

March 19, 2025

The Honorable Pamela Beidle
Chair, Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

RE: House Bill 765 – 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 House Bill 765 titled, “Hospitals - Medical Debt Collection - Sale of Patient 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 was intended as a patient protection, to ensure that hospitals cannot sell debt to debt collectors to avoid patient protections established in Maryland law related to hospital collection of debt. HB 765 bill authorizes a hospital to sell the medical debt of patients to a government unit, an entity under contract with the unit, or a nonprofit organization for the sole purpose of canceling the debt.

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 HB 765 would prohibit continued collection efforts by hospitals on the debt that is sold, and would require hospitals to seek to vacate any negative judgments previously obtained.**

Joshua Sharfstein, MD
Chairman

Joseph Antos, PhD
Vice-Chairman

James N. Elliott, MD

Ricardo R. Johnson

Maulik Joshi, DrPH

Adam Kane, Esq

Nicki McCann, JD

Jonathan Kromm, PhD *****
Executive Director

William Henderson
Director
Medical Economics & Data Analytics

Allan Pack
Director
Population-Based Methodologies

Gerard J. Schmith
Director
Revenue & Regulation Compliance

Claudine Williams
Director
Healthcare Data Management & Integrity

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). **HB 765 would require hospitals to strike any adverse information previously reported to a consumer reporting agency related to sold debt.**

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 debt that has not been paid by a patient or other payer to the hospital ("bad debt"). Hospitals normally report bad debt to HSCRC within a year of the patient's encounter with the hospital. Hospitals may continue collections activities after reporting the bad debt to HSCRC, and if further collections are made on the debt, the hospital reports the collected amount and HSCRC makes an adjustment to UCC funding in the following year. **The provisions in HB 765 that require debt sold under the bill to be at least two years old and not subject to future reimbursement or third-party appeals, as well as the provisions requiring reporting to HSCRC, ensure that there will be no confusion between the bad debt originally reported to HSCRC within the first year and the reporting of debt sold under this bill.** This is aligned with HSCRC's treatment of other recoupments on debt.

Reduction of Hospital Charges

In states that allow the sale of medical debt to collection companies, the market price of the debt is often significantly lower than the original hospital charge, as the likelihood of collecting on older medical debt is low. This allows nonprofit or governmental entities to purchase and forgive a high amount of debt with a relatively small investment. **The provisions of HB 765 would allow HSCRC to reduce hospital charges to achieve a similar outcome.**

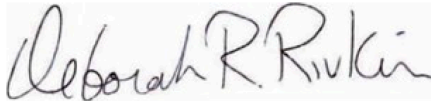
Sunset Provision

The sale and forgiveness of medical debt is new to Maryland. HSCRC appreciates the inclusion of a sunset provision in the bill to allow for an evaluation of its impact, benefits and costs.



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,

A handwritten signature in black ink that reads "Deborah R. Rivkin". The signature is written in a cursive style with a large, stylized "D" and "R".

Deborah Rivkin
Director, Government Affairs

