HB 765

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 765 (Delegate Ivey, *et al.*)
Health and Government Operations Finance

Hospitals - Medical Debt Collection - Sale of Patient Debt

This bill authorizes a hospital to sell debt owed by a patient for hospital services to a governmental unit or an entity under contract with the unit or to a tax-exempt nonprofit organization for the sole purpose of canceling the debt. The contract between the hospital and the governmental unit, contractor, or nonprofit organization purchasing the debt must state that the sole purpose of the sale of the debt is to cancel the debt. The patient is not responsible to the hospital, the governmental unit, the contractor, 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. Medical debt sold under the requirements of the bill does not apply to the requirement that HSCRC assure that rates are set equitably among all purchasers or classes of purchasers of health care facility services without undue discrimination or preference. **The bill takes effect July 1, 2025, and terminates June 30, 2028.**

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. To the extent any State governmental unit purchases a patient's debt, expenditures increase accordingly, as early as fiscal 2026, through fiscal 2028.

Local Effect: Local governmental expenditures increase to the extent that a unit of local government or an entity under contract with a unit of local government choses to purchase patient debt.

Small Business Effect: None.

Analysis

Bill Summary: Debt sold by a hospital (1) must be for hospital services provided at least two years before the date of the sale; (2) may not be expected to yield additional reimbursements from a third-party payer; (3) may not be subject to an open appeal with an insurance company; and (4) 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, contractor, or nonprofit organization purchasing the debt. Debt may be sold with a reduction of HSCRC charges.

The purchaser of the debt must (1) notify the patient that the debt has been canceled and (2) if the hospital obtained a judgement 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.

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. 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.

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 and (2) collecting on judgements entered into on patient debt that was sold.

Reporting Requirements

In addition to existing requirements, each hospital must annually submit to HSCRC a report including, for hospital debts owed by patients of the hospital that the hospital sold to a governmental unit, contractor, or nonprofit organization (1) the total dollar amount of the debt sold by the hospital for the reporting year; (2) the total dollar amount paid to the hospital by the unit, contractor, or nonprofit organization who purchased the debt; and (3) the total number of patients whose debt was sold, in full or in part, to the governmental unit, contractor, or nonprofit organization who purchased the debt.

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 governmental unit, an entity under contract with the unit, or 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.

To the extent that a State governmental unit or an entity that is under contract with the governmental unit purchases a patient's debt, expenditures increase accordingly beginning as early as fiscal 2026, through fiscal 2028.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 1006 of 2024.

Designated Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Maryland Department of Health; Department of Legislative Services

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