Marylanders Shouldn’t Have to Risk A Home Lien to Receive Needed Health Care

Position Statement Supporting Senate Bill 630

Given before the Senate Judicial Proceedings Committee

SB 630 bans the practice of placing a lien on someone’s home for a medical debt. The principle behind the bill is simple: no one should face a lien on their home because they sought medical care for themselves or a loved one. A lien makes it difficult to secure credit, refinance, or lower mortgage payments which harms patients' financial security, particularly low-income households communities of color. **The Maryland Center on Economic Policy supports Senate Bill 630 because we believe that someone’s home and overall economic security should not be at risk because they or a loved one fell ill.**

Under current Maryland law, working families across the state can have a lien placed on their home because of medical debt. Maryland nonprofit hospitals have sued low-income patients for medical debt including those who should have received free care. In fact, over a nine-year period, nonprofit hospitals placed liens on more than 4,000 Maryland households, filing over 145,000 lawsuits for medical debt and resulting in 37,370 wage garnishments and 3,278 bankruptcies.[1] The average amount of debt was $945. Most households sued for debt were in low-income communities of color, with many of them employed as service workers at the hospitals that were suing them.

Outpatient services such as dental, diagnostic, and private practice medical care are also a source of medical debt for Maryland households. One Baltimore County dental practice placed liens against 93 patients for amounts as low as $180. Moreover, 44% of patients report that their medical debt comes from an outpatient visit.[2] On top of that, the costs for treatments are rising, in part due to the role of private equity in purchasing practices, raising rates, and reducing staffing and overhead costs. Similarly, like the large hospitals, these small private practices have sued and placed liens on patient’s homes. In 2019, the average cost for an emergency room dental visit was $728, an increase from $468 in 2013. Additionally, 32% of emergency room visits in 2019 were uninsured or covered by commercial insurance which may have required a co-pay or high deductible.

Hospital debt is devastating for many families, however Black households are hit hardest. For example, 14% of Maryland voters say that they or someone in their household have medical bills or debt that they are not able to repay. Black households comprise 23% of those unable to pay a medical bill compared to 8% of white households. In Maryland, private equity firms have purchased many private practices and subsequently increased the rates at

[1] https://www.nationalnursesunited.org/preying-on-patients

[2] September 2023 Gonzales Poll Commissioned by Economic Action Maryland (then Maryland Consumer Rights Coalition)

those practices. One study found that the per patient price increase ranged from 4-16% depending on the specialty area.[3] While families struggle with medical debt, rising costs of other bills put added pressure on financially fragile households. In 2023, 45-50% of renters were cost burdened in Maryland, spending more than 30% of their income (the suggested amount) on rent. In addition to rent, the cost of food and utilities have risen since 2020, outstripping gains in wages. As a result, many families simply can't afford to pay the unexpected medical bills.

A lien appears on banking records making it difficult for a homeowner to secure credit, such as a home equity loan and hampers their ability to sell or refinance their home. Limiting the ability of homeowners to tap into home equity because of an illness has several detrimental consequences. First, it may reduce the ability of the health provider to get paid if the homeowner planned to use those funds to pay the balance owed. Second, because most medical debt lawsuits are against low-income communities of color, these current practices continue to exacerbate existing inequalities by widening the racial wealth gap for communities who are already experiencing lower home values, lower appraisals and more difficulty in obtaining home loans.

For these reasons, the Maryland Center on Economic Policy respectfully requests the Judicial Proceedings Committee to make a favorable report on Senate Bill 630.

Equity Impact Analysis: Senate Bill 630

Bill Summary

SB 630 bans the practice of placing a lien on someone's home for a medical debt.

Background

Under current Maryland law, working families across the state can have a lien placed on their home because of medical debt. Maryland nonprofit hospitals have sued low-income patients for medical debt including those who should have received free care. In fact, over a nine-year period, nonprofit hospitals placed liens on more than 4,000 Maryland households, filing over 145,000 lawsuits for medical debt, and resulting in 37,370 wage garnishments and 3,278 bankruptcies. The average amount of debt was $945. Most households that were sued for debt were low-income communities of color, with many of them employed as service workers at the hospitals that were suing them.

Outpatient services such as dental, diagnostic, and private practice medical care are also a source of medical debt for Maryland households. One Baltimore County dental practice placed liens against 93 patients for amounts as low as $180. Moreover, 44% of patients report that their medical debt comes from an outpatient visit. On top of that, the costs for treatments are rising, in part due to the role of private equity in purchasing practices, raising rates, and reducing staffing and overhead costs. Similarly, like the large hospitals, these small private practices have sued and placed liens on patient's homes. In 2019, the average cost for an emergency room dental visit was $728, an increase from $468 in 2013. Additionally, 32% of emergency room visits in 2019 were uninsured or covered by commercial insurance which may have required a co-pay or high deductible.

Equity Implications

3 Monetizing Medicine: Private Equity and Competition in Physician Practice Markets https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG_Private-Equity-I-Physician-Practice-Report_FINAL.pdf

Hospital debt is devastating for many families, however Black households are hit hardest. In fact, 14% of Maryland voters say that they or someone in their household have medical bills or debt that they are not able to repay. African American households comprise 23% of those unable to pay a medical bill compared to 8% of white households.

Reducing medical debt directly impacts household finances by improving credit scores and access to credit. Research shows that households that have their medical debt relieved see improvements in physical and mental health outcomes as well as improved overall access to care. Since medical debt is disproportionally held among low-income communities, reductions in the burden of medical debt helps advance financial and health-based equity.

Impact

Senate Bill 630 will likely **improve racial, health, and economic equity** in Maryland.