Fixing Hospital Financial Assistance Programs

The Dollar For Solution

Hospital financial assistance programs have failed. Patients are billed $14 billion[1] annually for hospital care that should have been written off as financial assistance. In fact, 71% of patients entitled to discounted or free care through these programs never receive it.[2]

Dollar For sees first-hand how these programs fail patients. Over the past five years, we have helped over 22,000 patients apply for financial assistance and have secured over $70 million in forgiveness. In that work, we have learned that hospital financial assistance programs have three main failures:

- **Patients do not know about financial assistance.**[3]
- **The application process is not easy.**[4]
- **The distribution of financial assistance is not fair or equitable.**[5]

What is "Financial Assistance"?

Hospital financial assistance programs, also called "charity care", discount or forgive hospital bills for patients who can't afford them. Nonprofit hospitals are required to have these programs along with other community benefits in exchange for their tax-exempt status. Eligibility is usually based on income, family size, and financial circumstances. These programs ensure that people can access medical care without the burden of overwhelming debt.

Enforcing existing financial assistance laws is not enough. The current laws place the burden on patients to learn about and apply for aid rather than on hospitals to ensure access. This systemic design flaw forces patients to navigate complex and often inaccessible processes, leading to devastating consequences: families face eviction,[6] households go hungry waiting for their next paycheck,[7] and individuals delay necessary care or skip medications—sometimes with fatal consequences.[8][9]

Many lose their life savings, assets, college funds, and financial stability, often ending up in bankruptcy over bills they should never have been charged.[10] This injustice must end. The current design of financial assistance programs is fundamentally flawed. We have to make hospitals responsible for financial assistance, not patients.

Dollar For has developed a new vision for financial assistance. We combined our practical understanding and data-informed knowledge of financial assistance to design a better program.

The current design of financial assistance programs is fundamentally flawed. We have to make hospitals responsible for financial assistance, not patients.

Dollar For then formed, facilitated, and consulted with a council of patients and advocates to ensure that the solutions we proposed address the needs, concerns, and realities of the patients these programs are designed to help. The result is the vision for financial assistance laid out in this document.

Instead of expecting patients to learn about and apply for financial assistance, hospitals must build a system that protects eligible patients from the harm of unaffordable hospital care. Hospitals should implement financial assistance interventions throughout the care and billing process, including at 1) the point of care, 2) the after-care billing process, and 3) the debt collection process. Dollar For has designed solutions to ensure financial assistance is considered at all three stages.

Stage 1 - Transparent Screening

First, we can eliminate the burden on patients to learn about financial assistance by implementing a proactive transparent screening.
Dollar For research has found that 52% of patients reported that the hospital never informed them of financial assistance.[11] Further, 65% of likely eligible patients who did not apply for financial assistance reported they did not know it existed.[12] This does not necessarily mean that hospitals are obfuscating financial assistance programs. In fact, the vast majority have financial assistance policies on their websites and have a statement about financial assistance on their invoices. However, it is clear evidence that patients are not receiving the message about financial assistance. It's proof that these notices do not work.

Instead of notifying patients about financial assistance in the hopes that they apply, we recommend that hospitals screen every patient eligibility.

Hospitals can implement transparent screening using various methods, such as assessing a patient's housing status (e.g., if they are unhoused), checking Medicaid eligibility, referencing available public data, utilizing financial technology tools to estimate income, or simply asking the patient about their income and household size.

Patients are not receiving the message about financial assistance.

Any transparent screening process should have the following characteristics:

- Screening should occur at discharge or before the patient leaves the point of care.
- Screening should collect sufficient information to determine any reason that a patient may be eligible. For example, the screening should consider income, housing status, enrollment in state or federal aid programs, and any other eligibility criteria mentioned in the hospital policy.
- **Patients should be given the screening criteria and allowed to confirm, deny, or provide additional context on the determination.**
- Patients who confirm the screening outcome should have financial assistance applied to any billed amounts consistent with that household income.
- Patients who reject the screening outcome or need to provide additional context should be given the opportunity to fill out a traditional financial assistance application at the hospital (even if it would need to be later supplemented with proof of income documents) or take a traditional application with them to submit later.

