaid participants are not financially responsible for payments on health care services received. Therefore, the provisions of HB 565 would not affect the Medicaid-enrolled population. However, if enacted, there would be an indeterminate fiscal impact on the Medicaid program, due to Maryland's unique, all-payer approach to uncompensated care for acute care hospitals.

During the annual update factor process that determines all-payer hospital global budgets for the upcoming fiscal year (FY), the Health Services Cost Review Commission (HSCRC) prospectively calculates the cost of uncompensated care, forming a statewide pool. The calculation takes into account actual statewide uncompensated care (UCC) for the prior year, as well as a logistic regression model that includes area deprivation index (ADI), payer type and site of care for each hospital. The per-hospital regression outputs statewide probabilities for the various combinations of site of care, payer type and ADI, and those in turn are used to predict UCC for each hospital. Services delivered to commercial patients in the emergency department most greatly influence the predicted UCC rate, as they have the highest probability of uncompensated care.

Under HB 565, as written, the uncompensated care pool would likely increase, thereby increasing the amount owed by payers of health care—including Medicaid—according to the payer mix of hospital utilization in that year. Medicaid is typically about 20 percent of the hospital revenues.

I hope this information is useful. If you would like to discuss this further, please do not hesitate to contact me at webster.ye@maryland.gov / (410) 260-3190 or Heather Shek, Deputy Director of Governmental Affairs at heather.shek@maryland.gov and at the same phone number.

Sincerely,

A handwritten signature in blue ink, appearing to read "Webster Ye".

Webster Ye
Assistant Secretary, Health Policy