

## Measure Background

Patients are increasingly being asked to pay a greater share of their own medical costs, which can strain a household's budget. A 2019 report from the US Consumer Financial Protection Bureau, that analyzed a national representative sample of 5 million consumers, found that more than 25% of individuals had delinquent debt on their credit reports, with medical bills accounting for 58% of all debt.<sup>1</sup> A 2018 survey of patients with stage IV breast cancer found 50% of respondents had been contacted by a debt collector regarding a medical bill, suggesting their medical bills were significantly overdue.<sup>2</sup>

High medical prices and billing practices may reduce public trust in the medical profession and can result in the avoidance of care. In a survey of 1000 patients, 64% reported that they delayed or neglected seeking medical care in the past year because of concern about high medical bills.<sup>3</sup>

## Billing Quality is Medical Quality

Billing ethics as a measurable quality of care construct was articulated in a 2020 JAMA article by Drs. Simon Mathews and Marty Makary, who argued that "billing quality is medical quality." The authors proposed metrics of hospital quality of care including price transparency, itemized billing, and whether hospitals sue their patients for unpaid medical bills.<sup>4</sup> These metrics are intended to assess the potential for financial harm to patients, and as a second-order consequence, access to care.

## An Evolving Landscape

In response to unethical billing practices by hospitals, federal and state policymakers and media attention are working to drive a rapid evolution this landscape.

At the federal level, effective January 1, 2021, the Centers for Medicare and Medicaid Services implemented its [Hospital Price Transparency](#) rule, requiring hospitals to provide clear, accessible pricing information online about the items and services they provide. On January 1, 2022, the [No Surprises Act](#) took effect, which among other provisions specifies that health plans must cover bills for emergency services at in-network rates and out-of-network provider bills for

services at in-network facilities. It also prohibits balance billing without prior written notice to patients, and their consent. At a state level, Maryland passed the *Medical Debt Protection Act* limiting payment plans to no more than 5% of a patient's income, and prohibiting suits against patients who would qualify for charity care, among other new consumer protections.

Media attention to the issue has also spurred changes in hospital billing practices. In 2021, Axios began publishing a data [dashboard](#) of hospitals, analyzing their number of lawsuits and other measures of billing quality. In addition, a study [examining Virginia hospital billing practices](#) found that "filed 59% fewer lawsuits in the year after a research article and subsequent media coverage exposed the practice compared with the year before publication. Overall, 11 hospitals banned the practice altogether." In 2022, Kaiser Health News [investigated over 500 hospitals](#), finding that most take legal action against patients, and are rarely transparent about their billing and collection policies.

## The Leapfrog Billing Ethics Standard

Hospitals achieving Leapfrog's Billing Ethics standard, do all the following:

1. Provides every patient a billing statement within 30 days after all insurance payments have been completed (or from date of service for patients without insurance) that includes all ten of these elements:
  - Name and address of the facility where billed services occurred
  - Date(s) of service
  - An individual line item for each service or bundle of services performed
  - Description of services billed, including facility fees, that accompanies each line item or bundle of services
  - Amount of any principal, interest, or fees (e.g., late or processing fees)
  - Amount of any adjustment to the bill (e.g., health plan payment or discounts)
  - Amount of any payments already received (from the patient or any other party)
  - Instructions on how to apply for financial assistance

- Instructions in the patient’s preferred language on how to obtain a written translation or oral interpretation of the bill
  - Notification that physician services will be billed separately, if applicable
2. Provides instructions to patients on how to contact a billing representative with:
    - Access to an interpretation service to communicate in the patient’s preferred language, **and**
    - Authority to do all of the following within 10 business days of being contacted by the patient or patient representative:
      - i. Initiate an investigation into errors on a bill
      - ii. Review, negotiate, and offer a price adjustment or debt forgiveness based on hospital policy
      - iii. Establish a payment plan
  3. Does **NOT** take legal action against patients for late or insufficient payment.

non-medical collections. CFPB website.

[https://files.consumerfinance.gov/f/201412\\_cfpb\\_reports\\_consumer-credit-medical-and-non-medical-collections.pdf](https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf).

2. Wheeler SB, Spencer J, Manning ML, et al. Cancer-related financial burden among patients with metastatic breast cancer. *J Clin Oncol*. 2018;36(30):32.
3. Heath S. 64% of patients avoid care due to high patient healthcare costs. Patient Engagement HIT website. <https://patientengagementhit.com/news/64-of-patients-avoid-care-due-to-of-high-patient-healthcare-costs>. Published February 2018. Accessed November 1, 2019.
4. Mathews SC, Makary MA. Billing quality is medical quality. *JAMA*. 2020;323(5):409-410.

For a comprehensive list of references please review the Billing Ethics Bibliography, available at <https://ratings.leapfroggroup.org/measure/hospital/2023/billing-ethics>.

Download the complete Leapfrog Hospital Survey scoring algorithms document at [Hospital Scoring and Results webpage](#).

## Why Purchasers Need to Get Involved

Using their leverage as purchasers, employers can recognize and reward hospitals that have implemented The Leapfrog Group’s standards on ethical billing practices. Purchasers and payors can promote dialogue about billing ethics by educating patients and calling attention to the importance of choosing hospitals that offer complete billing statements, access to billing representatives who can promptly address their concerns, and hospitals who decline to sue patients for non-payment. Importantly, purchasers can continue to apply pressure on hospitals to be transparent about their billing practices, including their compliance with new and evolving federal and state regulations.

## References

1. US Consumer Financial Protection Bureau (CFPB). Consumer credit reports: a study of medical and