

Department of Planning and Budget 2020 Fiscal Impact Statement

1. **Bill Number:** HB1226

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Tran

3. **Committee:** General Laws

4. **Title:** Collection of debts by hospitals affiliated with public institutions of higher education.

5. **Summary:** Prohibits the Virginia Commonwealth University Health System Authority (VCUHS) and the University of Virginia Medical Center (UVAMC) from participating in debt collection efforts pursuant to the Virginia Debt Collection Act or the Setoff Debt Collection Act unless all reasonable efforts have been made to determine if the individual with delinquent debt is eligible for financial assistance. The proposed legislation requires both hospitals to develop debt collection policies that adhere, at a minimum, to Internal Revenue Service policies regarding financial assistance by tax-exempt hospitals as they were in effect on January 1, 2020.

6. **Budget Amendment Necessary:** No.

7. **Fiscal Impact Estimates:** Preliminary. See Line 8.

8. **Fiscal Implications:** As state entities, the University of Virginia Medical Center and Virginia Commonwealth University are not required to meet IRS 501(r). According to the medical centers both try to comply with the intent of the regulations, which were added to the Internal Revenue Code as part of the Patient Protection and Affordable Care Act for tax-exempt entities.

Both entities indicate there will be costs to implement some of the technical and administrative provisions of IRS 501(r) to comply with the legislation. The following table summarizes the estimated ongoing annual costs for both medical centers. These costs could increase in the out years as the need to write-off patient balances grows.

Summary of Estimated Costs		(Cost in millions)	
State Entity		FY 2021	FY 2022
University of Virginia Medical Center		\$3.5	\$3.4
Virginia Commonwealth University Health System		\$2.8	\$2.5

9. Specific Agency or Political Subdivisions Affected:

Virginia Commonwealth University Health System
University of Virginia Medical Center

10. Technical Amendment Necessary: No.

11. Other Comments: None.