

Assembly Bill (AB) 1020: Health Care Debt and Fair Billing — What Hospitals Need to Know

To help hospitals comply with AB 1020, which takes effect on January 1, 2022, CHA has compiled the following details. On December 23, the California Department of Public Health (CDPH) released [All Facilities Letter 21-54](#), which announces the chaptering of [AB 1020 \(Statutes of 2021, Chapter 473\)](#).

Existing law establishes hospital fair pricing policies and requires general acute care hospitals, acute psychiatric hospitals, and special hospitals to increase public awareness of the availability of charity care, payment discounts, and government-sponsored health insurance, and to standardize their billing and collections procedures. Existing law also sets charity care policy wherein all uninsured patients and patients with high medical costs who are at or below 350% of the federal poverty level (FPL) are eligible to apply for participation under a hospital's charity care policy or discount policy.

The Department of Health Care Access and Information (HCAI), formerly the Office of Statewide Health Planning and Development, collects copies of hospital charity care policies, discount payment policies, eligibility procedures for those policies, review processes, and application forms — and makes this information available to the public. CDPH enforces compliance as a condition of facility licensure.

AB 1020 makes the following changes to hospital fair pricing statutes:

- **It changes the eligibility threshold for charity care/discounted care from 350% of FPL to 400% of FPL.** The statute now requires that uninsured patients or patients with high medical costs who are at or below 400% of the FPL be eligible for charity care or discount payments from a hospital. It also authorizes a hospital to grant eligibility for charity care or discount payments to patients with incomes over 400% of the FPL.
- **It redefines high medical costs.** It adds annual out-of-pocket costs at the hospital that exceed the lesser of 10% of the patient's current family income or family income in the prior 12 months to the definition of high medical costs.
- **It adds new notice requirements.** It requires hospitals to prominently display a notice of their policy for financially qualified and self-pay patients on their website with a link to the policy itself. The hospital must also send a patient a notice with specified information, including an application for the hospital's charity care and financial assistance, before assigning a bill to collections.
- **It limits selling debt to debt buyers.** Hospitals will be prohibited from selling patient debt to a debt buyer, unless specified conditions are met, including that the hospital has found the patient ineligible for financial assistance or the patient has not responded to attempts to bill or offer financial assistance for 180 days. The bill also requires debt collectors to comply with new requirements.
- **It prohibits credit reporting or civil actions for 180 days.** AB 1020 prohibits a hospital or assignee from reporting adverse information to a credit reporting agency or commencing civil action for nonpayment before 180 days after initial billing (the previous timeframe was 150 days).

- **It requires hospitals to submit their debt collection policy to HCAI.** HCAI will inform hospitals as to whether it should be submitted electronically or another way.

Beginning January 1, 2024, the responsibility to enforce this law will be transferred from CDPH to HCAI. The law requires HCAI to review all policies that hospitals submit to it for compliance and make them available on the department's website. Importantly, a hospital may not deny financial assistance to a patient that would be available pursuant to the policy published on the HCAI website at the time of service. Therefore, hospitals should check the HCAI website each time they submit an updated policy to be sure HCAI posted it. Until the transfer, CDPH will continue to be the regulatory authority for any violations of these statutes and regulations. In addition, beginning January 1, 2024, HCAI will have the authority to impose an administrative penalty against a hospital that improperly bills a patient or otherwise violates the California fair pricing policies laws.