LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6976 | **NOTE PREPARED:** Jan 22, 2007
BILL NUMBER: HB 1772 | **BILL AMENDED:**

SUBJECT: Hospital and Outpatient Surgical Center Charges.

FIRST AUTHOR: Rep. Ripley | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill requires hospitals and ambulatory outpatient surgical centers to: (1) establish a self-pay program that provides reduced cost of care to eligible individuals and alternative payment options to other individuals; (2) provide billing information to patients and the public; and (3) establish an appeal procedure for disputed patient bills.

The bill requires the State Department of Health to investigate violations of these requirements, and specifies action that may be taken by the State Department for a violation.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Internet Reports:* The bill requires the State Department of Health (ISDH) to accept quarterly reports from hospitals and ambulatory outpatient surgical centers regarding the number of patients that applied to and were accepted to participate in the required in the facility's self-pay program. Facilities are also required to annually report to ISDH the number of appeals filed each calendar year, the total amount of billed charges subject to appeal for the time period, and a summary of the disposition of each appeal. The Department is required to post these reports on the ISDH website. The bill also requires facilities to provide nonemergency patients with a notice that the facility's charge master is available from the State Department of Health. The ISDH's current level of resources should be sufficient to implement these changes.

Required Annual Report: The bill also requires the ISDH to compile and publish on the Internet an annual report that includes information regarding the number of individuals that applied to participate in a self-pay program, the number of investigations of violations conducted by the Department, the number of confirmed violations, and the Department sanctions imposed on facilities found to be in violation. ISDH currently employs one person who is responsible for the gathering of data and preparation of reports. The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations.

Investigations: The bill requires ISDH to investigate complaints made by individuals alleging that a facility has violated the requirements of this bill. Depending on the number of complaints investigated, ISDH could possibly need to employ an additional investigator. ISDH reports that the cost to employ an additional investigator would be approximately $63,600 annually. This cost includes salary, benefits, mileage, and some office equipment.

The bill allows ISDH to suspend or revoke a facility's license or fine a facility not more than $5,000 per violation should they be found in violation of the requirements of this bill after an investigation has been conducted. ISDH reports that there is currently no suspension action. However, if it revokes a facility's license, it could incur some surveyor costs to oversee the closing of the facility and relocation of patients. Increases in revenues due to surveyor costs are dependent on the number of facilities which have their license suspended and the amount of workload per facility. Increases in expenditures are likely minimal.

The bill requires ISDH to make the annual report available to the public upon request. ISDH could experience a minimal increase in expenditures as a result. Any increase is dependent on the length of the report; mailing costs, if any; and the number of reports requested.

Appropriation Background: The ISDH administrative appropriations were made from the dedicated Tobacco Master Settlement Agreement Fund for FY 2006 and FY 2007. The funding source of the FY 2008 and FY 2009 ISDH administrative appropriations will be determined by the General Assembly.

Explanation of State Revenues: The bill allows ISDH to charge a fee of not more than $5,000 for each violation of the requirements of this bill. Fees collected are deposited into the state General Fund. Any increase in revenues is dependent on the number of fines imposed and the amount in which they are issued.

Explanation of Local Expenditures: The bill requires a facility to establish a program that reduces the cost of a service provided by the facility for a patient who: (1) has an income of not more than 250% of the federal poverty level (FPL); and (2) does not have insurance coverage or does not qualify for coverage under Medicaid, Medicare, an association policy, or any other state or federal assistance program that provides coverage for health care services.

The Henry J, Kaiser Foundation reports that in 2003, there were approximately 821,000 uninsured persons falling under 250% of the FPL in Indiana. The number of these persons served by one of Indiana's 39 county hospitals is unknown. A portion of this population may already be receiving some sort of charity care from a hospital. Hospitals would experience a decrease in revenues if a person who is currently not receiving some form of charitable services is given a reduction in service costs. The amount of the decrease is indeterminable and is dependent on the number of persons receiving service cost reductions, and the amount of cost reduction that they receive.

The bill also requires a facility to establish a program that creates a method of payment that allows a patient who has an income of more than 250% of the FPL to pay for services rendered by the facility in a manner other than a lump sum basis or a delayed basis. The Henry J. Kaiser Foundation reports that there were approximately 4,000 uninsured persons in 2003 in the state who were over 250% of the FPL.

The cost for hospitals to establish the above two programs is currently unknown. If one additional staff person were hired to establish and maintain the program, a hospital could incur costs of approximately $40,000 annually.

Internet: The bill requires facilities to post on its Internet website a copy of the program created to reduce the cost of services provided by a facility for a patient who has an income of not more than 250% of the FPL and does not have insurance coverage or does not qualify for Medicaid, Medicare, an association policy, or any other state or federal health care services assistance program.

Report Filing: The bill requires each facility to file the following reports with ISDH: (a) the number of patients that applied to participate in the program created to reduce the cost of services provided for a patient who has an income of not more than 250% of the FPL and does not have insurance coverage or does not qualify for Medicaid, Medicare, an association policy, or any other state or federal health care services assistance program, and the number of patients approved for the program; (b) the number of appeals filed relative to billed charges, the total amount of billing charges subject to appeal, and a summary of the disposition of each appeal. Hospitals may need to hire an additional staff person to facilitate the creation of these reports. The need for additional staff will vary between hospitals. If an additional staff person is hired, the cost to the hospital could be approximately $40,000 annually.

Appeals: The bill provides that a person may appeal any charges billed by a facility, a contractor of the facility, or a licensed physician who provides services at the facility. The appeals process must include (1) a review of the charges by an individual who was not involved in the initial billing of the patient; and (2) a written decision with a clear explanation of the grounds for the decision concerning the billing appeal. The latter must be completed not later than 30 days after the facility receives the request for appeal. The Indiana Hospital and Health Association reports that there is variation across the board in the manner in which appeals are conducted within facilities. The cost to establish or adjust an appeals program which meets the requirements of this bill are unknown and will vary by facility.

Financial Commitment Statements: The bill would prohibit a facility from requiring that a patient or a patient's representative enter into an agreement that requires the patient to be financially liable for an unspecified amount for the provision of services by the facility. The facility may require the patient to enter into such an agreement for nonemergency services if the facility provides an estimate of the facility's charges, a facility contractor's charges, and the amount that physicians that practice at the facility generally charge for the services needed to treat the patient's condition. If, in the absence of complications or unforeseen circumstances, the billed charges are more than 20% or $1,000 over the estimated amount, the financial liability agreement is void.

Explanation of Local Revenues:

State Agencies Affected: State Department of Health.

Local Agencies Affected: County-owned hospitals.

Information Sources: Indiana Hospital and Health Association; Henry J. Kaiser Foundation; Federal Poverty Level Guidelines; and the Indiana State Department of Health.

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