



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 4030	Introduced on March 4, 2021
Author:	McKnight	
Subject:	Medical Debt	
Requestor:	House Medical, Military, Public, and Municipal Affairs	
RFA Analyst(s):	Miller	
Impact Date:	December 13, 2021	Updated for Additional Agency Response

Fiscal Impact Summary

This bill prohibits any medical service provider from reporting or collecting medical debts unless the patient was presented with and agreed to the total cost prior to receiving services.

This bill will have no expenditure impact for The Department of Health and Human Services (DHHS), Department of Mental Health (DMH), nor the University of South Carolina (USC) because it does not materially alter the responsibilities of these agencies.

This bill will have a non-recurring Other Fund expenditure impact of \$39,000 and a recurring Other Fund expenditure impact of \$2,751,961, for a total Other Funds expenditure impact of \$2,790,961 in FY 2021-22 for Medical University of South Carolina (MUSC) to hire 50.0 FTEs and the initial office setup for these employees. This bill will have an Other Funds expenditure impact of \$2,751,961 for MUSC for the 50.0 new FTEs to manage additional forms presented to patients prior to receiving services.

Additionally, this bill will result in a loss of Other Funds revenue for USC, MUSC, and DMH from medical debt collection. DMH indicates a \$427,000 decrease in Other Funds revenue in FY 2021-22, while the revenue reduction to USC and MUSC is undetermined.

The fiscal impact of this bill is pending, contingent upon a response from the Department of Revenue (DOR).

This fiscal impact statement has been updated to include responses from DHHS, DMH, USC, and MUSC.

Explanation of Fiscal Impact

Updated for Additional Agency Response on December 10, 2021

Introduced on March 4, 2021

State Expenditure

This bill prohibits any medical service or care entity from collecting or reporting medical debt if the person liable for the debt did not agree to the cost prior to receiving the service. The total cost for services must include services provided directly by the medical service or care entity, as well

as any authorized service provided by an outside third party within the facility. The bill also prohibits a medical service or care entity from reporting a debt or pursuing collections for medical services provided due to complications from previous services. Failure to comply with the provisions of the bill is grounds for dismissal of any collection suit or garnishment proceeding against an applicable debtor.

Department of Revenue. DOR assists with the collection of medical debt for medical service or care entities. The expenditure impact is pending, contingent upon a response from DOR.

Department of Health and Human Services. DHHS works with certain medical services and care entities to bill patients and collect medical debt. DHHS indicates that this bill does not materially alter the responsibilities of the agency. Therefore, this bill will have no expenditure impact for the agency. *This fiscal impact statement has been updated to include a response from DHHS.*

Department of Mental Health. DMH provides a range of medical services to patients through community mental health centers, hospitals, and other medical care entities. DMH indicates that this bill does not materially alter the responsibilities of the agency. Therefore, this bill will have no expenditure impact for DMH. *This fiscal impact statement has been updated to include a response from DMH.*

University of South Carolina. USC provides medical services through various areas, and therefore is involved with billing patients and collecting medical debt. This bill does not materially alter the responsibilities of the agency. Therefore, this bill will have no expenditure impact for USC. *This fiscal impact statement has been updated to include a response from USC.*

Medical University of South Carolina. MUSC provides medical services through various areas, and therefore is involved with billing patients and collecting medical debt. MUSC indicates that this bill will change the normal course of business for patient financial services, and the requirement of accurate, clear estimates for cost of services provided to the patient in writing prior to the service will result in an increase in staffing and equipment needs. As a result of this bill, MUSC anticipates the need for 50.0 new FTEs under the title of Financial Services Representative. MUSC projects that these FTEs will cost \$34,331 in base salary, and \$20,708 in employer contributions per FTE, resulting in a recurring Other Fund expenditure impact of \$2,751,961, beginning in FY 2021-22. Additionally, MUSC anticipates a \$780 one-time equipment cost per FTE, resulting in a non-recurring Other Fund expenditure impact of \$39,000 in FY 2021-22. Therefore, this bill will result in a total Other Funds expenditure of \$2,790,961 for MUSC in FY 2021-22 and \$2,751,961 annually beginning in FY 2022-23. *This fiscal impact statement has been updated to include a response from MUSC.*

State Revenue

This bill prohibits any medical service provider from reporting and collecting medical debts unless the patient was presented with and agreed to the total cost prior to receiving services.

Department of Mental Health. DMH provides a range of medical services to patients through community mental health centers, hospitals, and other medical care entities. Because this bill changes the code that DMH must follow to collect on debt for involuntary services provided, DMH stands to lose all revenue associated with involuntary services. DMH indicates that community mental health centers represent the majority of medical services provided, and 26 percent of patient admissions in FY 2020-21 were involuntary or court ordered. This bill could have an impact on any revenue stream associated with debt collection, however, DMH interprets the impact to only be on involuntary collection methods employed by the agency. While there are several such methods, the most significant and predictable is through §12-56-301B, the Setoff Debt Collection Act, which totaled \$1,492,000 in FY 2020-21. Increasing this total by the average growth rate provided by DMH of 10 percent, and applying the 26 percent estimate of involuntary services, results in an estimated \$427,000 decrease in Other Fund revenue beginning in FY 2021-22.

University of South Carolina. USC provides medical services in various capacities, and therefore is involved in billing patients and collecting medical debt. University Health Services, the School of Medicine, and the School of Nursing could be impacted by this bill. USC reports that University Health Services collects, on average, \$1,324,000 per year in medical debt, \$19,000 of which is sent to third party collections. Currently, USC is not statutorily required to provide patients with an estimate before any medical services are performed, thus not receiving an agreement or disagreement by the patient to the estimated costs. Therefore, USC is not able to estimate the percentage of medical debt collection revenue that would be eliminated. However, RFA anticipates to the extent possible, USC will work to offset any potential loss in revenue through a change in contracting procedure and patient financial services. Thus, this bill will have an undetermined revenue reduction impact for USC.

Medical University of South Carolina. MUSC expressed concern about the loss of total revenue from debt collection as a result of this bill, which in FY 2020-21 was approximately \$28,000,000. However, this bill does not prohibit debt collection from patients who agreed to the cost of services before they are provided, so it is unlikely that debt collection revenue would be eliminated in entirety. Currently, MUSC is not statutorily required to provide patients with an estimate before any services are performed, thus not receiving an agreement or disagreement by the patient to the estimated costs. Therefore, MUSC is not able to estimate the percentage of medical debt collection revenue that would be eliminated due to lack of a prior agreement by the patient. However, RFA anticipates, to the extent possible, MUSC will work to offset any potential loss in revenue through a change in contracting procedure and patient financial services. Therefore, this bill will have an undetermined revenue reduction impact for MUSC.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on March 4, 2021

State Expenditure

This bill prohibits a medical service or care entity from reporting a health care expense debt to a credit bureau, or from pursuing collection activities and other adverse financial actions, unless the entity is able to demonstrate the person liable for the debt was presented with and agreed to the total cost of all health care services provided, prior to receiving the services. The total cost for services must include services provided directly by the medical service or care entity, as well as any authorized service provided by an outside third party within the facility. The bill also prohibits a medical service or care entity from reporting a debt or pursuing collections for medical services provided due to complications from previous services. Failure to comply with the provisions of the bill is grounds for dismissal of any collection suit or garnishment proceeding against an applicable debtor.

The fiscal impact of this bill is pending, contingent upon a response from the Department of Revenue, Department of Health and Human Services, Department of Mental Health, the University of South Carolina, and the Medical University of South Carolina.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director