

## Law dramatically reduced hospital prices for the uninsured, study says

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To comply with a statewide "fair pricing" law, hospitals throughout California have significantly lowered prices to uninsured patients, with nearly all even going beyond the state mandate and offering free care to those below the poverty line.

The surprising success of the legislation represents the beginnings of a [safety net](#) not in place for other states.

Some 6.8 million people in California lack health insurance, often relying on [hospital](#) emergency departments for healthcare. Based on hospital billing plans, those visits can rack up huge bills that the uninsured cannot pay – becoming just a "starting point" for negotiations between the hospital and the patient.

In 2006, California's legislature passed the Hospital Fair Pricing Act, which required hospitals throughout the state to develop pricing schemes for uninsured individuals at or below 350 percent of the [federal poverty level](#), with price caps limiting how much hospitals can collect. (The legislation also covered insured individuals whose annual [medical expenses](#) exceeded 10 percent of their family's income.)

Those pricing schemes developed by the hospitals were then posted on a state-run website, intended for easy access to the public.

That combination of transparency and specific price caps has led to a dramatic reform statewide, according to a new study by USC's Glenn

Melnick and Katya Fonkych that will be published in the June edition of the journal *Health Affairs* on June 3.

"The implications, I think, of this study are national in that California's law is groundbreaking because it specifically mandates income thresholds and prices," said Melnick, professor at the USC Sol Price School of Public Policy and the USC Schaeffer Center for [Health Policy](#) and Economics. While other states do have legislation about billing uninsured individuals, California's set boundaries on prices and income levels are a bold first, he said.

Melnick and Fonkych studied the pricing plans submitted by all of the state's general acute-care hospitals, representing roughly 90 percent of all hospitals throughout the state.

Most surprising to Melnick was that 97 percent of those facilities opted to offer free care to uninsured individuals who were at or below the federal [poverty line](#), which is far beyond what the state mandates.

"Once hospitals realize that the whole world's going to learn how they treat low-income people, they become pretty generous," he said. Melnick was careful to point out that the study only represents policies about pricing, not actual costs incurred by uninsured individuals, which he plans to investigate next. [Uninsured patients](#) can face bills not just from hospitals, but also from doctors and specialists based on their individual treatments. Even with the new policies, getting an MRI or an X-ray could still leave a patient with hundreds or thousands of dollars in bills.

Nationally, more than 50 million people are without health insurance. The passage of the Affordable Care Act seeks to expand [health insurance](#) access and coverage in the United States, but it will take a while to enroll everyone who is eligible, and many will remain without coverage, Melnick said.

"Even if it's wildly successful, it won't be to everyone and it won't be right away," he said.

**More information:** [content.healthaffairs.org/cont ...  
t/32/6/1101.abstract](https://www.healthaffairs.org/content/32/6/1101.abstract)

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