

Medical Debt Issues for Low-Income and Uninsured Patients

Legislative Health & Human Services Committee

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Overview of Presentation

- Medical Debt & Uninsured in New Mexico
- House Memorial 36 (2022)
- Hospital Charges for Uninsured Patients
- Reimbursement for Uncompensated Care
- Implementation of Medical Debt Protection Law

Medical Debt & Uninsured in NM

- [Nearly 1 in 5 New Mexicans](#) has medical debt in collections.
- On average, [roughly 40%](#) of NM non-profit hospitals' "bad debt" is linked to patients who are low-income and would likely qualify for financial assistance.
- Over 200,000 New Mexicans are uninsured.

House Memorial 36 (2022)

The NM House of Representatives requested LHHS to study:

- Hospital charges for uninsured patients.
- Uncompensated care for NM hospitals.
- Public funding for hospitals' care of low-income and uninsured patients.

Hospital Charges

- There are generally 4 types of hospital charges for a given service:
 - Gross charge
 - Discounted self-pay/cash price
 - Discounted financial assistance price
 - Negotiated charge

Hospital Charges

- **Federal law** limits what nonprofit hospitals can charge financial assistance-eligible patients.
 - “Amounts generally billed” to insured patients.
 - This limit applies to insured and uninsured patients.
- **Other states** limit what all hospitals can charge low-income patients.
- **New Mexico** has no limits.

Hospital Charges for Uninsured Patients

- “Transparency” is a challenge
- Federal transparency requirements: 2019 Statute, January 2021 start date.
- General non-compliance by hospitals from 2021 through June 2022.
- CMS issues fine of \$1 million in June 2022.

Hospital Charges for Uninsured Patients

- Data analysis private v. public
- Turquoise Health and *The Wall Street Journal*
- 17 DRG and CPT codes for services commonly needed by patients, including the uninsured

Hospital Charges for Uninsured Patients

- As few as 1/3 and as many as 2/3 of NM hospitals have website-based information used in analysis.
- Information, including the report, is available at newmexicohospitalpriceproject.org

Hospital Charges for Uninsured Patients

- Hospitals frequently charge higher prices to uninsured patients (“cash discount”) than they charge to commercial insurance companies and government health plans for the same services.
- Frequently, such over-charging is the beginning of or is a contribution to “medical debt,” the leading cause of personal bankruptcy in the nation.
- Some hospitals charge the uninsured amounts close to Medicare rates, some charge at 8-10 times Medicare rates—but unpredictably and randomly.

Hospital Charges for Uninsured Patients

- For example, for **CPT 70450 (CT brain or head scan without contrast)** has a 24 page file with detail on the 1,415 payments for which information has been collected from 27-31 hospitals reporting payments under this code.
- The cover sheet for this code notes that:
 - The average **commercial health insurance payment** from 28 hospitals was \$968.80.
 - The average **list price** collected from 31 hospitals was \$1,868.29.
 - The average **cash price** by 27 hospitals was \$1,298.53.

Uncompensated Care in New Mexico

“Uncompensated care” = “Charity Care” + “Bad Debt”

- In 2019, uncompensated care costs in NM [totaled \\$158 million](#).
- **“Charity Care”** - healthcare services for which a hospital determines a patient can't pay; the hospital either doesn't charge the patient or charges a discounted rate.
- **“Bad Debt”** - healthcare services for which a hospital expects to but doesn't receive payment (e.g., from patients who the hospital determines have the ability to pay).

Reimbursement for Uncompensated Care

- **Federal disproportionate share hospital (DSH) payments:** offset Medicaid shortfalls and uncompensated care for uninsured patients.
 - FY22 federal DSH payment of \$25 million made up 15.8% of NM hospitals' uncompensated care.

Reimbursement for Uncompensated Care

- **County indigent care programs:** counties can reimburse hospitals for care of low-income patients.
 - Funded by local gross receipts taxes or county mill levies.
 - In FY15, [counties spent \\$59.7 million](#) on uncompensated care through indigent care programs.

Reimbursement for Uncompensated Care

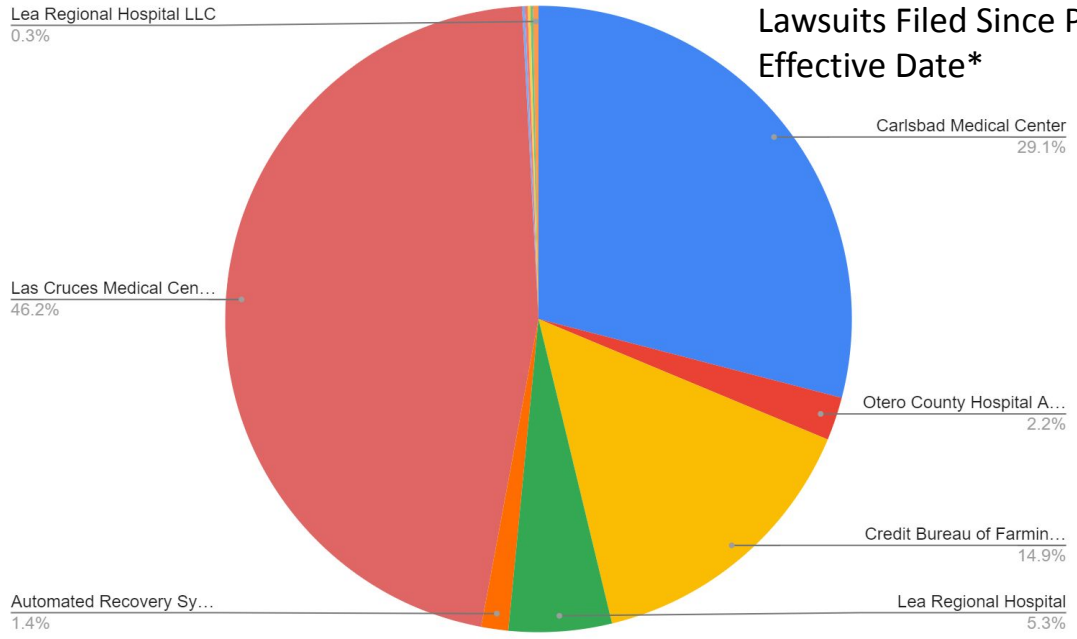
- **Potential issues:**
 - How much “bad debt” is still being linked to low-income patients, and why does this continue to happen?
 - Do hospitals base “bad debt” losses on their gross charge rates?
 - Do indigent care programs offset “bad debt” *or* provide true “charity care”?
- PDCPA (S.B. 71): [requires hospitals](#) to report to HSD how they use indigent care funds.
 - HSD still needs to implement (e.g., rulemaking for reporting)

Implementation of and Compliance with Medical Debt Protection Law

Patients' Debt Collection Protection Act

- Requires hospitals and other facilities to “screen” uninsured patients for programs like Medicaid and financial assistance.
- Prohibits medical debt collections or lawsuits against low-income patients.

Over 700 Medical Debt Lawsuits Filed Since PD CPA Effective Date*



* Data generated from court dockets

Implementation of and Compliance with Medical Debt Protection Law

- There are so far **two class action lawsuits** seeking to enforce the PDCPA.
 - [*Las Cruces Medical Center, LLC \(dba Mountain View Regional Medical Center\) vs. Ruby Ramirez.*](#)
 - *Charlene Trujillo vs. Credit Bureau of Farmington, Inc. (dba CBF Services).*
- However, the PDCPA also [directs](#) the Attorney General's Office to enforce its protections.