

Chapter 750

(House Bill 765)

AN ACT concerning

Hospitals – Medical Debt Collection – Sale of Patient Debt

FOR the purpose of authorizing a hospital, under certain circumstances, to sell the medical debt of patients if the debt is sold to a governmental unit or an entity under contract with the unit or to a nonprofit organization for the purpose of canceling the debt; requiring that a hospital's financial policy require the hospital to dismiss actions pending against a patient for the collection of debt that was sold and prohibit the hospital from engaging in specified collection activities on patient debt that was sold; requiring a purchaser of medical debt to notify the patient of certain information and to take certain other actions; and generally relating to hospital debt collection policies and the sale of patient debt.

BY repealing and reenacting, with amendments,

Article – Health – General

Section 19–214.2(a), (b), (f), (m), and (n) and 19–219(a)(3)

Annotated Code of Maryland

(2023 Replacement Volume and 2024 Supplement)

BY adding to

Article – Health – General

Section 19–214.2(m)

Annotated Code of Maryland

(2023 Replacement Volume and 2024 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Health – General

19–214.2.

(a) (1) Each hospital annually shall submit to the Commission:

(i) At times prescribed by the Commission, the hospital's policy on the collection of debts owed by patients; and

(ii) A report including:

1. The total number of patients by race or ethnicity, gender, and zip code of residence against whom the hospital, or a debt collector used by the hospital, filed an action to collect a debt owed on a hospital bill;

2. The total number of patients by race or ethnicity, gender, and zip code of residence with respect to whom the hospital has and has not reported or classified a bad debt; [and]

3. The total dollar amount of the charges for hospital services provided to patients but not collected by the hospital for patients covered by insurance, including the out-of-pocket costs for patients covered by insurance, and patients without insurance; AND

4. **FOR HOSPITAL DEBTS OWED BY PATIENTS OF THE HOSPITAL THAT THE HOSPITAL SOLD TO A GOVERNMENTAL UNIT ~~OR~~, CONTRACTOR, OR NONPROFIT ORGANIZATION UNDER SUBSECTION (M) OF THIS SECTION:**

A. THE TOTAL DOLLAR AMOUNT OF THE DEBT SOLD BY THE HOSPITAL FOR THE REPORTING YEAR;

B. THE TOTAL DOLLAR AMOUNT PAID TO THE HOSPITAL BY THE UNIT ~~OR~~, CONTRACTOR, OR NONPROFIT ORGANIZATION WHO PURCHASED THE DEBT; AND

C. THE TOTAL NUMBER OF PATIENTS WHOSE DEBT WAS SOLD, IN FULL OR IN PART, TO THE UNIT ~~OR~~, CONTRACTOR, OR NONPROFIT ORGANIZATION WHO PURCHASED THE DEBT.

(2) The Commission shall post the information submitted under paragraph (1) of this subsection on its website.

(b) The policy submitted under subsection (a)(1) of this section shall:

(1) Provide for active oversight by the hospital of any contract for collection of debts on behalf of the hospital;

(2) [Prohibit] **EXCEPT AS PROVIDED IN SUBSECTION (M) OF THIS SECTION, PROHIBIT** the hospital from selling any debt;

(3) Prohibit the charging of interest on bills incurred by self-pay patients before a court judgment is obtained;

(4) Describe in detail the consideration by the hospital of patient income, assets, and other criteria;

(5) Prohibit the hospital from reporting to a consumer reporting agency or filing a civil action to collect a debt within 180 days after the initial bill is provided;

