

HB0765-FIN-FAV.pdf

Uploaded by: Nina Themelis

Position: FAV



BRANDON M. SCOTT

MAYOR

Office of Government Relations

88 State Circle

Annapolis, Maryland 21401

HB0765

March 25, 2025

TO: Members of the Senate Finance Committee
FROM: Nina Themelis, Director of Mayor's Office of Government Relations
RE: House Bill 765 - Hospitals - Medical Debt Collection - Sale of Patient Debt
POSITION: **Favorable**

Chair Beidle Vice Chair Hayes, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** House Bill (HB) 765.

HB 765 will allow local governments and certain non-profit entities to purchase qualifying medical debt from hospitals. Last year, this bill was a priority for the BCA, and we worked closely with state agencies and nonprofit organizations to ensure that it augments current law and the state's system for the provision of reduced-cost care. 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.ⁱ Medical debt can:

- cause serious financial hardship
- lead people to forgo purchasing food and essential items
- cause people to delay or skip needed health care
- lead to serious negative health outcomes.^{i,ii}

With almost two out of three people with medical debt delaying care they need, this has serious and broad reaching implications for health outcomes and health equity.ⁱⁱ

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, as are Black Americans.ⁱ According to data from the Urban Institute, about 13% of communities of color in Maryland have medical debt, compared to 9% of white communities.ⁱⁱⁱ While medical debt can happen to almost anyone, this type of debt is more likely to occur among people with poor health, financial insecurity, or both.^{iv}

Passing this bill would allow Maryland municipalities to join other jurisdictions (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.^{v,vi,vii}

For these reasons, the BCA respectfully request a **favorable** report on HB 765.

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

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

^{iv} [The burden of medical debt in the United States - Peterson-KFF Health System Tracker](https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states-peterson-kff-health-system-tracker)

^v 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/>

^{vi} 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>

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

HB 765 - FIN - HSCRC - LOI.pdf

Uploaded by: State of Maryland (MD)

Position: INFO

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

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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.**

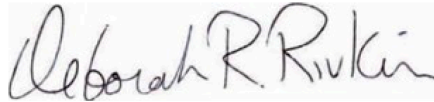
Sunset Provision

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 and is placed on a light gray rectangular background.

Deborah Rivkin
Director, Government Affairs

