Testimony in Support of S.B. 1203, An Act Concerning Medical Debt

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Human Services Committee

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Dear Representative Gilchrest, Senator Lesser, Senator Seminara, Representative Case, and esteemed members of the Human Services Committee,

Thank you for accepting this testimony in **support of S.B. 1203** on behalf of Health Equity Solutions (HES), a nonprofit organization with a statewide focus on advancing health equity through anti-racist policies and practices. Our vision is for every Connecticut resident to attain optimal health regardless of race, ethnicity, or socioeconomic status.

Medical debt is a growing problem and burdens Black and Latino/a people at higher rates than the population average. People go to hospitals in their worst moments—seeking care after a car accident, for cancer treatment, for organ transplants, for appendectomies, and to diagnose complex illnesses, for example. The cost of hospital care is not predictable, both because we do not know when we will become ill or injured and because even when hospital prices are publicly available, the out-of-pocket costs to the patient are not. No one should discover in the days or months after a hospital visit that the bill far exceeds their savings and be unaware of hospital programs designed to help.

After years of advocating for health insurance coverage options like Medicaid and Covered Connecticut, the Health Equity for the People by the People coalition identified medical debt as a key priority for 2023 to complement efforts to reduce uninsurance. The coalition's members (which include Health Equity Solutions, Make the Road CT, the Ministerial Health Fellowship, and CT Students for a Dream) reviewed research and policies from other states and prioritized hospital financial assistance policies, increasing access to HUSKY programs for immigrants, and increasing access to Covered CT as the coalition's focus. HES sees the key goals discussed by the coalition reflected in this proposed legislation and ***strongly supports this promising effort to stop unnecessary medical debt from occurring.***

In addition, each year, Health Equity Solutions conducts outreach to learn which issues related to health equity are priorities for Connecticut residents. Access to affordable health care is consistently a top priority for participants. Cost is a significant barrier to health equity and to accessing health care.

HES respectfully urges this committee to pass this equity-focused proposal and respectfully recommends aligning the language of S.B. 1203 with that of H.B. 6740 with two changes: (1) retaining language in Section 3(b)(4) adding a requirement that the total charity care costs be reported at Medicare rates or 125% of Medicare rates to standardize how hospitals report the amount they spend on financial assistance and ensure comparisons between hospitals are possible and (2) tasking the Connecticut Hospital Association with creating the universal financial assistance application for approval by the Office of Health Strategy.

Medical Debt and Health Equity in Connecticut and the Nation

HEALTH EQUITY SOLUTIONS

***Racial inequities in income, wealth and insurance coverage play a role in the prevalence and burden of medical debt*.** More than one in four U.S. residents experience medical debt, and the rate of debt is growing. Black, Latino/a, and other households of color face disproportionately high rates of medical debt due to a number of factors rooted in systemic racism.

Medical debt is a major and growing contributor to the cycle of economic and health inequity. Individuals with medical debt also experience high stress levels and poor health, and are forced to delay or forgo needed medical care. After medical debt is sent to collections, individuals can face decreased access to credit, increased likelihood of bankruptcy, and/or costly and lengthy collection litigation. Recent changes limiting the impact of medical debt on credit scores are laudable but do not go far enough to stem this growing problem.

Pervasive discrimination in employment and education, among other aspects of systemic racism, means that Black, Indigenous, Latino/a, and other people of color in Connecticut are disproportionately likely to be uninsured or enrolled in insurance policies with out-of-pocket costs they cannot afford. The state's Consumer Health Affordability Index found that 18% of Connecticut households with working adults had health insurance costs that exceeded an affordability benchmark. A shocking 42% of families purchasing insurance on Access Health CT faced costs exceeding the affordability benchmark in 2021. Relatedly, six in ten people who reported difficulty paying medical bills were covered by health insurance but could not afford to pay the required copays, deductibles, or coinsurance.

Further, Connecticut has one of the nation's highest racial wealth gaps, which means Black and Latino/a people are less likely to have cash on hand to pay large, unexpected bills. Black, Indigenous, Latino/a, and other people of color in our state are already at greater risk of avoiding care and accruing medical debt. In CT, 7% of Black adults and 8% of Latino/a adults had no health insurance compared to 3% of White adults. Likewise, a disproportionate number of Black and Latino/a adults in CT reported they had not received or had delayed medical care.

Why Focus on Hospital Financial Assistance?

