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I would like to thank Senator Grassley and his staff, led by Dean Zerbe, for providing this opportunity to discuss the staff discussion draft on tax-exempt hospitals. This is an issue of great importance to my organization, The Access Project.

We have been examining issues related to outstanding medical bills since the year 2000 when we spearheaded an effort interviewing thousands of uninsured people in communities across the nation. Through this effort we discovered a problem that was not widely known or discussed at the time; we found that nearly half of all respondents (46%) had unpaid medical bills or medical debt.

Such a high prevalence of medical debt was surprising since most of the people we surveyed accessed care at safety net facilities. At that time, conventional wisdom suggested that uninsured patients in need of care could always access affordable care through hospitals and health centers with a mission to serve the uninsured.

Our survey findings included both good news and bad news. The good news, uninsured patients were able to access

needed care. The bad news, they did so while incurring what for many were crushing medical bills. A quarter of our survey respondents with medical debt said that it would deter them from seeking care at the same facility in the future.

Since doing this research, we have published dozens of reports on medical debt and its many consequences. In addition, we assist patients with unaffordable medical bills and help them negotiate discounts and reasonable payment plans with providers. As a result, we have considerable experience working with people who have received care at tax-exempt, nonprofit hospitals.

We have found tremendous variation in terms of hospital charity care policies and practices. Some hospitals are forthcoming with information on financial assistance, while others treat it as proprietary information.

In my comments, I would like to highlight only a few of the recommendations included in the staff discussion draft.

### 1. Develop & Publicize Charity Care Policies

There is a great need for transparency regarding hospital charity care policies. In our work with individuals, we regularly hear from patients who are unaware of charity care and surprised to learn that such policies exist.

We believe that non-profits hospitals owe it to their communities to have written charity care policies clearly outlining eligibility requirement for free or reduced care. Whenever possible, patients should be informed about the availability of charity care before or at the time of treatment,

or prior to billing. Hospitals should demonstrate that they have made reasonable efforts to inform patients about the existence of their charity care program before sending bills to collections.

## 2. Setting Quantifiable Standards For Charity Care

The draft recommends a minimum eligibility threshold for full free care at no less than 100 percent of the federal poverty level. We support this and would urge the Committee to consider increasing this threshold since in many parts of the country, even those with incomes of twice the poverty level have little disposable income available to pay for health care.

The draft also recommends that nonprofit hospitals contribute a minimum of five percent of their annual patient operating expenses or revenues to charity care, whichever is greater. While we are not certain of the exact percentage that should be required, we agree that it is essential that a quantifiable standard be set. This requirement allows various community stakeholders to consider this as a resource in future planning.

We also agree that valuing charity care at a rate paid by Medicaid/Medicare or at cost is essential for preventing inflated claims about the amount of charity care provided.

## 3. Exclude Bad Debt When Calculating The Amount Of Charity Care

We agree with the recommendation that bad debt not be characterized as charity care. Excluding bad debt from charity care is also consistent with the Healthcare Financial

Management Association's recommendations for recording bad debt and charity care.

Make no mistake about it, bad debt is not charity care. It can result in long term damage to patients' credit records, making it difficult for them to access needed credit and leaving them vulnerable to predatory lenders.

Public policy should encourage hospitals to proactively inform people about charity care programs and assist them in completing the application process. Including bad debt as charity care provides no incentive for doing so.

#### 4. Unfair Billing And Collections Practices

We support recommendations that would severely limit unfair billing and collections practices. In addition, we recommend that hospitals not be allowed to report unpaid medical bills to credit reporting agencies. Medical debt, unlike other types of debt, is generally involuntary. People often access care so they can continue to work, remain financially stable, and prevent further debt. Too often we have found that damaged credit resulting from medical debt has long lasting consequences. It can prevent people from purchasing homes or force them to turn to risky lenders for credit.

In addition, once debts are turned over to collection agencies, they may appear on credit reports with little or no information about the source of the debt. Many people discover medical debts on their credit reports of which they were unaware. Because the collection agency often does not provide information about the original source and amount of

the medical bills, many people are unable to determine whether the debts represent amounts that they actually owe.

For these reasons, we think that both hospitals and debt collectors to whom they outsource their debt collection should be prohibited from reporting medical debts to credit reporting agencies. The exclusion of medical debt on credit reports would be an important protection for people who accrued debt because of accessing medically necessary care.

In conclusion, we would again like to express our appreciation for your attention to the issue of tax-exempt hospitals' charitable obligations. Based on our work which has documented the prevalence and long term damage of medical debt, we feel that it is timely to establish clear, quantifiable standards governing tax-exempt hospitals' charitable obligations. Such standards would be of great benefit to those struggling under the burden of this involuntary debt.