2019 LEGISLATIVE PRIORITY

Holding Nonprofit Hospitals Accountable To Their Mission

The Problem

Although many Oregonians now have insurance coverage through the Affordable Care Act (ACA), they still cannot afford their care. Premiums, deductibles, co-payments and co-insurance fees continue to skyrocket. In fact, half of all U.S. workers now have insurance plans with an individual deductible of at least $1,000,[1] and more than one in four adults have skipped necessary medical care because of costs.[2]

This problem is especially severe in Oregon, where patients' spending on hospital services spiked by over 50 percent in the same time period that hospitals' operating profit grew by 50 percent – this in a state dominated by nonprofit hospitals.[3]

Many nonprofit hospitals in Oregon differ little from private hospitals—even as they benefit from special tax breaks private hospitals don't get.

Non-profit hospitals:

- Are exempt from a wide range of taxes and fees, including federal and state corporate taxes and state and local property taxes;
- Can issue tax-exempt bonds to borrow money at interest rates much lower than those paid by private businesses; and
- Are able to raise money through contributions that are tax-deductible for the donors.

Charity care in Oregon has dropped in half since the ACA was enacted.

The ACA requires nonprofit hospitals to adopt financial assistance (or "charity care") policies to help ensure that people who can't afford to pay their medical bills still get the care they need. But despite growing reserves and increased profits, nonprofit hospitals in Oregon have dramatically decreased their charity care spending, increased claims of Medicaid shortfall, and continue to claim hundreds of millions in community benefit spending that lacks transparency and accountability.[4]

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The Solution

It's time for Oregon to hold nonprofit hospitals accountable to their charitable mission in the following ways.

1. Require nonprofit hospitals to provide transparent, consistent charity care that is:

- Available in every setting: Financial assistance policies (FAPs) of nonprofit hospitals must be extended to all care delivery settings.
- Accessible to every patient: Policies must be available in all languages spoken by the lesser of 1,000 people or two percent of the population in the hospital's service area, and verbal interpretation services must be available to every patient who needs them.
- Sufficient to cover care for Oregonians who need it most: Services should be covered in full for families with household income at or below 200% of the federal poverty level (FPL). Discounts and maximum bill limits should be applied on a sliding scale up to 600% FPL; no family should have to pay more than 10% of their annual income to medical bills.
- Provided without extra penalties or interest: If a patient qualifies for a discount and payment plan, no interest should be added to the medical expenses while the patient is making payments.

2. Prevent predatory debt collection by nonprofit hospitals by:

- Requiring health care facilities to screen patients for insurance and assistance eligibility before starting debt collection: Assistance should include Medicaid eligibility, state Medical Hardship programs, state children's catastrophic illness funds, and services from state agencies that assist people with certain physical or mental health conditions.[5]
- Ensuring interest is reasonable: If patients do not qualify for a discount under the financial assistance policy, interest on their medical debt should be limited to a rate based on U.S. Treasury yields.[6]
- Shielding family members: Liability for medical and nursing home debts accrued by a patient should not extend to their spouse or children.

3. Ensure Community Benefit spending is meeting identified community needs and helping patients afford care through:

- Public engagement: Every hospital should be required to engage the public in identifying and developing plans to address unmet health care needs in its service area, and Community Benefit spending should be required to align with priorities identified through the Community Health Needs Assessment (CHNA) process.
- Reporting: Community-identified needs, strategic initiatives developed to address those needs, annual progress on implementation, and opportunities for public participation should be posted on hospitals' public websites.
- Accountability: The Oregon Health Authority should set a minimum floor for Community Benefit spending that is appropriate for each hospital based on individual community needs and hospital profit margins and reserves.

4. Hold nonprofit hospitals accountable to their charitable mission through monitoring and enforcement, including:

- Requiring hospitals to report on facilities: Each hospital system must submit an annual report to the state with a list of facilities. For each facility, hospitals should be required to report the total value of community benefit expenditures, property tax exemption status, and other financial measures. Community benefit reporting must specifically break out charity care and activities that improve the social determinants of health in the community.

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1. "2017 Employer Health Benefits Survey," Kaiser Family Foundation.
2. Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2017," May 2018.
3. Data on patient hospital care spending from 2006-2014 from CMS "Health Care Expenditures per Capita by Service by State of Residence," compiled by the Kaiser Family Foundation. Data on hospitals' operating income from OHA's Hospital Financial Data 2006-2017. Excludes hospitals that did not report in 2006.
4. Shriners Hospital is removed due to its substantially different operating model.
5. This is already an aspect of the ACA. However, given ongoing interest in repealing the ACA we think there is justification for state-based action to be repetitive.
6. Interest on medical debt should be limited to the rate of interest equal to the weekly average 1-year constant maturity Treasury yield, but not less than 2% per annum nor more than 5% per annum, as published by the Board of Governors of the Federal Reserve System.