



April 2, 2024

The Honorable Josaline Peña-Melnyk
Chair, House Health and Government Operations Committee
Room 241, House Office Building
Annapolis, MD 21401

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

Dear Chair Peña-Melnyk 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 appreciates the Senate’s amendment to Health General 19-219, which will ensure that the sale of medical debt under SB 1006

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can be limited to certain local governments and certain patients, rather than a statewide program.

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). The bill will require a hospital to strike adverse information, if reported to a consumer reporting agency, 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.

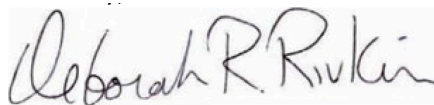
SB 1006 requires hospitals to report the sale of medical debt to HSCRC. The law also requires HSCRC to offset uncompensated care amounts to reflect the hospital's revenue from the sale of the debt. This provision will ensure that hospitals are not paid twice for this bad debt (once through hospital rates, 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 the adopted amendment that changes 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

