Rating and Ranking States' Policies Concerning Hospital Prices and Medical Debt

Methodology

To facilitate comparisons, Community Catalyst rated state policies in each of the five categories in the Compendium as Low, Medium, or High. The criteria for the rating levels follow. The criteria consider several dimensions, among them the scope of entities to which a rule applies, the specificity and extent of its requirements, and the strength of its enforcement mechanism. Because of the wide variety of policy features across 51 jurisdictions and the desire for a simple, understandable rating system, applying the criteria is not a purely quantitative exercise. Some judgment was required to assess the unique policy impacts across each jurisdiction.

The ratings for each of the five policy categories have been combined to produce an overall, composite rating for every state. All respective categories do not have an equal impact on health care prices and medical debt. For example, financial assistance policies potentially affect medical debt more forcefully than price transparency policies. Additionally, caps on charges more directly affect prices than facility fee restrictions. To account for this, each category is weighted in the overall rating calculation by its relative influence on the desired outcomes of the policy.

To compute the overall composite rating, policies rated "Low" were given a value of 1, "Medium," 2, and "High," 3. Composite calculations have been rounded and converted back to one of the three levels. The overall ranking of states is based on the numeric result of the composite calculation, with the added requirement that a state's overall rating could not be "High" if one or more of the three most heavily weighted categories – Financial Assistance and Free Care, Prescribed Discounts/Caps on Charges, and Billing and Collections – was rated "Low." States that would otherwise be rated "High" but for this requirement were rated "Medium."

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1. Financial Assistance and Free Care (25% of composite rating)

These criteria apply to requirements for free care, requirements for financial assistance that do not reach all hospitals in the state, and requirements for discounts that do not specify the amount of the discount.

Low/No policy

- No policies on free care or discounted care
- Require a financial assistance policy but do not require specific discounts or free care
- No enforcement

Medium

- Explicit rules for free care – e.g., all patients under a certain percentage FPL receive some financial assistance, or provide free care equal to 3% of gross revenues
- Applies to all acute hospitals OR some enforcement provisions OR no limit to when financial assistance application can be submitted

High

- Applies to all acute hospitals
- Screening or strong notice provisions
- Strong enforcement

2. Prescribed Discounts/Caps on Charges (25% of composite rating)

These criteria apply to requirements that reach all hospitals in the state and that specify the amount of the discount or level of charge cap.

Low

- No policy on prescribed discounts or limits on prices or charges

Medium

- May apply only to emergency services
- Burden is on patient to apply for the discount
- Applies only to a subset of patients
- Weak or no enforcement
- Amounts charged may be greater than Medicare or provider's cost or set relative to "amounts generally billed"

High

- Applies to all medically necessary services (not just emergency services)
- Requires screening or strong notice requirements regarding availability of discounts
- Applies to both uninsured and insured patients (e.g., high medical costs)
- Strong enforcement
- Cap set at or lower than Medicare or provider's cost, based on cost-to-charge ratio

3. Billing and Collections (20% of composite rating)

These criteria apply to restrictions on hospitals' billing and collections practices, including requirements for payment plans, limits on medical debt interest, and prohibitions on certain legal actions to collect medical debt (e.g., wage garnishment, home foreclosures).

Low

- No policies that prohibit one extraordinary collections action (ECA) or require an itemized billing statement but do not otherwise limit other collections actions
- Little or no enforcement

Medium

- Limit or prohibit several major ECAs (e.g., adverse credit reporting, wage garnishment, property liens) or requirements of proof prior to filing medical debt

lawsuits or obtaining default judgments (e.g., requiring proof of charges and ownership of debt)
- Includes some enforcement

High

- Screening or additional notice of FAP required prior to collections actions, other prerequisites to collections actions (e.g., offering a payment plan, ensuring that insurance has been billed)
- Limits major ECAs
- Strong enforcement (e.g., AG enforcement, private right of action, or significant administrative penalties)

4. Facility Fees (15% of composite rating)

These criteria apply to state requirements for disclosure and restrictions on the use of facility fees, typically defined as fees charged for outpatient services at a hospital-based facility that are intended to compensate a provider for operational expenses and are separate and distinct from professional fees for the services.

Low

- No policy addressing facility fees

Medium

- Requires hospitals to provide prior notification of facility fees or requires hospitals or state agency to report annually about the use of facility fees
- Prohibits or limits charging facility fees, but only for a narrow set of services or settings (e.g., telehealth)
- Requires hospitals to inform patients about the availability of a facility or provider that does not charge a facility fee

High

- Prohibits or limits charging facility fees for broad categories of services or settings (e.g., preventive care)
- Strong enforcement

5. Price Transparency (15% of composite rating)

These criteria apply to state requirements for hospitals to prospectively inform some or all patients of the price of the services they will receive. The minimum standard for these policies is the federal Hospital Price Transparency rule, 45 CFR Part 180.

Low

- No policy beyond federal requirements

Medium

- Requirements exceed federal standards for the number or type of services for which prices are publicly posted
- Hospitals required to provide estimate of total price of services to uninsured patients, upon request of the patient

High

- Hospitals required to provide estimate of total price of services to uninsured patients automatically
- Hospitals required to provide estimate of total price of services to all patients, upon request of the patient
- Strong enforcement (e.g., restriction on debt collection actions if noncompliant with transparency requirements, administrative penalties, AG enforcement)