

Hospitals Ignore the Law; Harass Low-Income Patients

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. As a consequence, financially strapped patients of these hospitals are being denied access to financial aid and, in many cases, incurring unmanageable medical debt.

Most alarming was the fact that many hospitals claim Indigent Care Pool (ICP) 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.

Liens on Patients' Homes

A new report by the Community Service Society (CSS) on the Indigent Care Pool program, "Incentivizing Patient Financial Assistance: How to Fix New York's Hospital Indigent Care Program," found that in 2010 New York 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. 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.

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. This report lays out the reforms needed to hold hospitals publicly accountable, and to prevent cases in which low and moderate-income families emerge from our hospital system with ruined credit and unnecessary debt.

For more than a decade, patient advocates have complained about the disconnect in the New York State ICP system. It is time to fix a program that allocates more than a billion dollars annually in public funds to hospitals without providing any financial incentive to hospitals to actually offer financial assistance to needy patients.

Under state law, hospitals are required to make their written financial assistance policies available to the public. Specifically, 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 study. 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, which for the first time examined what hospitals are receiving in public funds in relation to what they are reporting to regulators, recommends a three-prong approach to fixing the indigent care pool.

What the State Should Do

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.

Health care reform - the Affordable Care Act (ACA) - will reduce the amount of federal funding available to New York's ICP program. More importantly, beginning in 2014, the ACA will prohibit hospitals from off-setting "bad debt" with federal funds. For these reasons, 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 168 years. The views expressed in this column are solely those of the writer. The Urban Agenda is available on CSS's website: www.cssny.org.

From the New York Amsterdam News
February 16 – February 22, 2012