Hospital financial assistance is a key part of broader efforts to address health care affordability, including cost growth, increasing access to health insurance, and addressing pharmaceutical costs. Rising hospital prices are a leading driver of increased health care spending and medical debt. Price increases are related to hospital market consolidation and the lack of competition in the health care marketplace, which has been pronounced in Connecticut. From 2007-2014, growth in hospital prices for inpatient and outpatient services outpaced growth in physician prices for those same services, with growing hospital facility fees driving this difference. More recent data shows Connecticut hospital costs continuing to grow at rates far higher than other health care sectors and national averages.

Nonprofit hospitals are required to offer financial assistance (sometimes called "charity care") to patients who meet each hospital's financial assistance criteria. **This proposed bill would keep more Connecticut residents from incurring medical debt by setting standards for these policies, increasing awareness of and access to financial assistance, and enforcing existing state and federal requirements**.

HEALTH EQUITY SOLUTIONS

Currently, 60% of nonprofit hospitals across the nation spend less than 2 cents on financial assistance for every dollar of net patient revenue, despite billions of dollars in tax breaks. Connecticut hospitals have been spending less on financial assistance each year for the past several years. CT hospitals spent $221 million less on financial assistance and community investment than the value of their tax exemption.

Moreover, 45% of nonprofit hospitals routinely send medical bills to patients with incomes that make them eligible for financial assistance. An estimated $2.7 billion in bills that over 1,600 hospitals had given up on collecting were sent to patients who likely would have qualified for financial assistance had they applied. An estimated 13-35% of Connecticut residents likely qualify for financial assistance depending on the hospital they visit. These national figures and state estimates suggest many Connecticut residents are unaware that financial assistance is available.

Finally, media coverage has repeatedly uncovered aggressive billing and collection practices by hospitals. Recent reporting by Kaiser Health News and the New York Times uncovered practices such as aggressive lawsuits, collection practices, and intake practices even for patients eligible for financial assistance. In 2019, researchers in Connecticut found that 81,136 small claims lawsuits were initiated by hospitals and medical providers from 2011 – 2016. In 2003, the Wall Street Journal covered lawsuits against Yale New Haven Hospital for aggressive debt collection practices.

Transparency can lead to change. After a report showed it was Connecticut's most litigious hospital, Danbury hospital reviewed and changed its billing and debt-collection policies. ***Consistent reporting on financial assistance would ensure all hospitals are held to the same standards.***

How Would S.B. 1203 Help?

HES analyzed financial assistance regulations across the United States as well as relevant academic and grey literature. We then shared a list of policies in practice in other states, but not in Connecticut, with our coalition partners. The coalition agreed on a set of policy options and sees those options reflected in this proposed bill, which would:

- Create a **universal financial assistance application** accepted by all CT hospitals, as in CO and MD
- **Set a floor for income eligibility** as in MA, CA, and MD
- **Adopt presumptive eligibility** based on indicators of financial hardship as is already the practice at Hartford Healthcare, where anyone who qualifies for food stamps, is experiencing homelessness, or is eligible for subsidized housing can automatically receive a discount
- Offer **a reasonable payment plan** to anyone who does not qualify as in MA, MD, and CO
- **Notify patients of financial assistance options** during discharge and in every bill and collection notice in English and the top languages spoken in the hospital's community, as in MD, ME, and WA
- **Screen ALL patients for eligibility** for financial assistance as in CO, MD, and ME
- **Increase accountability** by requiring standardized reporting of data, including applications and assistance granted by race, ethnicity, and language, as in CO and MD; HES recommends standardizing how spending on financial assistance is reported (as in S.B. 1203 Sec.3(b)), given the wide variation in hospital fees

- **Empower the Attorney General to investigate and take action** to enforce these requirements as in IL and NM

Concluding Remarks

Hospital financial assistance is one key component of broader affordability efforts, including expanding access to health insurance (S.B. 10; H.B. 6618), erasing existing medical debt (included in the Governor's budget proposals), cost-growth benchmarking, addressing pharmaceutical costs, and limiting extraneous fees. We are grateful for the committee's consideration and ***respectfully urge the advancement of S.B. 1203 to address unnecessary medical debt by improving access to and strengthening the enforcement of hospital financial assistance policies*.** HES believes this proposal would be pivotal in addressing and alleviating the burden of medical debt.

Thank you for the opportunity to submit this testimony in support of **S.B. 1203, An Act Concerning Medical Debt.** We can be reached with any questions at aclarke@hesct.org or 860.937.6437.