Done correctly, hospitals can ensure that every patient leaves their point of service knowing if they are eligible for financial assistance or, alternatively, exactly what they need to provide to complete their application.

Stage 2 - Improved Application Process

Next, Dollar For recommends that hospitals make the financial assistance process more manageable for patients who need to complete a full application.

Federal financial assistance policy gives hospitals broad authority in how they can require patients to apply for financial assistance.[13] As a result the application process and required documents are different from hospital to hospital. This makes it difficult to know exactly why financial assistance programs are failing because no two hospital programs are identical. The data does make clear, however, that many patients are struggling with the current application processes.

Our research shows that nearly a quarter of patients report the financial assistance application process as "somewhat" or "very" hard.

Our research shows that nearly a quarter of patients report the financial assistance application process as "somewhat" or "very" hard.[14] Most hospital financial assistance programs fail in a unique way. Some hospitals have major policy failings, such as requiring a burdensome number of documents, applying arbitrary application deadlines, and having different standards for insured patients. Further, many programs fail because patient calls are not returned, patients do not learn about the program, financial assistance is confused with payment plans or medical credit cards, the application process is stalled for months, hospital websites and phone systems lack language accessibility, or the application is never processed.

Hospitals can improve their financial assistance programs by focusing on three tenets:

Known: Patients Should Be Informed

Hospitals must clearly inform patients about financial assistance. Policies and applications should be easy to find on hospital websites and billing statements. Statements must use plain language, large fonts, and include a direct phone number and online link.

Easy: Applying Should Be Simple

Hospitals should remove unnecessary barriers to applying for financial assistance. Applications must be mobile-friendly, accept electronic signatures, and avoid excessive paperwork. Phone lines should connect directly to financial assistance staff, with timely responses. There should be no struggle or confusion within the application process.

Fair: Access Should Be Equitable

Hospitals should ensure financial assistance is accessible to all eligible patients, regardless of insurance status, residency, or ability to obtain traditional income documentation. They should evaluate a patient's current financial situation rather than relying on outdated earnings or asset assessments. Applications should be straightforward, requesting only necessary information in clear, honest language. No arbitrary deadlines should be set inside the 240-day deadline. Every qualifying patient should have a fair and equal opportunity to receive assistance.

Stage 3 - Debt Collection Safeguards

Finally, Dollar For recommends using debt collection protections to ensure every patient is treated fairly in the financial assistance process.

Defendants in consumer debt collection lawsuits are not knowledgeable about navigating the legal system, almost never have legal counsel, and overwhelmingly lose by default. One study found that 70% of medical debt collection lawsuits end in the debt collector winning by default because the patient does not respond to the suit.[15] Dollar For's research found that out of 27,133 consumer debt collection cases filed in Oregon small claims court in 2022, the defendant only responded in 697 cases, and only 19 were represented by a lawyer.[16]

No charity-care eligible person should ever find their medical bill the subject of a debt collection lawsuit. To address this, debt collectors should have an obligation to confirm that a patient was screened for financial assistance before they can engage in any debt collection activity.

More than half of financial assistance denials are not because the patient was financially ineligible but rather due to the age of the bill or technical paperwork issues in the application.[17] Worse, there are shocking racial disparities in how financial assistance is allotted.

For example, Black patients have a 62% lower probability of being approved for financial assistance than all other races.[18] These patients often end up referred to debt collectors and sued in state courts nationwide. These patients rarely have lawyers, are not equipped to defend themselves, and end up having their income garnished when the debt collector wins by default.[19]

A debt collector should have to confirm these questions before beginning the debt collection process:

- Was the patient screened for financial assistance through a transparent screening in stage 1 or a traditional application in stage 2?
- Is the patient not eligible for 100% financial assistance?
- Was all available financial assistance properly applied to the patient's bill?

If they can't answer yes to all of the above, hospitals should be required to complete a financial assistance screening. Further, debt collectors should be obligated to file documents with any hospital debt collection lawsuit proving that the patient was screened for financial assistance.

