

Letter of Information to the Senate Finance Committee
SB514: Health Facilities-Hospitals-Medical Debt Protection

Position: Informational

February 23, 2021

The Honorable Delores E. Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

cc: Members, Senate Finance Committee

Chair Kelley and Members of the Committee:

Every year, Maryland hospitals sue Maryland residents for \$20 to \$30 million in unpaid medical bills. We have produced a report that projects the impact of a policy that would limit the ability of Maryland hospitals to file medical-debt lawsuits below various thresholds. To do so, we analyze a dataset of medical-debt lawsuits filed in Maryland on behalf of hospitals from 2009 through 2018.

The typical medical-debt lawsuit filed by hospitals in Maryland involves relatively small dollar amounts. Roughly half of these lawsuits are below \$1,000. Lawsuits primarily affect low-income residents: there are three times as many lawsuits per capita filed against residents in the lowest-income regions of Maryland as compared to the highest-income regions.

In our analysis of existing lawsuits, a threshold of \$1,000 would avoid 6,974 lawsuits per year, totaling about \$3.6 million sought by all Maryland hospitals. However, the impact on hospitals' revenue would not be that full dollar amount, since hospitals do not collect the full amount sought. We estimate that a \$1,000 threshold on lawsuits would lead to a total revenue loss per hospital of \$7,046 per year. A higher threshold of \$5,000 would prevent 12,357 lawsuits per year and about \$14 million in complaint amounts across all hospitals. Again, the actual consequences on hospitals' revenue of the \$5,000 threshold would be smaller: about \$27,000 per hospital per year.

A threshold on lawsuits might also change patients' behavior: some patients may stop paying bills if they know that the hospital will not be allowed to sue them. There are many reasons, however, that patients would still pay their hospital bills, even without the threat of a lawsuit. Hospitals could require prepayment for non-emergency care or take collection activities such as reporting non-payment to credit bureaus. Moreover, many people view deliberate non-payment as morally wrong. The last section of our report assesses the degree to which the estimates above might be affected by changes in patients' willingness to pay their bills. Our estimates are uncertain, in that it is difficult to

estimate how the threat of lawsuits affects bill-paying behavior. At a threshold of \$1,000, we examine two alternative scenarios. If 50 percent of patients respond to the policy by no longer paying bills below the threshold, then a \$1,000 threshold would lead to a revenue loss per hospital of about \$750,000 per year. On the other hand, if only 5 percent of patients stop paying their bills, the impact would be only \$76,000 per hospital per year.

Sincerely,

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