

## Make Patients Whole

### Vote YES on HB 694/ SB 944 Medical Debt Reimbursement Act

#### The Issue

A 2020 [Health Services Cost Review Commission](#) study found that 60% of patients who **should have gotten free hospital care** instead were wrongly pursued by hospitals who used aggressive debt collection tactics to try to collect on unpaid care. Collectively, these **low-income patients paid \$120 million to hospitals over two years** despite the fact that they should have received free care.

[HB 694/SB 944](#) will right this wrong and make patients whole by creating a process to reimburse these patients for the funds they should never have paid to hospitals.

#### Medical Debt

A [2021 Urban Institute](#) study using 2018 census data found that 12% of Maryland residents had medical debts in collection. A 2020 [MCRC Gonzales poll](#) reported similar findings with 12% of respondents stating that they or someone in their household had medical bills they could not pay. Further, 34% of Marylanders polled said they would be unable to pay an unexpected \$500 medical bill.

In Maryland, medical debt disproportionately affects Black residents. Seventeen percent of Black respondents polled could not pay an unexpected \$500 medical bill compared to 5% of white respondents. Similarly 24% of Black residents delayed seeking medical care because of financial costs compared to 12% of white Marylanders.

**Maryland residents delay or avoid care if they already have medical debt or debt in collections. In [MCRC's poll](#)**, 53% of respondents who couldn't afford to pay an unexpected \$500 medical bill stated that they have delayed or avoided care because of concerns about costs. Providing financial refunds to patients that should have received free care will increase their economic security and enable them to seek medical care, purchase prescriptions, or meet their other basic needs.

#### Poverty in Maryland

In Maryland, 553,000 individuals, or 9.4% of the population, are living in poverty. Black households experience higher rates of poverty with 13.6% or 236,000 households living below the poverty line. These low-income families are precisely the families that charity care was designed to assist. And it is exactly why Maryland hospitals' collection of \$120 million hard earned wages from these families needs to be remedied and the money returned.

#### Charity Care and Maryland's Unique All-Payer Model

Under the Affordable Care Act (ACA) nonprofit hospitals must meet four criteria to retain their tax-exempt status: 1) conduct a community health needs assessment (CHANA) along with an implementation plan every three years; 2) meet standards for providing community benefit; 3) have an

accessible and publicly available financial assistance program; and 4) limit extraordinary collection practices.

In Maryland, the HSCRC sets the rates that hospitals can charge private insurers, HMOs, Medicaid, Medicare, and self-pay patients alike, so that the hospitals are funded by the state to provide charity care. Hospitals are assessed fees and may be partially reimbursed for uncompensated care through the Uncompensated Care Fund.

## **Problems with charity care in Maryland**

Maryland requires hospitals offer free care to households earning at or below 200% of the federal poverty line. Reduced-cost care is offered to households earning between 200%-500% of the federal poverty line.

However there are problems with Maryland' charity care:

- 50% of Black respondents in our poll were not aware that hospitals provided free and reduced-cost care;
- Patients who are aware of charity care may apply for assistance and still face problems. In our report [Preying on Patients](#), we found that in 2017-2018 Maryland hospitals denied charity care 9.5% of the time. Some hospitals denied charity care more frequently including Bon Secours with 81% denial, Carroll Hospital with 36.40% denial, Johns Hopkins with a 40% denial rate, University of Maryland with 25% denial, and Mount Washington Pediatric hospital denied assistance 24% of the time.

## **Maryland patients face debt lawsuits**

Patients that should have gotten free care were wrongly pursued for debt. In 2017 and 2018, Maryland hospitals sued 24, 398 Marylanders for medical debt. The average amount of the lawsuit was \$970.5. And 2033 patients were garnished over those two years and saw their wages reduced or bank accounts zeroed out. These garnishments deepen poverty for low-income families and widen the racial wealth gap. MCRC's [economic study](#) found that there are three times as many lawsuits per capita filed against residents in the lowest income regions of Maryland as compared to the highest-income regions. Many of these low-income communities are also communities of color.

## **Maryland patients have their credit harmed**

A 2014 [Consumer Financial Protection Bureau](#) found medical debt is reported to national credit reporting agencies and is included in a consumer's credit score. Credit score models don't differentiate between medical debt or unpaid cell phone bills and hospitals often 'park' medical debt on a patient's credit report as a tactic to make a patient pay. The results can be devastating for low-income households. Credit scores are used to determine auto insurance rates, access to consumer credit affecting the cost and amount of credit available, employment, availability of certain apartments, as well as mortgage lending.

Low-income patients who already face challenges with access to credit have information in their credit scores that doesn't belong there but does further limit options for employment, apartments, or loans available to them.

## In Summary

Hospitals are failing to effectively make patients aware that financial assistance exists and deny patients who do apply at high rates. Instead, these hospitals pursue patients that should have received free care for bad debt via myriad debt collection tactics. These low-income patients paid hospitals \$120 million when they should have received free care.

## The Solution

[HB 694/ SB944](#) is a simple solution to Maryland hospitals' failures.

**Verify. Step 1.** HB 694/SB 944 establishes a process by which HSCRC will work with the Comptroller's office and the Department of Health Services to identify patients who overpaid for hospital care in 2017 and 2018 (the years the HSCRC report analyzed in their study).

**Notify. Step 2.** Patients who overpaid will be notified by mail and hospitals will set up a phone number and website for these patients to contact for reimbursement. The patient doesn't have to do anything else or submit paperwork to be verified, that has already been done.

**Rectify. Step 3.** Patients will be paid back by the hospitals for the amount that they were overcharged. If at least 5% of patients reach out to hospitals to seek a refund that will trigger a review by the HSCRC of 2019, 2020, and 2021. Should the study find that patients who should have received free care instead paid these hospitals, the same process will take place to make these patients whole.

## What the Bill Does

- Provides financial rebates to low-income patients that should never have paid these bills in the first place;
- Holds hospitals accountable for the financial harm they caused and provides an incentive to tighten policies and procedures that led to so many patients being wrongly classified as bad debt instead of charity care;
- Establishes a process to determine if similar overpayment issues took place in 2019, 2020, and 2021.

## What the Bill Won't Do

- Cost the state to enact. Hospitals will be responsible for covering the costs of mailing the information out, establishing the phone and website, and reimbursements to patients.

**Vote YES on HB694/SB 944**

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