



Hospitals Should Allocate Aid to Those Unable to Pay

By David R. Jones
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A new report by the Community Service Society (CSS) on the Indigent Care Pool (ICP) program, “Incentivizing Patient Financial Assistance: How to Fix New York’s Hospital Indigent Care Program,” found that in 2010 New York State provided nearly \$250 million in ICP payments to hospitals which had collectively placed more than 4,000 liens on patients’ homes to recover payment of unpaid medical bills.

Many hospitals claim Indigent Care Pool funds to underwrite patient “bad debt – unpaid medical bills – not financial aid. A patient who is written off as “bad debt” can and often is pursued by collection agents. A patient who receives financial aid is not. Medical costs are the leading cause of bankruptcy in America, and New York’s hospitals appear to be adding to the problem by flouting the law.

In doing so, New York State’s hospitals are systemically not complying with the Hospital Financial Assistance Law (HFAL), yet still receive \$1.2 billion in state and federal funds to underwrite costs for financing uncompensated care for uninsured and underinsured patients. Public funds intended to help patients who are unable to pay for health care should flow to hospitals that comply with state guidelines and improve patient access to financial aid, not to hospitals that impose barriers to it.

It is time to fix a program that allocates more than a billion dollars annually in public funds to hospitals without providing them with any financial incentives to actually offer financial assistance to needy patients. These hospitals should be held publicly accountable so that low and moderate-income families do not emerge from our hospital system with ruined credit and unnecessary debt.

Under state law, the HFAL requires hospitals to provide two documents to patients: an application form and a policy summary. The law and the State Department of Health (SDOH) guidance letter instruct hospitals on what they should include in these application materials, and what they are not allowed to include.

CSS identified 201 hospitals for its report. Of the 201 hospitals, 20 declined to release their policies and financial assistance materials to CSS and do not publicly post HFAL applications on their Web sites. In 2010, these hospitals received \$87 million in ICP payments. Fifty-six percent of the 181 hospitals that reported on their policies are flouting the law. These hospitals received \$400 million in ICP payments in 2010. Another 25 percent have made it difficult for eligible patients to obtain financial aid. They received \$169 million in 2010. Yet the State Department of Health has taken no regulatory or enforcement action in the entire five years since the law went into effect.

The report recommends a three-prong approach to fixing the indigent care pool. First, patient access to financial assistance should be improved by requiring all hospitals to use one simplified application and posting it on the SDOH Web site. The state should perform regular hospital compliance audits. Income

eligibility of patients should be raised and patients should be allowed to pre-qualify for financial assistance.

Second, hospital compliance with the HFAL should be incentivized by linking receipt of funding to actual financial assistance provided to eligible patients. Finally, transparency of hospital indigent care pool payment distribution should be improved.

The Affordable Care Act (ACA) will reduce the amount of federal funding available to New York's ICP program. And beginning in 2014, the ACA will prohibit hospitals from off-setting "bad debt" with federal funds. So it is in the state's interest to make reforms now and put pressure on hospitals to allocate funds to those patients that need it. In doing so, New York will maximize scarce public funds and make the ICP program function more effectively.

David R. Jones is president and CEO of the Community Service Society (CSS), the leading voice on behalf of low-income New Yorkers for over 165 years. For over 10 years he served as a member of the board of directors of the Puerto Rican Legal Defense and Education Fund. The views expressed in this column are solely those of the writer.