- (6) Describe the hospital's procedures for collecting a debt;
- (7) Describe the circumstances in which the hospital will seek a judgment against a patient;
- (8) In accordance with subsection (c) of this section, provide for a refund of amounts collected from a patient or the guarantor of a patient who was later found to be eligible for free care within 240 days after the initial bill was provided;
- (9) If the hospital has obtained a judgment against or reported adverse information to a consumer reporting agency about a patient who later was found to be eligible for free care within 240 days after the initial bill was provided for which the judgment was awarded or the adverse information was reported, require the hospital to seek to vacate the judgment or strike the adverse information;
- (10) Provide a mechanism for a patient to:
 - (i) Request the hospital to reconsider the denial of free or reduced-cost care;
 - (ii) File with the hospital a complaint against the hospital or a debt collector used by the hospital regarding the handling of the patient's bill; and
 - (iii) Allow the patient and the hospital to mutually agree to modify the terms of a payment plan offered under subsection (e) of this section or entered into with the patient; [and]
- (11) Prohibit the hospital from collecting additional fees in an amount that exceeds the approved charge for the hospital service as established by the Commission for which the medical debt is owed on a bill for a patient who is eligible for free or reduced-cost care under the hospital's financial assistance policy;
- (12) REQUIRE THE HOSPITAL TO DISMISS ACTIONS PENDING AGAINST A PATIENT FOR COLLECTION OF DEBT THAT WAS SOLD UNDER SUBSECTION (M) OF THIS SECTION; AND**
- (13) PROHIBIT THE HOSPITAL FROM:**
 - (I) ENGAGING IN COLLECTION ACTIVITIES ON 100% OF THE OUTSTANDING AMOUNT OF THE COMMISSION-SET CHARGE FOR DEBT SOLD UNDER SUBSECTION (M) OF THIS SECTION; AND**
 - (II) COLLECTING ON JUDGMENTS ENTERED INTO ON PATIENT DEBT THAT WAS SOLD UNDER SUBSECTION (M) OF THIS SECTION.**

(f) (1) For at least 180 days after issuing an initial patient bill, a hospital may not report adverse information about a patient to a consumer reporting agency or commence civil action against a patient for nonpayment.

(2) A hospital shall report the fulfillment of a patient's payment obligation within 60 days after the obligation is fulfilled to any consumer reporting agency to which the hospital had reported adverse information about the patient, **INCLUDING IF THE DEBT WAS SOLD UNDER SUBSECTION (M) OF THIS SECTION.**

(3) A hospital may not report adverse information to a consumer reporting agency regarding a patient who at the time of service was uninsured or eligible for free or reduced-cost care under § 19–214.1 of this subtitle.

(4) A hospital may not report adverse information about a patient to a consumer reporting agency, commence a civil action against a patient for nonpayment, or delegate collection activity to a debt collector:

(i) If the hospital was notified in accordance with federal law by the patient or the insurance carrier that an appeal or a review of a health insurance decision is pending within the immediately preceding 60 days; [or]

(ii) If the hospital has completed a requested reconsideration of the denial of free or reduced-cost care that was appropriately completed by the patient within the immediately preceding 60 days; **OR**

(III) IF THE HOSPITAL SOLD THE DEBT UNDER SUBSECTION (M) OF THIS SECTION.

(5) If a hospital has reported adverse information about a patient to a consumer reporting agency, the hospital shall instruct the consumer reporting agency to delete the adverse information about the patient:

(i) If the hospital was informed by the patient or the insurance carrier that an appeal or a review of a health insurance decision is pending, and until 60 days after the appeal is complete; or

(ii) Until 60 days after the hospital has completed a requested reconsideration of the denial of free or reduced-cost care.

(M) (1) (I) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, A HOSPITAL MAY SELL DEBT OWED TO THE HOSPITAL BY A PATIENT FOR HOSPITAL SERVICES TO A GOVERNMENTAL UNIT OR AN ENTITY THAT IS UNDER CONTRACT WITH THE UNIT OR TO A NONPROFIT ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OF THE INTERNAL REVENUE CODE FOR THE SOLE PURPOSE OF CANCELING THE DEBT.

