

Curbing Hospital Prices to Reduce Medical Debt: A Compendium of State Policies

Executive Summary

Health care in the United States is the most expensive in the world by far, with an average of nearly \$13,000 per person spent on health care in 2021.ⁱ The prices providers charge for services are the primary reason for excessive spending. Health care prices increased nearly 16 percent from 2016 to 2020, while the use of health care services had a much smaller effect on spending growth. One of the most significant effects of high prices is medical debt. In 2022, over 100 million people in the U.S. had debt due to medical or dental bills.ⁱⁱ While it is widespread, the impact of high prices and medical debt are disproportionately felt by Black and Hispanic families, women, people with no health insurance, and people with low incomes.ⁱⁱⁱ

High Prices and Medical Debt Go Hand-In-Hand

Hospitals, which represent the largest component of health care spending, have an outsized influence on medical debt in their communities through their policies and behavior. A hospital's scanty policy on providing free or discounted care to people with lower incomes saddles those patients with outstanding bills. Unrestricted charges, without regard to ability to pay and particularly for patients without insurance, have the same effect. Hospitals also add fees onto bills, unrelated to the professional services a patient receives. Some hospitals try to collect unpaid bills from patients of limited financial means using aggressive methods that exacerbate the problem. Many hospitals also obscure information about their prices, making it difficult for patients to know what services cost and how much they will owe.

The State Policy Compendium

State governments have an interest, on behalf of their residents, in slowing price growth and reducing medical debt. They have several policy levers at their disposal to accomplish this. This compendium of state policies is a catalog of how states work those levers to address the hospital behaviors described above. It is a tool for advocates to compare policies across states and to understand which states have the most advanced

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policies for moderating prices and protecting individuals from medical debt. Exemplary policies can serve as models for the states that lag behind.

Policies in the Compendium

The compendium presents information about state policies covering hospitals in five categories that are intended to have an impact on health care prices and medical debt. In addition to the rules themselves, the compendium addresses whether they apply to all hospitals or just some, such as nonprofit hospitals. Those five categories include:

Financial assistance and free care: Rules for hospitals to provide free or discounted care to patients meeting eligibility requirements.

Prescribed discounts/caps on charges: Rules that specify discounts (rather than leaving the amount to hospitals' discretion) or place a cap on the amount that a hospital can charge qualifying patients for a service (no greater than the rate paid by Medicare, for example).

Billing and collections: Restrictions on hospitals' billing and collections practices, including requirements for payment plans, limits on medical debt interest, and prohibitions on certain legal actions (such as wage garnishment and property liens) to collect medical debt.

Facility fees: Rules governing the disclosure or restriction of facility fees charged for outpatient services at a hospital-based facility that are intended to compensate a provider for operational expenses, and are distinct from professional fees for delivered services.

Price transparency: Requirements for hospitals to prospectively inform some or all patients of the price of the services they will receive.

Rating the Policies

Community Catalyst rates state policies in each of the categories as "low," "medium," or "high," based on criteria including the scope of entities to which a rule applies, the specificity and extent of its requirements, and the strength of its enforcement

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mechanism. The ratings for each of the categories were then combined to produce an overall, composite rating for every state. Click [here](#) for more detail on the Rating Methodology.

Summary and Analysis

Twenty-seven states have an overall rating of “low,” indicating significant shortcomings in several of the policy categories. Sixteen of these states are rated “low” on all five categories, and none of the 27 has a “high” rating in even one of the categories. Seventeen states have overall ratings of “medium” and seven are rated “high”: California, Colorado, Illinois, Maine, New York, Oregon, and Washington. Colorado is rated “high” in all five categories, and California is rated “high” in four categories and “Medium” in the fifth. The other five “high” states have “medium” and “low” ratings in more than one category, suggesting that, even in the most progressive states regarding these policies, there are opportunities to improve efforts to rein in hospital prices and protect patients from medical debt.

- [Click here for more detail on State Rankings.](#)
- [Click here for specific state policy summaries](#)

Exemplary Policies

Particular state policies stand out as models for other states. For example, among **California's** policies are limits on hospital charges for patients with income below 400 percent of the federal poverty level (FPL) and restrictions on wage garnishment, home foreclosures, and property liens to collect medical debt. **Colorado** requires health care facilities to offer payment plans to qualifying patients that limit payment to 4 percent of the patient's monthly household income, requires that a patient's bill be considered paid in full after 36 months of payments, prohibits adverse credit reporting due to medical debt, and prohibits facility fees that are not covered by insurance. **New York** requires hospitals to charge uninsured patients with income under 300 percent FPL on a sliding scale relative to what the hospital is paid by Medicaid, Medicare, or its highest volume payer.

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Conclusion: Call to Action

Public policy is needed to help rein in soaring health care prices and reduce medical debt. The compendium displays a range of state activity in such policies, across five categories. Advocates can use the compendium in their states to guide policy changes that, at a minimum:

- Set specific criteria for free and discounted care and explicit caps on charges;
- Require that all patients be screened for free or discounted care;
- Prohibit the most harmful types of collection actions (such as wage garnishment and home foreclosures); limit or prohibit facility fees;
- Require broad and accessible publication of hospital prices; and
- Robustly enforce all of these requirements.

The United States has the most expensive health care in the world, and prices and debt continue to rise; further patient-first measures are needed to combat these trends. Looking beyond individual hospital behavior can point us to additional policy levers. Federal efforts can also fill gaps that are beyond state authority, while states can build on federal foundations. There is still much to be done to achieve race equity and health justice for all.

ⁱ Centers for Medicare and Medicaid Services. National Health Expenditure Fact Sheet. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet>, accessed March 30, 2023.

ⁱⁱ Noam N. Levey, "100 Million People in America Are Saddled With Health Care Debt," *KFF Health News*, June 16, 2022. <https://kffhealthnews.org/news/article/diagnosis-debt-investigation-100-million-americans-hidden-medical-debt/>, accessed October 15, 2023.

ⁱⁱⁱ Alex Montero, Audrey Kearney, Liz Hamel, and Mollyann Brodie. Americans' Challenges with Health Care Costs. Kaiser Family Foundation, July 14, 2022. <https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/>, accessed October 15, 2023.