

SB 514- Health Facilities - Hospitals - Medical Debt Protection

February 25, 2021

SUPPORT

Chairwomen Kelley, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 565. This bill will ensure that hospital debt collection practices are not predatory for low to moderate income Marylanders.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Medical debt is fundamentally distinct from other types of debt because of the nature of medical emergencies and the absolute necessity to address adverse health conditions in order to continue basic living. 16% of all Marylanders have medical debt that has gone to collections, however for communities of color that statistic jumps to 20%¹. As the pandemic rages on and continues to wreak havoc on the economy and the physical wellbeing of our citizens, it also continues to reveal the depth of inequalities present in our society. Medical debt was a heavy burden for low income earners and communities of color prior to COVID-19. Without deliberate action for these communities, the consequences of the pandemic will drive those inequalities much deeper. Many low income people will delay seeking out medical assistance which leads to greater medical and financial issues in the future.

When an individual's debt is in collections, they face a variety of challenges that drastically affect their quality of life. It can take years for an individual or a family to restabilize. During this time, children are negatively affected, housing becomes difficult to secure, and jobs are either more difficult to obtain or are harder to keep. **Predatory collection actions decrease the patient's ability to be accountable for their debts.** It makes it more difficult for them to pay their debts, because they will have to refocus their finances to more immediate needs. These practices put people into a cycle of debt that leads to bankruptcy, homelessness, and has an overall devastating financial impact that can take years to overcome.

SB 514 will address this issue by:

- Prohibiting hospitals from placing a lien on a patient's home or garnishing wages for a medical debt if a patient is uninsured and/or qualifies for free or reduced-cost care
- Prohibiting hospitals from filing lawsuits to collect on low-value debts of \$1,000 or less
- Requiring hospitals to offer an affordable monthly payment plan at 5% of the patient's gross monthly income and with interest rates capped at 1.5% per year
- Prohibiting hospitals from filing an action against a patient until 180 days after nonpayment and after giving patients 45-day notice of the action
- Prohibiting hospitals from initiating medical debt collection lawsuits while health insurance appeals, applications for financial assistance, or requests to reconsider financial assistance are pending
- Prohibiting hospitals from making a claim against the estate of a deceased patient to collect debt owed

For these reasons, we encourage you to report favorable on SB 514.

¹ https://www.nclc.org/images/pdf/debt_collection/fact-sheets/Maryland.pdf