Medical debt has become a severe public health and economic crisis in the United States.

Conclusion

Medical debt has become a severe public health and economic crisis in the United States.[20] It does not generate meaningful revenue for hospitals but drives patients to forgo care, contributes to premature death,[21] and is the leading contributor to bankruptcy.

Hospital financial assistance is an effective, yet underutilized solution, for reducing medical debt. The laws, policies, staff, and systems needed to make a transformative impact are already in place—we simply must implement them more effectively. We understand why these programs are failing, and it's time to acknowledge the systemic shortcomings. By applying what we've learned, hospitals can eliminate the burden on patients to navigate financial assistance on their own, streamline the application process, and ensure the system is fair and equitable for all.

Endnotes

1 Rushbanks, E., Walker, J., Snodgrass, C., Rothschild, O., & Bhattacharya, A. (2024). Bridging the Chasm: Closing the $14 Billion Access Gap in Charity Care. Dollar For. Retrieved Dec 17, 2024, from https://dollarfor.org/wp-content/uploads/2024/04/Dollar_For.Bridging_the_Chasm.pdf

2 Goldstein, E., Rushbanks, E., Walker, J., Snodgrass, C., & Gregory, R. (2024). The Path to financial assistance: Exploring the Journey & Roadblocks to Financial Assistance for Medical Bills. Dollar For. Retrieved Dec 17, 2024, from https://dollarfor.org/wp-content/uploads/2024/04/Dollar_For_Path.pdf

3 (Goldstein, et al., 2024)

4 (Goldstein, et al., 2024)

5 (Goldstein, et al., 2024)

6 Himmelstein DU, Dickman SL, McCormick D, Bor DH, Gaffney A, Woolhandler S. Prevalence and Risk Factors for Medical Debt and Subsequent Changes in Social Determinants of Health in the US. JAMA Netw Open. 2022;5(9):e2231898. doi:10.1001/jamanetworkopen.2022.31898

7 (Himmelstein, et al., 2022)

8 Rakshit, S., Rae, M., Claxton, G., Amin, K., & Cox, C. (2024, February 12). The burden of medical debt in the United States. Peterson-KFF Health System Tracker. Retrieved December 17, 2024, from https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states/

9 Sainato, M. (2020, January 8). The Americans dying because they can't afford medical care. The Guardian. Retrieved December 17, 2024, from https://www.theguardian.com/us-news/2020/jan/07/americans-healthcare-medical-costs

10 Himmelstein, D. U., Lawless, R. M., Thorne, D., Foohey, P., & Woolhandler, S. (2019). Medical Bankruptcy: Still Common Despite the Affordable Care Act. American journal of public health, 109(3), 431–433. https://doi.org/10.2105/AJPH.2018.304901

11 (Goldstein, et al., 2024)

12 (Goldstein, et al., 2024)

13 26 CFR 501(r)-4(b)(3)

14 (Goldstein, et al., 2024)

15 Khwaja, N. (2023, July 19). How State Courts Can Help Address America's Medical Debt Problem. The Pew Charitable Trusts. Retrieved December 17, 2024, from https://www.pewtrusts.org/en/research-and-analysis/articles/2023/07/19/how-state-courts-can-help-address-americas-medical-debt-problem

16 Rushbanks, E., & Walker, J. (2023). Pointless Debt: How Oregon Hospitals Skirt Financial Assistance Laws to Charge Patients -- without Increasing Revenue. Dollar For. Retrieved Dec 17, 2024, from https://dollarfor.org/wp-content/uploads/2023/07/PointlessDebt-_OregonReport_DollarFor.pdf

17 (Goldstein, et al., 2024)

18 (Goldstein, et al., 2024)

19 (Rushbanks, et al. 2023)

20 Han, X., Hu, X., Zheng, Z., Shi, K. S., & Yabroff, K. R. (2024). Associations of Medical Debt With Health Status, Premature Death, and Mortality in the US. JAMA network open, 7(3), e2354766. https://doi.org/10.1001/jamanetworkopen.2023.54766

21 (Han, et al. 2024)