Maryland
Hospital Association

Senate Bill 981 - Hospitals - Financial Assistance and Collection of Debts - Policies

Position: ***Support with Amendments***
February 18, 2025
Senate Finance Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment on Senate Bill 981.

Maryland hospitals have one core mission: delivering the highest quality care to every patient across the state. Hospitals believe every person should receive the care they need without financial worry or hardship. Maryland hospitals make every effort to inform patients about available financial assistance, including free or reduced-cost care. That includes helping patients enroll in Medicaid or other insurance options and offering reasonable payment options when needed.

The hospital field supports SB 981's goal to reduce patient out-of-pocket costs and ensure equitable access to hospital care for all Marylanders. In recent years, Maryland hospitals worked with the state to strengthen already robust financial assistance laws, including reforming debt collection practices, expanding eligibility for free and reduced care, and providing more consumer-friendly hospital bill payment plan policies.

While the hospital field supports the goal of this legislation, we respectfully caution this Committee from implementing comprehensive reforms while prior financial assistance reforms are ongoing. For example, the payment plan regulations pursuant to 2021 financial assistance reform legislation are still in development.

In addition, the state signed an agreement with the federal government in November 2024 to implement the AHEAD Model beginning in 2026. This new chapter of the Maryland Model presents an opportunity for the state to make important investments in primary care, population health, and health equity. It also commits the state to achieving a new total cost of care (TCOC) savings target for Medicare and will implement new limitations on TCOC growth.

Free and reduced-cost care is an important component of uncompensated care that is provided for under global budgets and hospital rates that are set by the Health Services Cost Review Commission (HSCRC). Modifications to financial assistance requirements could impact the total cost of care and the state's ability to meet our obligations under the AHEAD Model. Statutory requirements for financial assistance, therefore, must align with our AHEAD commitments.

Hospitals tailor financial assistance to meet the diverse needs of the communities they serve—reflecting the unique characteristics of their patient populations. Hospitals are in the best position to understand the needs of patients in their communities and need flexibility to determine the best way to allocate resources for free and reduced-cost care. Any structure must enable hospitals to prioritize financial assistance to support the patient populations with the greatest need.

Financial assistance reforms should consider the relationship between a rise in outstanding bills and an increase in high-deductible health plans, rising denials, unnecessary prior authorization requirements, and the responsibility payers share in maintaining the viability of Maryland's all-payer model. High-deductible health plans leave many people functionally uninsured while payer denials and onerous prior authorization requirements increase patient out-of-pocket costs and limit access to care.

Fiscal Impact of Expanded Financial Assistance Eligibility

Recognizing the financial burden hospitals take on when providing quality care to patients who cannot pay for it, HSCRC factors in the cost of uncompensated care, which includes charity care and bad debt, into the rates HSCRC sets for hospitals. The approach equitably distributes uncompensated care costs across all hospitals and all payers, including public payers, like Medicaid, and private payers. The legislation has expanded eligibility thresholds, required minimum reductions in out-of-pocket expenses, and inclusion of co-payments, coinsurance, and deductibles as qualifying medical debt could substantially increase uncompensated expenditures that would be included in rates paid by all payers of health care services. This could result in increased Medicaid expenditures and a fiscal impact on the health plan for state employees and retirees.

The state is also currently confronting significant uncertainty due to federal legislative proposals that could reduce federal match funding for Medicaid coverage. If these cuts in federal funding occur, the state may need to reduce eligibility for Medicaid coverage resulting in a potentially significant increase in the number of individuals without health coverage. Individuals who no longer have Medicaid coverage may depend on charity care as an alternative. We need to ensure that our policies for supporting uncompensated care are sustainable and that charity care will be available for our most vulnerable residents.

For these reasons, we respectfully request the Committee adopt the following amendments:

Amendment 1
The hospital field recommends removing the section that redefines medical debt to include co-pays, insurance deductibles, and insurance cost sharing. This may shift the responsibility of insurers to provide more comprehensive coverage to other payers of health care services including the Maryland Medicaid Program, Medicare, commercial health plans, and the state employee health plan. As detailed above, redefining medical debt may increase financial assistance offered by hospitals, which will drive up the amount of uncompensated care in Maryland. An increase in uncompensated care is ultimately funded by all payers including the state Medicaid Program.

Amendment 2

MHA requests that this Committee strike provisions that standardize for specified income tiers the amounts by which hospitals must reduce patient out-of-pocket expenses and require the provision of reduced-cost care for patients with family incomes up to 500% of the federal poverty level without the ability for hospitals to seek a lower threshold to meet unique community needs.

Maryland hospitals remain committed to providing free and reduced-cost care to eligible patients and provided more than $400 million in free and reduced-cost care to patients in FY 2023 alone. That said, current financial assistance policies carefully balance the unique health needs of each community and the funding needed by hospitals to adequately serve their communities. This requirement would impose additional administrative burdens and limit hospitals' flexibility to invest resources based on the community and region of Maryland that they serve. For example, since many communities lack available behavioral health and primary care, hospitals frequently step up to help address these gaps in access to care. To meet the growing needs of Marylanders and sustain healthy communities, hospitals must remain financially stable and operationally strong.

Amendment 3

MHA requests that this Committee remove the requirement that patients sign and date a notice acknowledging that the patient is aware of a hospital's financial assistance policies. The hospital field already goes to great lengths to ensure patients receive notice of financial assistance policies and have access to free and reduced-cost care. Hospitals display financial policies throughout their facilities, including in main lobbies, hallways, outpatient registration, cafeterias, and other places throughout the hospital. Financial assistance policies are provided to patients upon admission, displayed in multiple languages on hospitals' websites, and posted on online patient portals. Maryland hospitals strive to provide flexible policies that meet the unique needs of patients across the state.

For more information, please contact:
Jake Whitaker, Assistant Vice President, Government Affairs & Policy
Jwhitaker@mhaonline.org