

Study Snapshot:

Protecting Uninsured Patients from High Hospital Charges

July 2013

key findings

- Following passage of the Hospital Fair Pricing Act, most California hospitals adopted financial assistance policies to make care more affordable for the state's uninsured population.
- As of 2011, 81 percent of hospitals reported charging low-income uninsured patients prices that were at or below Medicare rates.
- While not required by the law, nearly all California hospitals reported offering free care to uninsured patients with incomes at or below 100 percent of poverty.

The Question:

How did California hospitals respond to the state's Hospital Fair Pricing Act?

Millions of uninsured Americans rely on hospital emergency departments for medical care. These patients receive hospital bills based on inflated "billed charges" that bear little relationship to the actual market prices paid by insured patients. In a HCFO-funded study,¹ Glenn Melnick, Ph.D., professor at University of Southern California, and colleagues assessed the responses of California hospitals to the state's Hospital Fair Pricing Act, legislation passed in 2006 that required hospitals to develop financial assistance policies to make care more affordable for the state's uninsured population. The full results of the study are available in *Health Affairs*.

The Implications:

The financial assistance policies adopted by California hospitals offer low-income uninsured patients substantial protection from high prices based on billed charges.

Most California hospitals have adopted financial assistance policies that comply with the requirements established by the Hospital Fair Pricing Act, including a provision that limits hospitals from collecting more from uninsured patients than they would from government-sponsored programs. As of 2011, 81 percent of hospitals reported charging prices that were at or below Medicare rates when an uninsured patient's income was 301-305 percent of the federal poverty level. While the Hospital Fair Pricing Act did not require hospitals to provide any free care, 97 percent of all California hospitals reported offering free care to uninsured patients with incomes at or below 100 percent of poverty. However, many hospitals continued to charge prices above Medicare rates for uninsured patients with higher incomes. Moreover, uninsured patients may also face significant bills for physician and ancillary services, which are generally based on billed charges. Melnick and colleagues note that California's approach offers a promising policy option for other states as they consider how best to assist the millions of people who will remain uninsured during and after the implementation of health care reform.

Contact Us

For more information on the results from this grant, please contact the principal investigator, Glenn Melnick, Ph.D., at gmelnick@usc.edu.

¹ The Robert Wood Johnson Foundation Changes in Health Care Financing and Organization (HCFO) Initiative supports timely and policy relevant health services research on health care policy, financing, and organizational issues.

If you would like to learn more about other HCFO-funded work, please contact: Bonnie J. Austin, HCFO Deputy Director | bonnie.austin@academyhealth.org



Robert Wood Johnson Foundation

Changes in Health Care Financing and Organization is a national program of the Robert Wood Johnson Foundation administered by AcademyHealth.