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Illinois: Discounts, But Not for Everyone. New Policies Require More from Hospitals

Illinois's hospital financial assistance law covers most state residents who do not have health insurance, potentially limiting what they pay for hospital care. The state's billing and collections law restricts actions that hospitals and collection agents may take toward patients with outstanding bills, and it limits the amount that can be collected as part of payment plans. Taken together, these laws place Illinois at the progressive end of the spectrum of policies that address medical debt, according to Community Catalyst's compendium of state policies.

The laws are not perfect, however, and recent amendments seek to improve the protections they offer. Financial assistance rules apply only to uninsured patientsⁱ and do not affect prices for those with insurance who may have high out-of-pocket obligations. Additionally, many people who should be eligible for charity care or discounted care do not receive it because hospitals do not consistently inform them of its availability. Both of these deficiencies are addressed to some extent by new laws that go into effect in 2024 that require hospitals to screen uninsured patients for financial assistance and public program eligibility and include underinsured patients in some of the billing protections.

This spotlight looks at provisions of Illinois's Hospital Uninsured Patient Discount and Fair Patient Billing Acts, including the recent changes to those laws. It examines the specifics of the laws, views of their effectiveness in moderating hospital prices and reducing medical debt, and what more might be done toward these ends. The information in the spotlight is largely qualitative, based on a few interviews with knowledgeable health advocates and state regulators, and a review of news accounts and other public sources. Additional research and analysis would be required to reach definitive conclusions.

Overview of hospitals' prices and medical debt in Illinois

Hospital prices in Illinois are not outliers relative to the nation. A RAND study ranked Illinois hospital prices in 2020 as the 24th highest in the U.S.ⁱⁱ The Health Care Cost Institute (HCCI) reported that in 2021 the average price for an inpatient hospital service in Illinois was just under \$21,000, below the national average of about \$27,000.ⁱⁱⁱ Out-of-pocket costs for inpatient care – the deductibles, coinsurance, and copayments that insured patients pay – average \$755.^{iv} These costs are a significant driver of medical debt for insured patients; the median amount of medical debt in collections^v in Illinois was \$641 in 2022.^{vi}

Illinois hospital prices being below average compared to other states does not mean that the prices are not high relative to patients' ability to pay. The average hospital inpatient price of \$21,000 was about 30% of Illinois's 2021 median household income of \$72,000^{vii}, a significant burden that, without assistance (health insurance or hospital discounts) would result in extreme financial hardship. Data on medical debt provides evidence of this burden: 14% of Illinoisans had medical debt in collections in 2022. The debt is not distributed equally across the population. Twenty percent of people living in communities of color had medical debt, nearly twice the level of people living in communities with a predominantly white population (11%).^{viii}

Key details of the policies

The **Hospital Uninsured Patient Discount Act** (HUPDA) was enacted in Illinois in 2008. HUPDA provides discounts on hospital bills for uninsured patients who apply for the discount and have income up to 600% of the federal poverty level (FPL).^{ix} Patients with income under 200% of FPL qualify for full free care for charges exceeding \$150 (\$300 for rural hospitals and Critical Access Hospitals). Uninsured patients with income between 200% and 600% of FPL qualify for a discounted price equivalent to no more than the hospital's cost of delivering the service, plus 35%.^x

As HUPDA's name makes clear, discounts are only available to patients with no health insurance. About 6.6% of Illinois's population, roughly 800,000 of the state's 12.5 million people, are uninsured.^{xi} Insured patients, even those struggling with medical debt because of high deductibles or other forms of cost sharing, do not benefit.

The **Fair Patient Billing Act**, which has been law in Illinois since 2006, addresses medical debt and its effects. The Billing Act limits hospitals' ability to pursue collection actions, including lawsuits, until certain conditions are met. Patients must be allowed to assess the accuracy of the bill, apply for hospital financial assistance, and enter into a reasonable payment plan, before a hospital may initiate an action. Hospitals must refrain from collection while a payment plan is being followed and if a patient applies for public health insurance until the application has been denied.^{xii} The law also states that a hospital may not pursue legal action for non-payment of an outstanding bill if the patient has clearly demonstrated they do not have the income or financial assets required.^{xiii} Intending to improve on these laws, Illinois enacted the "Protect Illinoisans from Unfair Medical Debt" Act in July 2023.^{xiv} The law amended the Fair Patient Billing Act by requiring a hospital to screen every consenting uninsured patient for eligibility for public health insurance and for hospital financial assistance as soon as possible and before pursuing any collection action.^{xv} The hospital must also apply any discount available to a

patient under HUPDA and assist with the financial assistance application. They must also refer patients eligible for public programs to a local organization that can help the patient enroll.^{xvi} These new requirements go into effect July 1, 2024.

