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### **Testimony in Support of Senate Bill 1006**

Hospitals – Medical Debt Collection – Sale of Patient Debt

*Before the Finance Committee, March 8, 2024*

We support Senate Bill 1006. Currently, Maryland law prohibits hospitals from selling medical debt. The proposed legislation will create a narrow exception to the current law, allowing the sale for the sole purpose of extinguishing the debt. The bill would allow governmental entities and charitable organizations to buy debt from hospitals and wipe the debt out without cost to the patient. This will improve the health of Marylanders by addressing medical debt as a social determinant of health. At the same time, this bill's objective would remain consistent with the current law's consumer protection intent.

#### **I. Medical Debt's Impact on Health**

Economic stability is an important social determinant of health. Social determinants of health are nonmedical factors that contribute to health outcomes. Those who are financially secure will have greater access to medical and non-medical resources that promote general well-being, such as adequate housing and food, educational opportunities, proper energy utilities, and health services. The burden of medical debt fundamentally disrupts the ability of individuals and families to meet their economic needs and can lead to worse health outcomes and a reduction in quality of life. Further, medical debt can create a cyclical struggle for communities as people struggle to escape debt. Economic instability brought on by medical debt threatens the present and future public health of whole communities.

Around 4 in 10 adults in the United States have medical debt issues according to the Kaiser Family Foundation (KFF). Polling on households experiencing medical debt illustrates that a majority (63%) of households have had to cut spending on essentials such as food, clothing, and other household items because of the debt. Among the KFF poll participants, a sizable portion (28%) indicated that medical debt has contributed to a delay in education or home ownership for themselves or their immediate family.<sup>1</sup>

The issue of medical debt further exacerbates existing financial problems, as around half (48%) of households reported that they used up all or most of their savings to cover their medical debt, 40% worked more hours or took an extra job to cover the cost of the medical debt, and 41% increased their credit card debt for non-medical purchases. Additionally, households with medical debt may find issues with their credit score being negatively affected. A lower credit score makes it more difficult to get loans for major purchases such as a house or a car. In addition to loans for homes and cars, many households rely on credit to pay their bills and to pay

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<sup>1</sup> Luna Lopes et al; Health Care Debt In The U.S.: The Broad Consequences Of Medical And Dental Bills, KFF (Jun 16, 2022), <https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/>.

for basic necessities. When people cannot access credit or receive worse rates, then the rising costs of debt grows exponentially more burdensome.

The burden of medical debt is especially pronounced among those who already face health issues and financial insecurity. Many individuals choose to either delay or skip needed treatment, forgo taking prescription drugs, and remain locked out of access to health care services due to financial barriers associated with high medical costs and debt. These choices can lead to worse overall health outcomes that can lead to higher medical costs for individuals and households down the road, adding to existing financial problems.

Looking specifically at Maryland, medical debt disproportionately affects low-income and minority communities. For those in Maryland already struggling to afford their bills, medical debt can exacerbate their economic struggles. Medical debt can subsequently lead to housing and food insecurity for low-income people in our state. In addition, medical debt affects minority households more. In Maryland, communities of color are more likely to possess medical debt than white communities. As such, medical debt can widen racial inequalities.<sup>2</sup>

## **II. Extinguishing Medical Debt Aligns with Consumer Protection Intent of Current Law**

Medical debt is often unpredictable, and it disproportionately affects low-income individuals, communities of color, single mothers, and individuals with chronic illnesses. States that have addressed medical debt with more protective laws have often done so because medical debt arises from events and illnesses that are out of an individual's control.

When hospitals can sell medical debt for pennies on the dollar to debt collectors, it harms those with medical debt. Before current Maryland law, hospitals were able to sell debt to debt collectors who could engage in collection actions that hospitals were unwilling or unable to take. Now, Maryland is one of only three states that prohibits hospitals from selling medical debt, making this legislature a leader in protecting those with medical debt.<sup>3</sup> [OBJ]

The intent of Maryland's original law, passed in 2009, was to protect Marylanders with medical debt.<sup>4</sup> Senate Bill 1006 has the same protective intent. While Senate Bill 1006 permits a narrow exception to the current law that prohibits hospitals from selling medical debt, this exception is limited to the sale of medical debt for the sole purpose of extinguishing the debt at no cost to the patient. The prohibition on hospitals selling medical debt to debt collectors will still exist. Instead, Senate Bill 1006 will go further than the current law by providing an avenue for governmental entities and charitable organizations to buy medical debt from hospitals to then free Maryland patients of that debt.

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<sup>2</sup> Danielle Brown, *Medical Debt Can Lead to a Compounding Troubles for Low-Income Marylanders, Particularly for Black Families*, MARYLAND MATTERS (July 25, 2023), <https://www.marylandmatters.org/2023/07/25/medical-debt-can-lead-to-a-compounding-troubles-for-low-income-marylanders-particularly-for-black-families/#:~:text=Economic%20Action%20Maryland%20conducted%20a,debt%20they%20could%20not%20pay.>

<sup>3</sup> Md. Code, Health § 19-214.2(b)(2).

<sup>4</sup> Maryland General Assembly, HB 1069 (2009), at <https://mgaleg.maryland.gov/mgaweb/Website/Search/Legislation?target=/2009rs/billfile/hb1069.htm>.

Other states and municipalities have taken steps to use funds from the American Rescue Plan Act (ARPA) to reduce or alleviate medical debt—as of February 2023 states and municipalities have used \$16 million in ARPA funds to wipe out nearly \$1.5 billion in medical debt.<sup>5</sup> Further, charitable entities, like RIP Medical Debt, are using donations to extinguish medical debt across the country.<sup>6</sup> Current law prevents the use of ARPA or philanthropic funds to discharge patient debt directly. The General Assembly could not have anticipated this new environment when the protective provision was passed in 2009, but you can react to it with a minor change to enhance the original intent.

Senate Bill 1006’s goal aligns with the original protections created by the legislature in 2009, as the bill is intended to help those with medical debt. Not only will this bill allow for the opportunity to alleviate these individuals of their debt, but it will also improve their health outcomes. With less strain from medical debt, individuals will be more likely to seek necessary medical care and be able to prioritize social determinants of health like food and housing, both of which will improve their health.

### **III. Conclusion**

If enacted, SB 1006 provides the government and charitable entities the opportunity to buy medical debt from hospitals to alleviate patients from the pressures of their medical debt. Lessening the impact of medical debt will provide for better health outcomes because it will reduce stress and difficult budgeting decisions. For these reasons we request a favorable report on SB 1006.

*This testimony is submitted on behalf of the Public Health Law Clinic at the University of Maryland Carey School of Law and not by the School of Law, the University of Maryland, Baltimore, or the University of Maryland System.*

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<sup>5</sup> The White House, *FACT SHEET: New Data Show 8.2 Million Fewer Americans Struggling with Medical Debt Under the Biden-Harris Administration*, WHITE HOUSE STATEMENTS AND RELEASES (February 14, 2023), <https://www.whitehouse.gov/briefing-room/statements-releases/2023/02/14/fact-sheet-new-data-show-8-2-million-fewer-americans-struggling-with-medical-debt-under-the-biden-harris-administration/#:~:text=Communities%20across%20the%20country%20%E2%80%93%20from%20Cook%20County%2C,in%20medical%20debt%2C%20a%20ratio%20of%20nearly%20100-to-1.>

<sup>6</sup> RIP Medical Debt, *Mission*, RIP MEDICAL DEBT (Accessed February 28, 2024), <https://ripmedicaldebt.org/about/#mission.>