

Hospitals Should Repay Low-Income Patients Who Were Eligible for Free Care

Position Statement Supporting House Bill 694

Given before the Health and Government Operations Committee

Providing free and care to Marylanders facing economic challenges is a core part of the responsibility of the state's nonprofit hospitals. However, a recent report found that the hospitals have collected millions in medical debt from Marylanders who should have been eligible for free care. House Bill 694 would help ensure people are notified that they may have been billed in error and may be eligible for reimbursement. **The Maryland Center on Economic Policy supports House Bill 694 because it improves health equity for our most vulnerable Marylanders.**

In February 2021, the Health Services Cost Review Commission (HSCRC), an independent state agency responsible for regulating the costs of care in Maryland, released a report on the impact of hospital financial assistance policies.¹ Performing a robust review of data from 2017 and 2018, HSCRC staff found Maryland hospitals collected an estimated \$60 million each year from patients legally entitled to free medical care. This \$60 million annual sum is just what free-care eligible patients paid toward their bills — meaning the total amount these patients were pursued for by hospitals, via debt collectors and lawsuits, is presumably far higher. This data makes it clear that Maryland hospitals are not adequately meeting their legal obligation to provide financial assistance to low-income patients.

HB 694 is a reasonable response to this concerning situation. The bill directs state agencies and hospitals through a three-step process to make these patients whole:

1. **Identify** — The Office of the Comptroller and the Department of Human Services run independent analyses to identify patients who qualified for free medical care in 2017 & 2018 but paid toward a hospital bill.
2. **Notify** — Patients identified through this discovery process receive a notification in the mail alerting them that they are eligible for reimbursement from their hospital and outlining the steps to request their refund. Patients do not need to prove their eligibility, which has already been established by state agencies in step 1.
3. **Rectify** — Hospitals reimburse patients who have made claims, moving one step closer to accountability.

This bill does not require hospitals to pay damages. It simply requires them to return funds paid by low-income patients who should never have been billed in the first place. If enough patients file for reimbursement through this process, it will trigger an inquiry into hospital debt collection practices in 2019, 2020, and 2021.

The patients who were affected by these improper charges are getting by on very low incomes. Any money that is able to be refunded to them will have significant positive benefits for increasing their well-being and economic stability. Further, as people struggling to make ends meet are more likely to spend funds to meet their basic needs, ensuring people are refunded the money they are owed will likely have some positive impacts for the economy and local businesses.

For these reasons, **the Maryland Center on Economic Policy respectfully requests the House and Government Operations Committee to make a favorable report on House Bill 694**

Equity Impact Analysis: House Bill 694

Bill Summary

This bill would require the Maryland Office of the Comptroller, the Department of Human Services, and the Health Services Cost Review Commission to identify and notify low-income hospital patients who should have received free care that they are entitled to reimbursement from their hospital for overpayment of medical expenses.

Background

HB 694 responds to the report from the Health Services Cost Review Commission that Maryland hospitals collected an estimated \$60 million from patients who *should have received free medical care* in both 2017 and 2018. These figures were part of a detailed analysis produced last year as a requirement of legislation passed in 2020.

Equity Implications

The HSCRC analysis did not include data disaggregated by race. However, because of the state's long history of discriminatory policies and barriers to opportunity, Marylanders of color are more likely to have incomes below the thresholds that makes them eligible for free care.

Impact

House Bill 694 will likely **improve health and economic equity** in Maryland.

ⁱ Maryland Health Services Cost Review Commission (2020) <https://drive.google.com/file/d/1ICBVIecgQvSqPhCLaYBl4lgHNoAuwvF3/view>