FACT SHEET

FAIR HEALTHCARE PRICING ACT OF 2014

The Fair Healthcare Pricing Act stops private hospitals from overcharging patients and will reduce the cost of healthcare in California by billions of dollars each year.

Hospital care accounts for approximately one out of every three dollars spent on healthcare in America, and California's hospitals currently charge many times the cost of actually providing that care. Prices for care often vary widely between hospitals and often do not reflect quality or outcomes.

Insurance companies typically negotiate lower rates for hospital care provided to their members, but even insured patients often face thousands of dollars in deductibles or coinsurance. Patients without insurance are even more vulnerable to overcharging, and medical debt is the most common single cause of bankruptcy in America.[1] In 2012, more than one in five American families had trouble affording their medical bills.[2]

In 2012, California's private hospitals reported spending almost $55 billion to provide care, but charged more than $233 billion. This is an average markup of more than 320% above the cost of providing care.[3]

KEEPING HEALTHCARE COSTS IN LINE

The **Fair Healthcare Pricing Act of 2014** prevents hospitals from charging patients outrageous markups by capping their gross charges at no more than 25% above a good faith estimate of the actual cost of providing care. Each patient's bill must include a statement certifying that it does not exceed the amount the hospital is legally allowed to charge. Hospitals will have to certify each year that they did not exceed their allowed cap on billed charges.

The Act gives credit for losses due to Medi-Cal, County indigent, and uninsured patients to account for care they provide that is not fully reimbursed, including charity care to patients who are unable to pay and care for Medi-Cal patients. In recognition that some hospitals provide a disproportionate amount of care for uninsured and Medi-Cal patients, the Act increases the amount hospitals can charge for each dollar that the hospital loses treating uninsured patients or those insured by Medi-Cal or county indigent programs.

HOW WILL THE ACT REDUCE HEALTHCARE COSTS?

- The Act will save consumers, employers, and governments billions of dollars annually by lowering the cost of hospitalization. If the Act had been in place in 2012, lower hospital prices would have reduced healthcare spending by more than $3.4 billion.
- Insurance companies and patients covered by private insurance would have saved more than $3 billion in 2012.[4]
- The Legislative Analyst's Office estimated that the Act could reduce spending by CalPERS and other state/local government purchasers of healthcare by "mid- to high-hundreds of millions of dollars annually."[5]
- At the end of their fiscal year, hospitals must calculate whether they stayed within the required cap on billed charges, and if they charged more than their allowed cap, they must refund the difference to payers including CalPERS, patients, and insurance companies. The bulk of refunds to insurance would then be passed along in the form of refunds or lower premiums.

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[1] http://www.cnbc.com/id/100840148.
[2] http://www.cdc.gov/nchs/data/nhis/earlyrelease/problems_paying_medical_bills_january_2011-june_2012.pdf
[3] Figures exclude Kaiser hospitals due to data limitations.
[4] The medical loss ratio provisions in the ACA require 80% or 85% of insurance premiums to be spent on patient care, depending on the type of plan. If hospital expenditures fall, premiums must also fall.
[5] https://oag.ca.gov/system/files/initiatives/pdfs/fiscal-impact-estimate-report%2813-0041%29.pdf