

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1324 (Delegate Spiegel, *et al.*)  
Health and Government Operations

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Hospitals - Medical Debt Collection - Sale of Patient Debt to Nonprofit  
Organizations

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This bill authorizes a hospital to sell debt owed by a patient for hospital services 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. The contract between the hospital and the nonprofit organization purchasing the debt must state that the sole purpose of the sale of the debt is to cancel the debt and include a written agreement from the patient allowing the debt to be sold. The patient is not responsible to the hospital or the nonprofit organization for any amount of the debt that is sold, or any interest, fees, or costs associated with the debt or the sale. The Health Services Cost Review Commission (HSCRC) must treat the amount of payments to hospitals for debt as an offset to uncompensated care amounts reported by hospitals.

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Fiscal Summary

**State Effect:** HSCRC can handle the bill's requirements with existing budgeted resources. Any impact on uncompensated care is indeterminate but anticipated to be minimal overall, as discussed below.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** Debt sold by a hospital may not be subject to legal rights or contractual assignment limits that prevent the sale of debt, including limits due to: (1) current liens or legal processes; (2) an expectation that the debt will yield additional reimbursements from a third-party payer; or (3) an open appeal with an insurance company. Debt may be sold with a discount of HSCRC charges.

A hospital must 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 to a nonprofit organization*. A hospital may not report adverse information about a patient to a consumer reporting agency, commence civil action against a patient for nonpayment, or delegate collection activity to a debt collector *if the hospital sold the debt to a nonprofit organization*.

### *Debt Collection Policies*

In addition to existing requirements, each hospital's debt collection policy must require the hospital to dismiss actions pending against a patient for collection of debt that was sold and prohibit the hospital from (1) engaging in collection activities on 100% of the outstanding amount of the HSCRC-set charge for debt sold to a nonprofit organization and (2) collecting on judgements entered into on patient debt that was sold to a nonprofit organization.

### **Current Law:**

#### *Hospital Debt Collection*

Each hospital must annually submit to HSCRC the hospital's debt collection policy and a report including (1) the total number of patients by race or ethnicity, gender, and zip code against who 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 with respect to whom the hospital has and has not reported or classified as 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.

Each hospital's debt collection policy, among other things, must:

- provide for active oversight by the hospital of any contract for collection of debts on behalf of the hospital;

- prohibit the hospital from selling any debt;
- prohibit the charging of interest on bills incurred by self-pay patients, as specified;
- describe the hospital's procedures for collecting a debt;
- provide a mechanism for a patient to file with the hospital a complaint against the hospital or a debt collector used by the hospital; and
- prohibit the hospital from collecting additional fees in an amount that exceeds the approved charge for the hospital service as established by HSCRC 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.

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. A hospital must 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.

#### *Health Services Cost Review Commission*

HSCRC is an independent commission within the Maryland Department of Health charged with constraining hospital growth and establishing hospital rates to promote cost containment, access to care, equity, financial stability, and hospital accountability. HSCRC oversees acute and chronic care hospitals and reviews each hospital's implementation of and compliance with hospital debt collection policies.

HSCRC may review the costs, and rates, quality, and efficiency of facility services, and make any investigation that HSCRC considers necessary to assure each purchaser of health care facility services that (1) the total costs of all hospital services offered by or through a facility are reasonable; (2) the aggregate rates of the facility are related reasonably to the aggregate costs of the facility; and (3) the rates are set equitably among all purchasers or classes of purchasers without undue discrimination or preference.

#### *Uncompensated Care*

Uncompensated care is care provided for which no compensation is received, typically a combination of charity care, financial assistance, and bad debt. The uncompensated care fund maintains access to care in communities with higher uncompensated care by limiting the financial strain on hospitals. HSCRC must factor the cost of uncompensated care into the State's hospital rate setting structure. Each year, HSCRC determines the total amount of uncompensated care that will be placed in hospital rates for the year, and the amount of funding available for the uncompensated care pool. Regulated hospitals draw funds from the pool if they experience greater-than-average levels of uncompensated care and pay into

the pool if they experience a below-average level of uncompensated care, ensuring the total cost of uncompensated care is shared equally across all hospitals.

**State Fiscal Effect:** The bill authorizes hospitals to sell medical debt owed by patients to a nonprofit organization for the sole purpose of canceling debt. The amount of medical debt that may be sold cannot be reliably estimated.

The bill's changes may decrease uncompensated care by an indeterminate but likely minimal amount overall. Additionally, the bill may decrease the total balance of medical debt owed, as patients may have their debt canceled. A smaller balance of medical debt owed by patients decreases the uncompensated care pool.

Hospital rates are paid by all payers in the State. As such, should hospital rates decrease to account for less medical debt, expenditures for health insurers, Medicaid, and self-pay patients may be affected.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years; however, legislation with similar provisions has been proposed. See SB 1006 of 2024.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of Health; Department of Legislative Services

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