



Sustainable Expansion of State Charity Care Law

Background

Washington's hospitals are committed to providing necessary hospital care to all patients, regardless of ability to pay. The value of providing care to those that cannot afford to pay has been incorporated into the mission of our hospitals. Charity care is an important safety net for patients who have unaffordable hospital expenses after they have exhausted their other payment and coverage options, such as insurance. A bill proposes to amend the current charity care law to:

- Expand eligibility for charity care from patients that are at 200% of the federal poverty level (FPL) up to patients who are up to 400% FPL (\$106,000 annual income for a family of four).
- Remove the ability for hospitals to set their own sliding fee scales and instead establish specific percentage discounts for patients based on their FPL.
- Prevent hospitals from considering any patient assets when determining patient discounts.
- Expand the scope of charity care from care provided under the hospital's license to include all clinics affiliated with a hospital.

WSHA Position

WSHA supports increasing health care access and reducing financial burdens on low-income patients. However, this must be done in a way that is financially sustainable for hospitals and equitable across the health care system. Charity care is not a substitute for insurance. If hospitals are required to fund coverage of both inpatient and outpatient services for an expanded patient population, there may be a disincentive for patients to remain insured. Similarly, health insurers may have less incentive to provide more robust coverage or to lower deductibles.

Charity care is paid for by hospitals. There is no state funding or mechanism to pay for the cost of care provided. Hospitals in Washington State provide \$330 million in charity care annually – this is in addition to being underpaid \$2.2 billion by Medicare and Medicaid. Hospitals are unique. They serve all communities and offer different service lines depending on size and geographic location. A one-size-fits-all statewide Charity Care Policy, does not give recognition to the many differences among hospitals and patients in the state.

Key Messages

- Large health systems in Washington State currently provide expansive free or reduced-cost health care to patients to reduce the burden of medical bills. The charity care ranges of large health systems are similar to the proposal by the Office of the Attorney General. Large health systems are better equipped to provide these discounts than smaller systems or individual hospitals thanks to their economies of scale and ability to share resources.

- Rural hospitals have limited resources and serve a high number of Medicaid and Medicare patients. A statewide Charity Care Policy of up to 400% FPL would include 25-38% of a rural hospital's population.
- Smaller systems and rural hospitals are not able to provide expansive free or reduced care due to the inability to shift these new costs to commercial payers or absorb them within existing resources.
- While nonprofit hospitals and clinics operating under the hospital's license benefit from not paying property taxes as recognition of the public good provided to the community, this tax break does not apply to freestanding clinics owned by the hospital. A charity care proposal should be consistent with this longstanding policy and should not include affiliated clinics that do not receive a tax break.

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