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## **OLR Bill Analysis**

### **SB 683**

#### ***AN ACT CONCERNING HOSPITAL BILLING AND COLLECTION EFFORTS BY HOSPITALS AND COLLECTION AGENCIES.***

#### **SUMMARY**

This bill extends certain hospital collection laws to cover entities that are owned by, or affiliated with, hospitals, and expands the scope of these laws. Among other things, it:

1. prohibits these related entities, and not just hospitals, from collecting from an uninsured patient more than the cost of providing the services;
2. prohibits hospitals or related entities from collecting from an underinsured patient more than the cost of providing the services plus interest, capped at a maximum of 5% annually;
3. prohibits referrals to collection agencies for underinsured patients, not just uninsured patients, who are eligible for the hospital bed fund;
4. limits or restricts when hospitals, related entities, and collection agents may refer patients to credit rating agencies, foreclose a lien on a patient's primary residence, or garnish a patient's wages; and
5. requires hospitals, related entities, and collection agents to discontinue collection activities if they become aware that a hospital debtor is awaiting a decision on a final adverse determination (i.e., a final review to determine whether a specific service is reimbursable by the patient's health insurance coverage).

The bill specifies that these provisions apply to all hospitals licensed

with the Department of Public Health. It also makes various minor, technical, and conforming changes.

EFFECTIVE DATE: October 1, 2021

## **§ 1 — COLLECTION LIMITS**

### ***Uninsured Patients***

Current law prohibits hospitals from collecting from an uninsured patient more than the cost of providing the services. The bill extends this prohibition to (1) all licensed hospitals, not just short-term general hospitals, and (2) entities owned by or affiliated with hospitals.

For these purposes, existing law generally defines an “uninsured patient” as someone with an income at or below 250% of the federal poverty level (FPL) who (1) applied but did not qualify for Medicaid and (2) is not eligible for coverage under Medicare or another governmental or private insurance plan.

### ***Underinsured Patients***

Beginning with health care services provided on or after October 1, 2021, the bill prohibits hospitals, or entities owned by or affiliated with them, from collecting from an underinsured patient more than the cost of providing the health care plus interest (see below).

The bill defines an underinsured patient as someone insured under a high deductible health plan with a maximum income of 600% FPL (\$131,760 for a family of 3 in 2021).

Under the bill, when the hospital or other entity is collecting from an underinsured patient, the maximum annual interest they may charge is the lesser of:

1. the weekly average one-year constant maturity yield of U.S. Treasury securities, as published by the Federal Reserve for the week before the patient first received a bill, if that average is at least 2%;
2. a rate set by the Office of Health Strategy executive director and

in effect when the patient first received a bill, if the Federal Reserve discontinued the rate described above; or

3. 5%.

Current law requires collection agents, when collecting on behalf of hospitals, to notify patients in writing as to whether the hospital deems them to be insured or uninsured. The bill makes a conforming change by requiring this notice to also indicate whether the hospital deems the patient underinsured.

**§ 2 — INITIATION OF DEBT COLLECTION AND OTHER ACTIVITIES**

Current law prohibits a hospital from referring a patient's unpaid bill to a collection agent or initiating an action against a patient or his or her estate, unless it determined that the individual is uninsured and not eligible for a bed fund. (Generally, a hospital bed fund refers to gifts of money, stock, or other property to a hospital to provide free patient care.) The bill extends these provisions to (1) entities owned by or affiliated with hospitals and (2) underinsured patients ineligible for a bed fund.

Additionally, the bill prohibits these collection referrals or actions involving such underinsured patients who have requested review of an adverse insurance determination and are still awaiting a final adverse determination.

The bill also prohibits hospitals, entities owned by or affiliated with them, and collection agents who receive their referrals from taking the following actions related to a health care debt for services provided on or after October 1, 2021:

1. reporting a patient to a credit rating agency until at least a year after the patient receives a bill;
2. bringing an action to foreclose a lien that was filed on the patient's primary residence (see BACKGROUND); or
3. if the patient is eligible for the hospital bed fund, attempting to

garnish his or her wages to collect payment.

Current law specifies that the restriction on hospital collection activities does not affect a hospital's ability to bring an action against a patient or an estate in certain circumstances. The bill extends these provisions to (1) entities owned by, or affiliated with, hospitals and (2) the provisions described above (e.g., the provisions on collection referrals involving underinsured patients). As a result, hospitals and other entities may bring an action against a patient or an estate:

1. to collect coinsurance, deductibles, or fees, provided they may be eligible for reimbursement through awards, settlements, or judgments; or
2. when payment or reimbursement has been made, or likely will be made, directly to the patient.

### **§ 3 — SUSPENSION OF DEBT COLLECTION**

Current law requires hospitals and collection agencies to discontinue collection efforts when they become aware that a hospital debtor received information that he or she is eligible for hospital bed funds, free or reduced-price hospital care, or any other program that would eliminate or reduce debt liability. They must refer the collection file to the hospital for an eligibility determination, and collection cannot resume until the determination is made.

The bill extends these provisions to entities owned by or affiliated with hospitals. It also requires hospitals, these entities, and collection agents to similarly discontinue collection efforts if they become aware that a patient is awaiting a final adverse insurance determination.

### **BACKGROUND**

#### ***Homestead Exemption***

Connecticut law exempts certain property from court judgment. The law generally permits a debtor to exclude his or her home from execution of a judgment up to the value of \$75,000, but there is a higher threshold of \$125,000 for debt arising out of hospital services. This homestead exemption is based upon the equity value of a primary

residence (CGS § 52-352b(t)).

**COMMITTEE ACTION**

Public Health Committee

Joint Favorable

Yea 22 Nay 11 (03/29/2021)