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The Free Care Safety Net

For many people, the only health care available is free hospital care, commonly called free care or charity care. Since many people lack access to affordable, comprehensive health coverage, free care functions as a health care safety net in times of crisis.

Many local hospitals voluntarily provide free care to people who cannot afford to pay, and some hospitals discount services for patients who can pay a portion of their care. Still, the free care system is a confusing patchwork of individual hospital efforts and unspecific laws, with only a few states requiring hospitals to provide free care in a fair, clear, and consistent manner.

What is Free Care?

Free care is medical treatment provided by a hospital or other provider *without expectation of payment*. Using an institutional policy or guidelines set by state law or regulation, the provider has determined that the person is eligible to receive care for free or at reduced cost based on his or her income.

Why is Free Care Important?

Free care is often the *only* safety net for uninsured and underinsured individuals and families. When free care is not accessible, individuals and communities feel the consequences. Medical debt accumulates, causing families to choose between paying the mortgage, paying for groceries, and paying their medical bills. Numerous studies show that medical debt impacts even the insured and the middle-class and is a lead contributor to personal bankruptcy and home foreclosure. Diagnosis of serious illness or disease occurs at later stages when treatment is less likely to succeed. For example, death rates for uninsured women with breast cancer are significantly higher than for insured women. Even when individuals break through the barriers and get free care, there is evidence they receive poorer quality care. They are also more likely to die in the hospital.

Are Hospitals Obligated to Provide Free Care?

The expectation that private hospitals will provide free care arises from several important sources.

Tax-exempt status: All non-profit hospitals have community benefit obligations related to their federal tax-exempt status. Free care is an important part of those obligations. Some states have explicit community benefit requirements for non-profit hospitals.

Statutory or regulatory requirements: Most states address free care in a statute or regulation. Approaches to providing and financing free care varies widely, yet the requirements acknowledge government needs to address gaps in health care access.

“Earmarked” funds: Many hospitals receive reimbursements for free care they provide, including: public funds for hospitals serving large numbers of Medicaid, Medicare and low-income uninsured patients; Medicare funds for teaching hospitals to train new physicians; and private donations specifically for free care.

Ethical and corporate social responsibilities: There is a broad, less well-defined obligation for non-profit and for-profit hospitals to be socially responsible and address pressing community health needs by providing free care for qualified individuals. In some instances, hospitals have expressly assumed this responsibility by articulating a community-based mission to provide free care to all regardless of ability to pay.

What should a Good Free Care Policy Include?

- Comprehensive health services, including prescription drugs, laboratory services, doctor and specialist services, and X-rays
- Notice to the community free care is available, including appropriate notice during the admitting process, notices throughout the hospital, and outreach to eligible populations in the community
- Clear eligibility standards, including what the hospital can and cannot use in determining a patient’s eligibility for free or reduced-cost care
- If partial free care is appropriate, patients should be charged the lesser of: the actual cost of the service or the same rate hospitals charge their lowest payer
- A simple, language-appropriate application, including an explanation of the time frame and process for approval, the hospital’s and patient’s responsibilities, and all options available to the patient, including reduced cost care
- An application that clearly states what the patient can expect and guarantees the patient will not be billed until a free care determination has been made
- A respectful and quick approval process, including open communication between patient and institution



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Free Care is Hard to Find

Despite the fact that free care is an important foundation of our health care safety net, it can be difficult to obtain. Problems arise because hospitals often create their own free care policies with little or no oversight. Challenges uninsured and underinsured patients may face include:

- Those in need of services do not know that the hospital provides free care.
- The hospital does not post signs or provide literature explaining its free care policy. The information is written in a language the patient does not understand or explains the policy in a very complicated and intimidating way.
- The application is difficult to read, complicated to complete, or in a language the patient does not understand.
- The application process is disrespectful, long, and complicated, and patients receive bills in the meantime.
- Hospitals only provide certain services for free. For example, room and board are free, but laboratory and doctor services are not.
- Hospitals require people to include the value of their homes, cars, and other assets as “income,” making some poor people ineligible for free care.
- Free care patients get different treatment or receive different priority than insured patients.
- Eligibility criteria are not clear and hospitals are subjective in determining who gets free care.

