Protect Families and Family Homes from Aggressive Medical Debt Collection

No one should lose a home because they or a loved one became ill. Yet, under current Maryland law, working families across Maryland can have a lien placed on their home because of medical debt.

14% of Maryland voters have medical debt or have a family member with medical debt

Structural Issue - Medical Debt

In 2023, 14% of Maryland voters had a medical bill or medical debt that they or someone in their household is unable to pay.[1] Medical debt hit Black-led households harder, with 23% of African-Americans polled having an unaffordable medical bill.[2]

Families struggle with medical debt from a variety of sources including Maryland's nonprofit hospitals, outpatient services such as physical therapy, diagnostic tests, or rehabilitative treatments, as well as private practice doctors, dentists, and other health practitioners. Patients report that 44% of medical debt comes from an outpatient visit, 23% from a hospital stay, and 30% both outpatient visits and hospital stays.[3]

Hospitals are one source of medical debt, while outpatient services and private practice represent other sources. Dental care is a source of medical debt for many Maryland families. In 2019, the average cost for an emergency room dental visit was $728, an increase from $468 in 2013. Nearly one-third (32%) of the emergency room visits in 2019 were uninsured or covered by commercial insurance which may have required a co-pay or high deductible.

The Role of Private Equity

The cost for diagnostic and outpatient services at private practices has risen in the past decade, in part due to the expanded role of private equity (PE) in health care. Private equity firms have been purchasing doctors' practices, with a focus on gastroenterology, dermatology, and obstetrics and gynecology specialties, a six-fold increase in acquisitions in ten years. Studies have found statistically significant price increases related to a PE purchase of a practice ranging from 16% in oncology to 4% in primary care and dermatology.[4] The same study found per patient price increases ranging from 4-16% depending on the specialty. Because PE firms must realize a profit for their investors, one model has been to purchase these practices using debt, cut costs while raising prices, then sell the practice for a profit in a few years.[5]

In Maryland, private equity firms have purchased dermatology and anesthesiology practices which operate throughout the state. U.S. Anesthesia Partners works with 200 Maryland doctors and Certified Nursing Assistants (CNAs) across the state through their network and operates practices in seven other states.[6]

While families struggle with medical debt, rising costs for other bills put added pressure on financially fragile households. In 2023, 45-50% of renters are cost-burdened in Maryland, meaning they spend between 30-50% of their income on rent.[7] In addition to rent, cost for food and utilities have risen since 2020, outstripping gains in wages. As a result, many families simply can't afford to pay these unexpected medical bills and fall behind.

1 September 2023 Gonzales Poll Commissioned by Economic Action Maryland (then Maryland Consumer Rights Coalition) 2 ibid, 3 ibid
4 https://www.antitrustinstitute.org/wp-content/uploads/2023/07/AAI-UCB-EG_Private-Equity-I-Physician-Practice-Report_FINAL.pdf
5 Who Employs Your Doctor, Increasingly, a Private Equity Firm, New York Times July 2023
6 https://www.usap.com/locations/usap-maryland
7 America's Rental Housing, Joint Center for Housing Studies, Harvard University, January 2024

Problem - Aggressive Collection Tactics

When families fall behind on medical debt, hospitals and doctors pursue aggressive collection actions. Over a nine year period between 2009-2018, Maryland's non-profit hospitals filed 145,746 lawsuits for medical debt, resulting in 37,370 wage garnishments and 3,278 bankruptcies. The average amount of debt was $945.

The majority of the patients pursued by hospitals live in low-income neighborhoods. Many are employed at Wal-Mart, Amazon, or as service workers at the hospitals that are suing them.

