

Written Testimony SB 1006 Public Health Law Clinic

Uploaded by: Alex Sadzewicz

Position: FAV

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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.¹

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

¹ 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.²

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.³ [OBJ]

The intent of Maryland's original law, passed in 2009, was to protect Marylanders with medical debt.⁴ 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.

² 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.>

³ Md. Code, Health § 19-214.2(b)(2).

⁴ 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.⁵ Further, charitable entities, like RIP Medical Debt, are using donations to extinguish medical debt across the country.⁶ 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.

⁵ 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.>

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

Sb1006 Testimony (2).pdf

Uploaded by: Antonio Hayes

Position: FAV

ANTONIO HAYES
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—
Finance Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Friday, March 8, 2024

Testimony in Support of Senate Bill 1006 Hospitals - Medical Debt Collection - Sale of Patient Debt

Dear Chairwoman Beidle and esteemed members of the Senate Finance Committee,

I am writing to strongly endorse Senate Bill 1006, which will allow for local governments and other select entities to purchase certain medical debt for the express purpose of canceling that debt. This emergency bill authorizes a hospital to sell debt owed by a patient for hospital services to a governmental unit or entity that is under contract with the unit for the sole purpose of canceling the debt.

The contract between the hospital and the governmental unit or contractor purchasing the debt must (1) state that the sole purpose of the sale of the debt is to cancel the debt and (2) include a written agreement from the patient allowing the debt to be sold.

The patient is not responsible to the hospital, the governmental unit, or the contractor for any amount of the debt that is sold, or any interest, fees, or costs associated with the debt or the sale. The Health Services Cost Review Commission (HSCRC) must treat the amount of payments to hospitals for debt as an offset to uncompensated care amounts reported by hospitals. The bill terminates on December 31, 2026.

I appreciate your attention to this important matter and urge you to support the passage of Senate Bill 1006.

Respectfully,

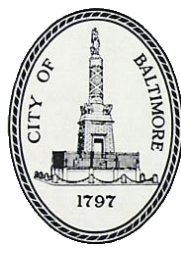
A handwritten signature in blue ink, appearing to read "Antonio L. Hayes".

Senator Antonio L. Hayes
40th Legislative District – MD

SB1006-FIN-FAV.pdf

Uploaded by: Nina Themelis

Position: FAV



BRANDON M. SCOTT
MAYOR

Office of Government Relations
88 State Circle
Annapolis, Maryland 21401

SB1006

March 8, 2024

TO: Members of the Senate Finance Committee
FROM: Nina Themelis, Director of Mayor's Office of Government Relations
RE: Senate Bill 1006 – Hospitals – Medical Debt Collection – Sale of Patient Debt
POSITION: FAVORABLE

Chair Beidle, Vice Chair Klausmeier, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (SB) 1006.

SB 1006 will allow local governments and certain non-profit entities to purchase qualifying medical debt from hospitals. It is critical that we pass this bill now so that Maryland municipalities can use American Rescue Plan Act (ARPA) funds to provide relief for Marylanders burdened by medical debt. This is an urgent issue this session: ARPA dollars must be obligated by December 31, 2024, and spent by December 31, 2026. Although Maryland has taken some important steps to protect people from being overburdened by medical debt (such as requiring free or reduced cost care for qualifying individuals), we must do more. Importantly, this bill will help tackle this issue in a way that is mutually beneficial to both patients and hospitals.

About 340,000 Maryland adults have medical debt in any given year. Although this is clearly a widespread issue, some groups are more likely to experience high amounts of medical debt than others. For example, people with serious health care needs, such as cancer, are more likely to have high medical debt.ⁱ Also, Black Americans are more likely than other races to have high medical debt. According to data from the Urban Institute, about 13% of communities of color in Maryland have medical debt, compared to 9% of white communities.ⁱⁱ In Baltimore City, 20% of residents living in communities of color have medical debt in collections compared to 8% of white communities.ⁱⁱⁱ The median medical debt in collection for communities of color in Baltimore is \$495 compared to \$347 in white communities.ⁱⁱ

Medical debt can cause serious financial hardship, potentially leading people to forgo purchasing food and other essential items.ⁱ It can also cause people to delay or skip needed health care, which can lead to serious negative health outcomes.ⁱ With almost two thirds of people with medical debt delaying care they need, this has serious and broad reaching implications for health outcomes and health equity.ⁱⁱⁱ Passing this bill would allow Maryland municipalities to join others (such as Saint Paul, MN, Chicago, IL, and Cleveland, OH) who have taken this innovative approach to addressing this economic justice and health equity issue.^{iv,v,vi}

For these reasons, the BCA respectfully request a **favorable** report on SB 1006.

