

## Department of Planning and Budget

### 2022 Fiscal Impact Statement

**1. Bill Number:** HB566

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

**2. Patron:** Hudson

**3. Committee:** Health, Welfare and Institutions

**4. Title:** Public hospitals; medical debt collection practices.

**5. Summary:** Requires the University of Virginia Medical Center (the Medical Center) and the Virginia Commonwealth University Health System Authority (the Authority) to make payment plans available to each person who incurs a debt related to medical treatment. The bill (i) requires that such payment plans be provided in writing and cap monthly payments at no more than five percent of the person's household income, (ii) provides that the first payment under such payment plan shall not be due until a date that is at least 90 days after the date on which treatment was provided or the date on which the person discharged, and (iii) provides that a person who has made at least 10 payments pursuant to the payment plan in a 12-month period shall be deemed to be in compliance with the payment plan. The bill also prohibits the Medical Center and the Authority from charging interest or late fees for medical debt, requires the Medical Center and Authority to make information available in writing in languages other than English spoken in the service area and via oral translation service for other languages, prohibits the Medical Center and the Authority from selling medical debt to any person other than an organization that purchases medical debt for the purpose of paying such debt in full, prohibits the Medical Center and the Authority from initiating any extraordinary debt collection action including garnishment of wages or liens on a debtor's primary residence or vehicle, and requires the Medical Center and the Authority to establish a Financial Assistance Ombudsman Office to assist patients and other persons with issues related to financial assistance, payment plans, and debt collection.

**6. Budget Amendment Necessary:** Yes, Item 199 of HB/SB 30

**7. Fiscal Impact Estimates:** Preliminary, see Item 8.

**8. Fiscal Implications:** The University of Virginia Medical Center and the Virginia Commonwealth University Health System Authority anticipate revenue losses and increased administrative costs each year as a result of this bill, as explained below.

**University of Virginia Medical Center:** The University of Virginia Medical Center (UVA Medical Center) estimates approximately \$21.0 to \$30.0 million in lost revenue each year as a result of this bill. Of this amount, approximately \$15.0 to \$20.0 million per year is the result of reduced payments and increased bad debt if the UVA Medical Center is not permitted to collect prepayments (co-pays, co-insurance, deductibles), payment at time of

service, or payment prior to 90 days after service. The UVA Medical Center anticipates that the provisions of this bill also could apply to the UVA Community Health hospitals if they are considered an affiliated facility. The UVA Medical Center estimates an additional \$6.0 to \$10.0 million impact to the UVA Community Health hospitals' operating margin from reduced self-pay collections and increased bad debt, which ultimately could impact UVA Health's bottom line.

**Virginia Commonwealth University Health System Authority:** The estimated fiscal impact of this bill to the Virginia Commonwealth University Health System Authority (VCU Health System) is indeterminate at this time. At a minimum, VCU Health System estimates approximately \$8.0 million in lost revenue each year because of the restriction on collections in paragraph E. of § 23.1-2213.1; however, this revenue loss could be much greater depending on how many patients opt into payment plans. Of this amount, approximately \$6.0 million per year is the result of VCU Health System's inability to participate in Virginia's Set Off Debt Collection Program under this legislative proposal. Additionally, approximately \$2.0 million per year is the result of VCU Health System's inability to assert statutory liens for personal injury recoveries under § 8.01-66.9, Code of Virginia. Further, VCU Health System anticipates that payment plan compliance will be difficult to administer and will require adding considerable resources to its Financial Assistance Team, a cost that cannot be determined at this time.

**Additional information:** The UVA Medical Center and VCU Health System note the following bill's provisions that contribute to the significant revenue losses and indeterminate fiscal impacts.

- The provisions of this bill apply to all patients irrespective of the patient's ability to pay and/or insurance status. The hospitals would have to offer a payment plan to any patient who incurs a debt at the hospital, even those with means to pay. Additionally, even one missed co-pay for a commercially insured patient may trigger this process.
- Paragraph E. of § 23.1-2213.1 of this bill prohibits the hospitals from initiating any "extraordinary collection action" including any action to garnish an individual's wages or place a lien on an individual's primary residence or vehicle. Again, this provision does not account for the individual's insurance status or financial means. Further, currently the hospitals are subject to the Virginia Set Off Debt Program, which allows them to collect from state lottery prize winnings and state income tax refunds to satisfy patient debts. Additionally, § 8.01-66.9, Code of Virginia, currently permits the hospitals to place liens on patients' personal injury proceeds. The hospitals anticipate that these existing collection actions would be barred under "extraordinary collection actions," and the hospitals would permanently lose those sources of annual revenue.
- The bill does not differentiate between the various out-of-pocket expenses that patients may incur, including services that are non-covered elective procedures, such as cosmetic surgery.

- Some patients have chosen high deductible insurance plans where they have assumed the risk to be responsible for a certain amount of medical expenses. In these cases, there should be some expectation of payment prior to 90 days after the date of service or when the patient is discharged, whichever is later, but this appears to be prohibited based on the language in paragraph A. of § 23.1-2213.1.
- Inability to collect payment until 90 days after service or when the patient is discharged, when many complex patients can be admitted for months, will increase accounts receivable, which could lead to cash-on-hand declines and ultimately may have an impact on the hospitals' bond ratings, which also may impact the universities' bond ratings.
- This bill may conflict with state and federal laws, including Medicare rules for reasonable collection of Medicare bad debts. This bill may violate the hospitals' ability to receive bad debt reimbursement from the Centers for Medicare and Medicaid Services (CMS) under the Medicare rules.

**9. Specific Agency or Political Subdivisions Affected:** The University of Virginia Medical Center and affiliated facilities, the Virginia Commonwealth University Health System Authority and affiliated facilities

**10. Technical Amendment Necessary:** No

**11. Other Comments:** This bill is similar to SB245, but HB566 includes an additional provision in paragraph E. of § 23.1-2213.1 that would prevent the hospitals from initiating any extraordinary collection action.

The UVA Medical Center notes that it recently made significant changes to its financial assistance policies and billing and debt collection procedures to provide targeted assistance to its lower income and most vulnerable patients. Those changes not only meet many of the requirements of this bill, they also go beyond what most hospitals offer in financial assistance. The recent improvements to the UVA Medical Center's financial assistance policies total approximately \$12.0 to \$15.0 million per year in additional patient benefit but conversely reduced payment to the UVA Medical Center by a like amount each year. The revenue loss as a result of this bill would be in addition to these losses.