Underinsured Illinoisans may also experience some modest relief from medical debt under the new law. Hospitals must offer to screen an insured patient for financial assistance if the patient requests screening, if the hospital is contacted in response to a bill, or if the hospital learns of information or circumstances that suggest the patient's inability to pay.^{xvii} Both uninsured and insured patients must be offered a reasonable payment plan that considers income, assets, and the amount owed. Under the payment plan, a hospital may not collect more than 20% of a patient's family income over a 12- month period.^{xviii}

Effectiveness of the policies

Curbing hospital prices

UPDA can significantly limit what uninsured patients are expected to pay for their hospital care. Most Illinoisans without health insurance have income below 600% of FPL, so most would qualify for discounts on the prices they face in hospitals.^{xix} Because a hospital's undiscounted charges are typically multiples of its costs, HUPDA's method of tying the price an uninsured patient faces to the hospital's cost plus a markup can represent a significant discount. For context, the median ratio of costs to charges in Illinois hospitals in 2022 was 25%, meaning that a typical charge for a service was four times what it costs the hospital to provide it.^{xx} The HUPDA formula results in an average discount of about 66% off what they would otherwise be expected to pay (25% of charges + 35% markup = 33.75% of charges).

While the law provides for discounts on charges, it does not address the charges themselves, nor does it address prices for insured patients in any way. The intent of the law was to put uninsured patients on par with the prices that insured patients and their insurers pay.^{xxi} Illinois lacks a policy that directly targets the general level of hospital prices.

Improving affordability

Despite the efforts to make health care more affordable for uninsured patients and limit medical debt by restricting collection actions under HUPDA^{xxii} and the Fair Patient Billing Act, many uninsured patients who are eligible for discounts are not receiving them and

are instead accumulating medical debt. More could be done to ensure people know about these new rights and protections.

“Reasonable” payment plans under the Fair Patient Billing Act may collect no more than 20% of a patient’s family income over a 12-month period. While a limit on the size of payment is laudable, 20% is still a very high level, particularly for families with average or below-average incomes who struggle with essential expenses such as food, housing, transportation, and child care. These families may have little or nothing left for other uses after these expenses. For example, an adult with two children earning the Illinois median household income of \$72,000 is already more than \$30,000 below the estimated income needed to meet basic living requirements, according to the Living Wage Calculator at the Massachusetts Institute of Technology.^{xxiii} Adding up to \$14,000 per year for a medical debt payment plan would put such a family in the position of having to compromise on other critical needs.

Enforcement

The Illinois Attorney General’s (AG) office is responsible for enforcement of HUPDA and the Fair Patient Billing Act.^{xxiv} The AG’s enforcement authority is graduated, from the investigation of possible violations by hospitals, to bringing legal action to discontinue illegal practices, to financial penalties, through referring egregious cases to the Department of Public Health for possible licensure action. The AG has subpoena power to investigate possible violations. Exercise of this authority depends on the AG receiving formal complaints to trigger activity, which are very rare, perhaps because the burden to file a complaint is on the patient, who might be deterred by a hospital’s power and resources to defend against complaints. In its most recent report, the AG reported receiving five complaints from July 2022 through June 2023.^{xxv} Some cases are addressed and resolved without engaging the formal process.^{xxvi} Still, examples are common of patients not receiving benefits for which they are eligible, suggesting that enforcement of the laws is not as strong as it could be.^{xxvii}

What more could/should be done to address high hospital prices and medical debt?

The HUPDA discount formula caps hospital prices for uninsured patients at 35% above cost. This approach is comparable to others, such as in Colorado, where prices for patients eligible for financial assistance are capped at the higher of the Medicare or Medicaid rate.^{xxviii} Illinois could improve its approach first by making underinsured patients

eligible for the discounts and applying them to their out-of-pocket responsibilities. In addition, the cap could be made lower: 35% above cost is typical of a price paid by a commercial insurer; public payer rates tend to be closer to a hospital's cost.^{xxix} These changes could make lower hospital prices a reality for more Illinois hospital patients.

Third party providers who deliver care in the hospital but are not part of the hospital's staff are not subject to HUPDA. A patient receiving a 100% discount from the hospital may still be billed by these providers – for example, an anesthesiology group that provides services in the hospital but is not hospital staff – possibly resulting in thousands of dollars of debt. While this is not, in strict terms, a matter of hospital prices, it appears that way to patients. Bringing these providers under the requirements of HUPDA would be an additional improvement to Illinois's policy.