ⁱ Rakshit, S., Rae, M., Claxton, G., Amin, K., & Cox, C. (2024). The burden of medical debt in the United States. KFF. Retrieved from <https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states/>

ⁱⁱ The Urban Institute. (2023). Debt in America: An Interactive Map. Retrieved from <https://apps.urban.org/features/debt-interactive-map/?type=medical&variable=medcoll&state=24&county=24510>

ⁱⁱⁱ Rakshit, S., Amin, K., & Cox, F. (2024). How does cost affect access to health care? KFF. Retrieved from <https://www.healthsystemtracker.org/chart-collection/cost-affect-access-care/>

^{iv} Swanson, S. (2023). St. Paul to use \$1 million in federal funds to help residents with medical debt. CBS News. Retrieved from <https://www.cbsnews.com/minnesota/news/st-paul-medical-debt-aid/>

^v Cleveland City Council. (2023). Old Medical Debt for Nearly 16,000 Cleveland Residents Cancelled. Retrieved from <https://www.clevelandcitycouncil.org/resources/news-media/old-medical-debt-nearly-16000-cleveland-residents-cancelled>

^{vi} Cook County, IL. (2023). Medical Debt Relief Initiative. Cook County American Rescue Plan. Retrieved from <https://arpa.cookcountyil.gov/medical-debt-relief-initiative>

SB1006_SalePatientDebt_LOI.pdf

Uploaded by: Jake Whitaker

Position: INFO



Maryland
Hospital Association

March 8, 2024

To: The Honorable Pamela Beidle, Chair, Senate Finance Committee

Re: Letter of Information - Senate Bill 1006 - Hospitals - Medical Debt Collection - Sale of Patient Debt

Dear Chair Beidle:

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment on Senate Bill 1006. Maryland hospitals have only one core mission: to provide the best patient care possible. Hospitals believe every person should receive the care they need without financial worry or hardship and care for every person who comes through their doors—regardless of ability to pay.

We appreciate the intent behind SB 1006 but ask the committee to consider whether some provisions of the bill create significant operational hurdles to implementation. For example, the bill does not:

- Indicate how the list of patients whose debt is being purchased will be compiled, nor does it state that the contractor will be responsible for contacting those patients
- Describe how either the hospital or the contractor would know whether a particular patient's debt is subject to an open appeal with an insurance company
- Identify how the contractor will confirm a patient's family income is at or below 400% of the federal poverty level or how to confirm that the patient has medical debt exceeding 5% of the individual's family income

For more information, please contact:
Jake Whitaker, Director, Government Affairs
Jwhitaker@mhaonline.org

11 - SB 1006 - FIN - HSCRC - LOI.docx (1).pdf

Uploaded by: State of Maryland (MD)

Position: INFO



March 8, 2024

The Honorable Pamela Beidle
Chair, Senate Finance Committee
Miller Senate Office Building, 3 East Wing
11 Bladen St., Annapolis, MD 21401

RE: Senate Bill 1006 - Hospitals - Medical Debt Collection - Sale of Patient Debt – Letter of Information

Chair Beidle and Committee Members:

The Health Services Cost Review Commission (HSCRC) submits this letter of information for Senate Bill 1006 titled, “Hospitals - Medical Debt Collection - Sale of Patient Debt.” The bill authorizes a hospital, under certain circumstances, to sell the medical debt of patients if the debt is sold to a governmental unit or its contractor for the purpose of canceling the debt. Once the debt is sold, the hospital is prohibited from continuing debt collection activities on that debt.

Maryland law sets limitations on how hospitals can collect debts owed by patients ([Health General §19-214.2](#), Maryland Code), including a prohibition on hospitals selling debt. The prohibition on the sale of medical debt was intended as a patient protection. It ensures that hospital’s cannot sell debt to debt collectors to avoid the other patient protections in law related to hospital collection of debt. SB 1006 would narrowly amend existing Maryland law to allow governmental entities and their contractors to purchase medical debt from hospitals for the sole purpose of eliminating patient medical debt. Given that this is a new idea in Maryland, HSCRC appreciates that the bill is written to limit the entities that are eligible to purchase debt and the inclusion of other provisions that narrow the scope of the bill. HSCRC also appreciates that the bill prevents the sale of debt that is still being adjudicated with insurance or another third-party payer. This ensures that the debt forgiven under SB 1006 benefits patients and their families. Finally, HSCRC appreciates that the bill focuses on lower-income patients, benefiting patients who most need the relief provided by debt forgiveness.

