TESTIMONY FOR HB 565

Bill Sponsor: Delegate Charkoudian

Committee: Health and Government Operations

Organization Submitting: Lower Shore Progressive Caucus

Person Submitting: Sam Harvey

Position: FAVORABLE

I am submitting this testimony in favor of HB0565 on behalf of the Lower Shore Progressive Caucus. The Caucus is a political and activist organization on the Eastern Shore, unaffiliated with any political party, committed to empowering people by building a Progressive movement on the Lower Eastern Shore.

Caucus members recognize how common it is that people will incur debt following hospitalization, and how frequently those medical patients will encounter problems managing that debt.

The corrosive nature of long-term stress – and its frequent shadow, depression – the sense so many working people have, that they simply can't afford to fall ill – is having a recognizable adverse effect on medical health. It is sending people to the hospital. But, whatever misfortune leads them there, these fears are far too often proven justified.

So long as this lamentable circumstance must remain our reality – at least the default position for hospital administrators should be to give patients an opportunity to reevaluate their eligibility for financial reprieve, or assistance, and to formulate a payment plan if they have regained some kind of solid footing – but a realistic payment plan. Surely it should go without saying that those struggling to climb back to their feet after a hospitalization shouldn't have to encounter a descending financial boot heel. The Medical Debt Protection Act safeguards against that.

The first words of the bill land like a ton of bricks – that indigent care should be considered, or financial aid calculated, not based on prior depression, but on subsequent financial decline or impoverishment. The bill recognizes the situation on the ground – that most working people can't handle a $400 financial emergency, and that missing one single paycheck can send a household into a tailspin. Many working Marylanders have lost their employment since the arrival of Covid-19, and since then have depleted any savings they had set aside. There's growing evidence of a widespread overhang of debt now, poised to cause compounding damage if no relief is forthcoming. Even among those fortunate enough to have remained employed throughout the pandemic, almost no one has sidestepped wage stagnation, the slow decline of the real purchasing power of the dollar, and the rising cost of living. This is doubly true as it relates to medical costs, which continue to follow an exponential growth curve toward absurdity.

Granted that private hospitals must be administered in such a way that collections cover living wages for administrators, doctors, and medicine, equipment and supplies, and this will remain the case so long as health care remains within the sphere of commerce. That's the stark reality that the Medical Debt Protection Act contends with, first and foremost by building in a 240-day window for reassessment of a patients' financial situation.

There are some provisions already in place in law, which prohibit hospitals from selling debt, sharing a patient's personal financial information, or charging interest on bills incurred by self-payers before a court judgment has been issued. The Medical Debt Protection Act would add a prohibition on reporting

to a consumer reporting agency or filing a civil action to collect a debt, for 180 days. Also:

- The hospital can't collect additional fees that exceed the cost of the hospital service, for patients who are eligible for free or reduced-cost care.
- The Act sets a cap of 1.5 percent on interest that can be charged on the unpaid portion of a bill, and hospitals can't charge interest at all if the patient was eligible for free or reduced cost care.
- The hospital can't begin to accrue interest or late charges until 180 days after the patient is discharged.
- For people who fall into debt, the hospital must provide information about installment plans for retiring that debt. That information must be provided repeatedly – included with every bill. If a patient does indeed set up one of these installment plans, it can't require the patient to pay more than 5 percent of their adjusted gross monthly income (but neither can it penalize pre- or early payment).
- The Act specifies that a repayment period be not less than 36 months. And, there's a little grace built in – patients would be deemed in compliance if they make 11 scheduled monthly payments within a 12-month period**.**
- Hospitals must show they acted in good faith to set up an installment plan before they file an action to collect a debt, or refer the matter to a debt collector. And, this bill increases from 120 to 180 days, the length of time before a hospital can share information about a patient with a credit reporting agency, or commence a civil action.
- Hospital administrators must send written notice of intent to file at least 45 days before filing an action against a patient to collect on a debt. There's a carefully crafted list of requirements for this letter, aimed at conveying all information about the situation to the patient, in as simple language as possible, quite literally prohibiting fine print, recommending the patient avail themselves of debt counseling services. An application for financial aid services, and information about a payment plan, must be included with the notice.
- The Act introduces new and additional protections about sharing a patient's information with a credit reporting agency, if the patient is in the process of appealing a decision related to their financial situation (reconsideration of their eligibility for free or reduced cost care) until 60 days after the appeal is complete. If hospital administrators have already submitted info to a credit reporting agency, they must call back and tell that agency to delete any adverse information about that patient.
- The hospital can't request a lien against a patient's property, and can't garnish the wages of a patient to collect a debt, if the patient is eligible for free or reduced cost care.
- They can't file an action to collect a debt if the patient was uninsured at the time of service, until the hospital determines whether or not that patient was eligible for free or reduced cost care.
- If a hospital does file an action to collect a debt, it can't cause the court to issue a body attachment against a patient, or an arrest warrant.
- A hospital can't file an action to collect a debt of less than $1000, or turn these small debts over to debt collectors.
- A spouse or anyone else can't be held liable for a hospital debt incurred by anyone who is at least 18 years old, unless they assume liability for the debt. However, the Act emphasizes that any such assumption of liability can't be solicited in an ER or in an emergency situation, and provision of care can't be conditioned upon such arrangement.
- The Act prevents a hospital from making a claim against the estate of a deceased patient.
- All of the new guidelines must be adhered to, in any complaint or any action to collect a debt pursued by the hospital administration. Any debt collector must similarly align with these guidelines.
- And finally, the Health Services Cost Review Commission is directed to prepare an annual

medical debt collection report. This report will be made available to the public, free of charge.

For all these reasons, the Lower Shore Progressive Caucus supports the Medical Debt Protection Act and recommends a FAVORABLE vote in committee.