



FAQ: Does the ACA Help Families with Hospital Bills?

The Affordable Care Act (ACA) includes new steps non-profit hospitals—a significant majority of U.S. hospitals that get yearly tax breaks—must take to tell patients about financial assistance options before using aggressive approaches to collect on an outstanding bill. Recently, the IRS released draft rules that will further regulate hospital behavior, with some real wins for patients and families. This FAQ answers some common questions about the draft rules.

Q: What does the ACA say hospitals must do to collect patient bills?

Non-profit hospitals have to have a written financial assistance policy that describes, among other things, the steps they may take to collect on a patient's bill. The policy has to describe who is eligible for financial help and give clear instructions on how patients can apply. While hospitals can still pursue some of the more aggressive approaches to patient collections, they now have to show that they've made a reasonable effort to reach out to the patient and inform him or her about available assistance before using any "extraordinary collection actions."

Q: That sounds vague. Are there more specific rules in place?

In June, the IRS released some draft rules that add more detail to what hospitals can and can't do, and what responsibilities patients have to follow through when applying for financial help.

Q: So what is an "extraordinary collection action" (ECA) according to the IRS? In the draft rules, the IRS defines "extraordinary collection actions" to include:

- Actions that require a legal or judicial process, such as property liens and foreclosures, attaching bank accounts and garnishing wages, suing a patient in a collections action, or arrests and body attachments
- Selling a patient's debt to a third party
- Reporting adverse information to credit reporting agencies

Q: Does the IRS say non-profit hospitals can never take these steps against a patient? No. But the draft rules do require non-profit hospitals to hold off on using ECAs for the first four months after a patient's first bill, called the "notification period" (see Chart: Collections Period). During the notification period, the hospital has to inform the patient that financial help could be available. Every patient must get a written, plain language summary of the hospital's financial assistance policy in any written or spoken communication between the hospital and the patient about the bill. If a patient hasn't submitted a completed application for financial assistance and is approaching the end of the notification period, the hospital has to give written notice that it may take more aggressive action to collect the debt. The idea is to put patients on notice about all of the options they have for paying for care so they don't get slammed with debt they could have avoided—a huge deal for uninsured and underinsured families.

Q: What happens if a patient submits a late application? Are they still going to be subject to things like property liens and foreclosures? What about patients who only find out about

financial assistance after they have paid part of the bill? The draft rules give patients some leeway. So long as a patient submits a completed application for financial assistance up to 8 months after receiving the first bill, the hospital must stop using ECAs until it's determined whether the patient is eligible for financial help. This is called the "application period." (See Chart.) If the patient is eligible, the draft rules say that the hospital must give the patient a detailed explanation of what they owe, refund any money owed the patient, *and* take steps to reverse any harm caused by using an ECA.

Q: I've heard that some hospitals use law firms and collection agencies to collect bills. Some even sell really old debts to third parties. Do these rules apply to them? Yes, under the draft rules. The IRS intends to hold non-profit hospitals accountable for actions taken by third-party contractors and debt purchasers.

Q: Okay, final question. Is this really that big of a deal?

It's a really big step to providing some financial protections to families. Medical debt has been tied to home foreclosure, bankruptcy, and poor credit ratings by researchers. In one CDC survey, 10 percent of Americans reported having a medical bill they couldn't pay, and 20 percent were struggling to pay a bill—including families with insurance. Families with kids and low-income, Latino and black families have been hit disproportionately hard. Other studies have shown that the uninsured, in particular, can afford only a fraction of what hospital care costs. The ACA and draft rules together provide some peace of mind and a clear, fair process for patients facing mounting hospital bills. And since the ACA won't cover everyone, these protections will continue to matter even after the law is fully implemented.

Of course, these draft rules haven't been finalized yet. And, it's important to remember that the draft rules just set a minimum standard. Hospitals can always add additional protections for their patients. In fact, many states may have stronger protections in place to guard against overly aggressive collections.

Chart: Collections Period