(II) THE CONTRACT BETWEEN THE HOSPITAL AND THE GOVERNMENTAL UNIT ~~OR~~, CONTRACTOR, OR NONPROFIT ORGANIZATION PURCHASING THE DEBT UNDER THIS SUBSECTION SHALL STATE THAT THE SOLE PURPOSE OF THE SALE OF THE DEBT IS TO CANCEL THE DEBT.

(III) THE PATIENT IS NOT RESPONSIBLE TO THE HOSPITAL, THE GOVERNMENTAL UNIT, ~~OR~~ THE CONTRACTOR, OR THE NONPROFIT ORGANIZATION FOR ANY AMOUNT OF THE DEBT THAT IS SOLD UNDER THIS SUBSECTION OR ANY INTEREST, FEES, OR COSTS ASSOCIATED WITH THE DEBT OR THE SALE.

(2) DEBT SOLD UNDER THIS SUBSECTION:

(I) MUST BE FOR HOSPITAL SERVICES PROVIDED AT LEAST 2 YEARS BEFORE THE DATE OF THE SALE;

(II) MAY NOT BE EXPECTED TO YIELD ADDITIONAL REIMBURSEMENTS FROM A THIRD-PARTY PAYOR;

(III) MAY NOT BE SUBJECT TO AN OPEN APPEAL WITH AN INSURANCE COMPANY; AND

(IV) MUST BE FOR AN INDIVIDUAL WHOSE FAMILY INCOME IS AT OR BELOW 500% OF THE FEDERAL POVERTY LEVEL OR WHO HAS MEDICAL DEBT EXCEEDING 5% OF THE INDIVIDUAL'S FAMILY INCOME, AS DETERMINED BY THE GOVERNMENTAL UNIT ~~OR~~, CONTRACTOR, OR NONPROFIT ORGANIZATION PURCHASING THE DEBT.

(3) DEBT SOLD UNDER THIS SUBSECTION MAY BE SOLD WITH A REDUCTION OF COMMISSION CHARGES.

(4) THE COMMISSION SHALL TREAT THE AMOUNT OF PAYMENTS TO HOSPITALS UNDER THIS SUBSECTION AS AN OFFSET TO UNCOMPENSATED CARE AMOUNTS REPORTED BY HOSPITALS.

(5) THE PURCHASER OF THE DEBT SHALL:

(I) NOTIFY THE PATIENT THAT THE DEBT HAS BEEN CANCELED; AND

(II) IF THE HOSPITAL OBTAINED A JUDGMENT AGAINST THE PATIENT OR REPORTED ADVERSE INFORMATION TO A CONSUMER REPORTING AGENCY ABOUT THE PATIENT, SEEK TO VACATE THE JUDGMENT OR STRIKE THE ADVERSE INFORMATION.

[(m)] (N) The Commission shall review each hospital's implementation of and compliance with the hospital's policies and the requirements of this section.

[(n)] (O) (1) On or before February 1 each year, beginning in 2023, the Commission shall compile the information required under subsection (a) of this section and prepare a medical debt collection report based on the compiled information.

(2) The report required under paragraph (1) of this subsection shall be:

(i) Made available to the public free of charge; and

(ii) Submitted to the Senate Finance Committee and the House Health and Government Operations Committee in accordance with § 2-1257 of the State Government Article.

19-219.

(a) The Commission may review the costs, and rates, quality, and efficiency of facility services, and make any investigation that the Commission considers necessary to assure each purchaser of health care facility services that:

(3) **[The] EXCEPT AS PROVIDED IN § 19-214.2(M) OF THIS SUBTITLE, THE** rates are set equitably among all purchasers or classes of purchasers without undue discrimination or preference.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act ~~is an emergency measure, is necessary for the immediate preservation of the public health or safety, has been passed by a ye and nay vote supported by three fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted~~ July 1, 2025. It shall remain effective ~~through December 31, 2027, and, at the end of December 31, 2027~~ for a period of 3 years and, at the end of June 30, 2028, this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect.

Approved by the Governor, May 20, 2025.