



Office of Statewide Health Planning and Development



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To: Hospital Chief Financial Officers and Fair Pricing Policy Submitters

Subject: AB 774 Reporting Requirement Changes

AB 774 (Chapter 755, Statutes of 2006; also called the Hospital Fair Pricing Policies Law) requires each hospital to submit a copy of its charity care policy, discount payment policy, eligibility procedures for these policies, review process, and its application forms for the charity care and/or discount payment programs at least biennially (every two years), or when a significant change is made to any of the required documentation. January 1, 2014 was the last due date as mandated under this statute for making these submissions or notifications; however, many new changes must be implemented with the recent passage of SB 1276 (Chapter 758, Statutes of 2014). As a result, all hospitals will need to submit their revised charity and discounted payment policies by **January 1, 2015**.

Important Information Regarding the Implementation of SB 1276:

SB 1276 will become effective on **January 1, 2015** and will require significant changes to all existing charity and discounted payment policies currently being offered within the State of California. The following list summarizes the major changes required by SB 1276:

- Changes the definition of a person with high medical costs to include all charges to patients covered by third party insurance, even if those charges include discounted rates as result of the third-party insurance coverage.
- Defines a “reasonable payment plan” that must be offered to all patients meeting the eligibility requirements in situations where an agreement cannot be reached regarding a payment plan during the negotiation process between the hospital and patient. This payment plan will require that monthly payments do not exceed 10% of a patient’s familial income for one month excluding deductions for “essential living expenses”. “Essential living expenses are defined as expenses for any of the following: rent or house payments (including maintenance expenses), food and household supplies, utilities and telephone, clothing, medical and dental payments, insurance, school or child care, child and spousal support, transportation and automobile expenses (including insurance, fuel, and repairs), installment payments,



laundry and cleaning expenses, and other extraordinary expenses. A hospital that uses an affiliate, subsidiary, or external collection agency to collect debt must have an agreement with that entity that requires them to comply with the requirements defined by the Hospital Fair Pricing Policies Law.

- Requires that hospitals, when determining if private or public health insurance coverage is available to partially or fully cover a patient's charges, to consider the California Health Benefit Exchange as well as the government sponsored health programs, such as Medicare, Medi-Cal, Healthy Families Program, California Children's Services, or other State or county funded health coverage.
- The hospital's required statement accompanying bills to patients who have not provided proof of third-party coverage must now include language informing the patient that they may be eligible for coverage offered through the California Health Benefit Exchange and other State or county funded health coverage, as well as Medicare, Medi-Cal, Healthy Families, and California Children's Services. This statement must also indicate how patients may obtain applications for coverage offered through the California Health Benefit Exchange and other State or county funded health coverage programs, and the hospital will provide these applications.
- If a patient applies or has a pending application for another health coverage program at the same time they apply for charity or discounted care at the hospital, then neither application shall preclude eligibility for the other program.
- Requires hospitals to provide patients with a referral to a local consumer assistance center housed at legal services offices.

Revised charity and discounted care policies must be made using SyFPHR, the OSHPD developed web application for on-line submission of fair pricing policies. Please remember that all licensed general acute care, acute psychiatric, and special hospitals must comply with the provisions of the Hospital Fair Pricing Policies Law as regulated by the Health and Safety Code Sections 127400 - 127446 as a condition of licensure, which is enforced by the Department of Public Health, Licensing and Certification Division.

Important Information Regarding the Implementation of AB 1503:

Governor Schwarzenegger signed AB 1503 (Chapter 445, Statutes of 2010) on September 29, 2010, and it became effective on January 1, 2011. AB 1503 amended the Hospital Fair Pricing Policies Law to require emergency room physicians who provide emergency medical services in a general acute care hospital to develop charity care and discounted payment policies to limit expected payment from eligible patients that are uninsured or have high medical costs who are at or below 350% of the federal poverty level. AB 1503 also requires hospitals to provide a statement within their charity care and discounted payment policies regarding the

availability of charity care and discounted payments from emergency room physicians. This statement also must include contact information for the emergency room physician who treated the patient. Hospitals should ensure their policies comply with the provisions of AB 1503.

SB 1276 also modifies AB 1503 in that emergency room physicians must also offer a negotiable extended payment plan, and if no agreement can be reached on the amount of the payment then a reasonable payment formula must be used, similar to the methodology used for the hospitals, when determining the amount of the monthly payment.

Important Information Regarding the Review of Submitted Documents:

Also beginning on **January 1, 2015**, OSHPD will begin implementing a comprehensive review program for the charity and discounted care policies, and the financial assistance applications to ensure these documents are meeting all of the reporting requirements of the Hospital Fair Pricing Policies Law. This review process may include some detailed questions regarding perceived reporting requirement discrepancies; and hospital management will be notified once the review is completed. This notification will either inform hospital management that no compliance issues were noted during the review, or it will list any discrepancies that were identified and provide instructions or suggestions for correcting those discrepancies.

If you have any questions, please call Michael Nelson at (916) 326-3836, or me at (916) 326-3832.

Sincerely,



Kyle Rowert
Unit Manager