The Illusion of Free Care

Many people believe there is true free care and a health care safety net because of the federal Emergency Medical Treatment and Active Labor Act (EMTALA). EMTALA was enacted to prevent hospitals from refusing to treat uninsured patients with medical emergencies by sending them to other institutions. The law requires any hospital participating in the Medicare program to provide a medical screening examination to anyone who requests emergency room treatment. If the examination confirms an emergency medical condition, the hospital must provide stabilizing treatment. Hospitals cannot delay the examination or treatment to find out whether the person has insurance or the ability to pay. However, EMTALA *does not* protect the uninsured from hospital bills or collection efforts after services have been provided.



Why Do We Need Free Care?

Medical Consequences

Fear of medical debt causes people to avoid seeking medical care. Community monitoring and research demonstrate people delay or avoid care if they expect to be charged. In addition, people who owe a provider fear being treated badly and will not seek care. Many providers require cash deposits or payment up front, others tell uninsured to seek care elsewhere – typically at a public hospital.

When free care isn't available, people rely on emergency rooms. Many people without insurance believe they can go to an emergency room and receive a minimum level of treatment without proof they can pay. Emergency rooms are good for treating urgent medical problems, but not providing coordinated care, follow up, or provider continuity. Also, it is the most expensive care, so people can accumulate substantial medical debt.

Financial Consequences

Uninsured are charged the highest prices for hospital care. The size of a hospital bill can start a downward spiral into medical debt. Hospitals list prices reflect charges without a discount and have been described as “marketing fictions designed to allow a hospital to offer substantial ‘discounts.’”

Virtually no one pays the high charges *except* people without insurance. Insurance companies negotiate discounts and the federal and state governments set Medicare and Medicaid rates. The only people who don't have anyone negotiating on their behalf are the uninsured.

There is a substantial difference between what the uninsured are charged and the negotiated rates. Recent reports by advocacy groups around the country provide a sense of the magnitude. In Cook County, Illinois, uninsured patients were charged \$12,240 per hospital stay on average, compared with \$4,930 for patients with health coverage. In the Los Angeles area, some uninsured individuals were charged almost *five* times what the hospitals accepted as payment in full from HMOs.

The lack of access to hospital free care results in serious, lasting damage to economic stability. Hospital billing, payment, and debt-collection practices frequently lead to ruined credit ratings, liens and foreclosures on property, seizure of bank accounts, and bankruptcy. They can compromise a family's ability to obtain basic necessities like food and shelter.



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Recommended Hospital Free Care Policies

There is a clear and growing need to improve access to hospital free care. The number of people without health insurance increases every day and more people have *inadequate* insurance. The current health care safety net is not equipped to handle the increasing demand, nor is the safety net a comprehensive, accessible system of care. Hospitals cannot – and should not – be the sole solution to the health care coverage problem, but hospitals should be required to have free care policies that meet minimum standards:

- Define free care as any medically necessary service, whether inpatient or outpatient, and any medically necessary prescription drug
- Full free care for the uninsured and underinsured up to an income level that reflects the cost of living in their area, but not less than 200% FPL
- Partial free care for the uninsured and underinsured whose income is between the limit for full free care and an upper limit that should not be less than 400% FPL
- Free care for those whose income *exceeds* the upper limit for partial free care but whose medical expenses have depleted their income and resources so they cannot pay for medically necessary services
- Partial free care and medical hardship assistance based on family income and *not* solely on a “discount” to the amount charged
- Assist uninsured and underinsured patients applying for public programs (e.g., Medicaid, SCHIP, Medicare)
- Widespread notice of the availability of free care inside the hospitals and to the broader community
- Simple, ‘applicant friendly’ free care application process
- Prohibit collection actions, including foreclosures, property liens, and wage garnishments
- Reasonable, interest-free payment plans for patients
- Prohibit selling off patient debts to third parties
- Prohibit pressuring patients to use credit cards for health care services