Policymakers should consider further reducing the maximum payment allowable in payment plans; in many cases, 20% of income could not be considered "reasonable." Colorado, for example, caps monthly payments at 4% of income for hospital bills and 2% for health care professionals. Another approach is California's, which allows a payment up to 10% of family income, but first requires deductions for essential expenses such as housing, food, utilities and telephone bills, school and child care, spousal and child support, clothing, and transportation.^{xxx}

Conclusion

Illinois's laws provide free and discounted hospital care for most uninsured people in the state. New amendments are intended to ensure more eligible people benefit from the discounts and to protect against the accumulation of debilitating and unwarranted medical debt. These enhancements were needed because many who should be receiving discounts are not, though the agency responsible for enforcement receives almost no formal reports of hospital non-compliance. Illinois has a solid base on which to build. Illinoisans hope the new screening requirements will improve the affordability of care for more who are eligible. Further improvements would include expanding eligibility for discounts to a broader group, reducing the price cap in the discount formula, and gearing interactions between hospitals and patients more toward affirming eligibility, rather than obstructing it.

ⁱ Some hospitals go beyond the law and offer discounts to underinsured patients.

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- ⁱⁱ The study computed the ratio of prices paid by private insurers to those paid by Medicare. Illinois's relative price was 255 percent of Medicare; the national average ratio was 224 percent. Christopher M. Whaley et al., *Prices Paid to Hospitals by Private Health Plans: Findings from Round 4 of an Employer-Led Transparency Initiative*. RAND Corporation, 2022.
- ⁱⁱⁱ Health Care Cost Institute, 2021 Health Care Cost and Utilization Report, April 2023. Data files: https://healthcostinstitute.org/images/pdfs/HCCUR2021_Downloadable_Data_Files.zip
- ^{iv} Health Care Cost Institute.
- ^v Debt reported to a major credit bureau. Includes past-due credit lines that have been closed and charged-off on the creditor's books as well as unpaid bills reported to the credit bureaus that the creditor is attempting to collect.
- ^{vi} Debt in America: An Interactive Map. The Urban Institute. <https://apps.urban.org/features/debt-interactive-map/>, accessed December 12, 2023.
- ^{vii} U.S. Census Bureau, American Community Survey 1- Year Estimates, 2021.
- ^{viii} Debt in America, The Urban Institute.
- ^{ix} 600 percent of FPL in 2024 is about \$90,000 for an individual and increases with family size.
- ^x <https://communitycatalyst.org/resource/50-states/>
- ^{xi} KFF State Health Facts. <https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>, accessed May 15, 2024.
- ^{xii} 210 ILCS 88/30
- ^{xiii} 210 ILCS 88/35.
- ^{xiv} Public Act 103-0323.
- ^{xv} 210 ILCS 88/16.
- ^{xvi} 210 ILCS 88/30.
- ^{xvii} 210 ILCS 88/16.
- ^{xviii} 210 ILCS 89/10.
- ^{xix} In 2022, 79 percent of uninsured people under age 65 in Illinois had an income below 400 percent of FPL; by inference, an even higher percentage had an income below 600 percent. Kaiser State Health Facts, <https://www.kff.org/uninsured/state-indicator/distribution-uninsured-nonelderly-federal-poverty-level-fpl>, accessed March 6, 2024.
- ^{xx} National Academy for State Health Policy, Hospital Cost Tool. <https://tool.nashp.org/>, accessed March 5, 2024.
- ^{xxi} Community Catalyst interview with Illinois informants.
- ^{xxii} Many patients who are eligible do not benefit and receive bills and are directed to payment plans instead, because they are not aware of financial assistance availability or do not complete the application in time. This may happen because notifications about financial assistance are not prominent enough, hospital staff erroneously inform patients they do not qualify, or, for many immigrants with limited English, information and application forms are not in their language. Advocates hope that the 2023 amendments' screening requirements, when they go into effect later this year, will increase the number of eligible people who receive a discount by shifting the responsibility for starting the conversation about financial assistance from the individual to the hospital.
- ^{xxiii} Amy K. Glasmeier, "Living Wage Calculator," Massachusetts Institute of Technology, 2024 <https://livingwage.mit.edu/states/17>, accessed March 27, 2024.
- ^{xxiv} 210 ILCS 88/55.

^{xxv} <https://illinoisattorneygeneral.gov/Page-Attachments/7.1.22%20-%206.30.23%20HUPDA%20Stats.pdf>, accessed March 7, 2024.

^{xxvi} Advocates report that the formal complaint process can be intimidating, particularly for immigrants, who are much more likely to work with a community organization to resolve financial assistance and medical debt issues with the hospitals.

^{xxvii} Community Catalyst interviews with Illinois informants.

^{xxviii} Colorado Spotlight: innovative Policies Protect Many from High Prices and Medical Debt; They Could Still be Better. <https://communitycatalyst.org/wp-content/uploads/2024/04/Colorado-State-Spotlight-April-2024.pdf>

^{xxix} Chapin White and Christopher M. Whaley, Prices Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely: Findings from an Employer-Led Transparency Initiative. Santa Monica, CA: RAND Corporation, 2019. https://www.rand.org/pubs/research_reports/RR3033.html

^{xxx} <https://communitycatalyst.org/resource/50-states/>