HSCRC respectfully requests an amendment to amend Health General 19-219(a)(3) to exempt the purchase of debt authorized by SB 1006 from that requirement. This

Joshua Sharfstein, MD
Chairman

Joseph Antos, PhD
Vice-Chairman

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Allan Pack
Director
Population-Based Methodologies

Gerard J. Schmith
Director
Revenue & Regulation Compliance

Claudine Williams
Director
Healthcare Data Management & Integrity

amendment will provide clarity that the sale of debt to only certain local governments and for only certain patients is permitted under the law, as is contemplated by SB 1006.

Medical Debt Collection Timelines

Medical debt is a long term burden on consumers. There is no time limit on how long a hospital (or a collection agency working for a hospital) can pursue that debt through letters or phone calls. Hospitals have either 3 or 10 years to sue patients for medical debt, depending on whether the term “seal” appears on paperwork the patient signs at intake. If the hospital does sue a patient and the court awards a judgment, the hospital has up to 24 years to collect on that judgment. The sale of debt under SB 1006 would prohibit continued collection efforts by hospitals on the debt that is sold.

Credit Reports

Medical debt may also result in a negative credit report, which exists for up to 7 years. Negative credit reports can impact access to employment, housing, and credit for necessary items (like a car). A proposed amendment to the bill will require the reversal of negative credit reports for debt that has been purchased and forgiven.

Debt Forgiveness and Income Based Payment Plans

Chapter 770, passed in 2021, requires hospitals to provide income-based payment plans to patients. Under these payment plans, the monthly payment amount set by the hospital may not exceed 5% of an individual patient’s adjusted gross monthly income. Patients are still required to pay their bills in full under these plans, and the total amount of these bills can be significant. The patients who receive debt relief under SB 1006 will have their debt eliminated, which would leave them with more resources for other household needs.

Uncompensated Care Funding

HSCRC provides hospitals with funding for uncompensated care (UCC) in the hospitals’ annual global budgets, based on the amount of uncompensated care that the hospitals experience in the prior year. Uncompensated care includes bad debt (debt that has not been paid by a patient or other payer to the hospital). Hospitals normally report bad debt to HSCRC within a year of the patient’s encounter with the hospital. The limitation in SB 1006 to purchasing debt that is at least two years old ensures that there is no reporting confusion between the bad debt originally reported to HSCRC within the first year and the reporting of debt sold under SB 1006.

Hospitals may continue collections activities after reporting the bad debt to HSCRC. If a hospital collects on a debt after it is reported to HSCRC as bad debt, the hospital reports



the collected amount and HSCRC makes an adjustment to UCC funding in the following year. The purpose of this adjustment is to ensure that the hospital is not compensated for the bad debt both through hospital rates and through the amount paid by the patient or other payer.

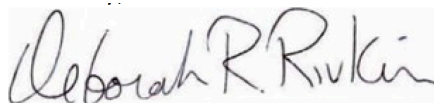
SB 1006 requires hospitals to report the sale of medical debt to HSCRC. The law also requires HSCRC to offset uncompensated care amounts to reflect the hospital's revenue from the sale of the debt. This provision will ensure that hospitals are not paid twice for this bad debt (once through hospital rates, and once through an authorized purchase under SB 1006). This is aligned with HSCRC's treatment of other recoupments on debt (described above).

Reduction of Hospital Charges

In other states, which allow the sale of medical debt, debt is normally sold to debt collection companies. The market price of this debt depends on how old the debt is. The market price represents the amount that the debt collection will likely be able to collect on that debt. This market price is significantly lower than the original hospital charge, as the chance of collecting on older debt is low. For entities that purchase the debt in order to forgive it, that low market price allows the purchaser to forgive a high amount of debt (presenting the original charges) with a relatively small investment (representing the market price of the older debt). In Maryland, a reduction in hospital charges is necessary to achieve a similar outcome. HSCRC supports an amendment to change the word "discount" in the introduced bill to "reduction" to align with HSCRC policies on this issue.

The HSCRC remains committed to consumer protections for medical debt and financial assistance. If you have any questions or if I may provide you with any further information, please do not hesitate to contact me at 410-991-7422 or deborah.rivkin@maryland.gov, or Jon Kromm, Executive Director, at jon.kromm@maryland.gov.

Sincerely,



Deborah Rivkin
Director, Government Affairs