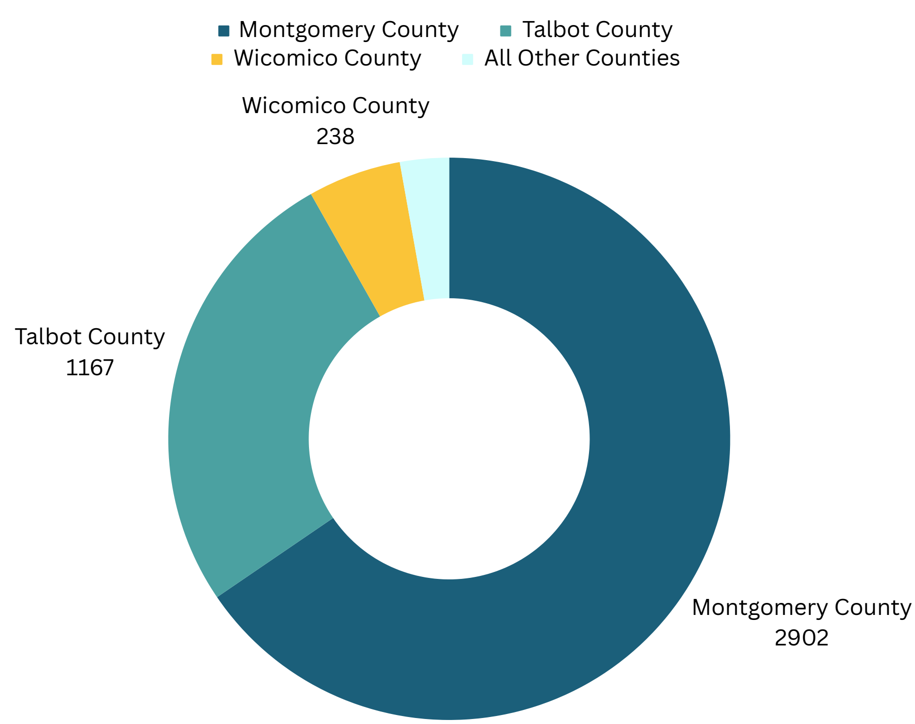
One aggressive collection tactic is to place a lien against an individual's home. In Maryland, nonprofit hospitals placed 4,432 liens placed on families homes over a nine year period, Montgomery County and Talbot County being the most aggressive in placing liens.

Some private doctors' practices and diagnostic services also place a lien against a home as a collection tactic. One Baltimore County dental practice has placed liens against 93 patients for amounts as low as $180.

A lien appears on banking records making it very difficult for a homeowner to secure credit, such as a home equity loan to fix burst pipes in the winter, and hampers their ability to sell or refinance their home. Homeowners refinance monthly payments, obtain lower interest rates, or access home equity.

Limiting the ability of homeowners to tap into home equity because of an illness has several unfortunate consequences. First, it may reduce the ability of the health provider to get paid if the homeowner planned to use those funds to pay the balance owed. Secondly, because the majority of medical debt lawsuits are concentrated in low-income communities of color — which continue to experience lower home values, lower appraisals, and more difficulties in obtaining home loans[8]— limiting the ability of a homeowner to refinance has the effect of widening the racial wealth gap and exacerbating existing inequalities.

Medical Debt Liens Filed by County



8 Examining Racial Disparities in Maryland's Housing Market DHCD December 2022

Solution - HB673/SB630

HB673/SB630 simply removes the ability to collect a medical debt by placing a lien on a home. Someone's home, their equity, should not be at risk because they or a loved one fell ill.

In 2021, the General Assembly passed HB565/SB514 which prohibited a lien on a home of a patient that qualified for free care from a nonprofit hospital. This legislation builds on that work and expands it to include other health care providers, like dentists and specialists.

Eleven states and territories prohibit liens on primary residences including: Arkansas, Florida, Iowa, Kansas, New York, Oklahoma, South Dakota, Texas, Washington D.C. and Puerto Rico. Three other states prohibit the filing of liens against the homes of people who are ill or have disabilities (Louisiana, Ohio, and Virginia).[9]

What the Bill Doesn't Do

- Cover unnecessary procedures.The bill is limited to medically necessary procedures so that it doesn't cover cosmetic or other treatments.

- Let the Wealthy Off. It is limited to a patient's primary residence so wealthy patients could still have a lien placed on their vacation homes as well as have their wages and bank accounts garnished.

What the Bill Does Do

- Protect Low-income families with medical debt. The vast majority of people sued for medical bills are low-income and people of color. This bill protects patients' homes. Destabilizing a patient's housing ensures that they will be less likely to pay off a judgment in the future.

No one should lose their home due to medical debt. Support HB673/SB630

9 Arkansas (Ark. Const. art. 4); Washington DC (D.C. Code § 15-501(a)(14)), Florida (Fla. Stat. Ann. §§222.01, 222.02, & Fla. Const. Art. X §4); Iowa (Iowa Cn Maryland's Hode Ann. § 561.156); Kansas (Kan. Stat. Ann. §60-2301); Maryland (Md Health Code §19-214.1); Oklahoma (31 Okla. St. Ann §2); Puerto Rico (PR Home Protection Act No. 195); South Dakota (S.D. Cod. Laws §43-45-3); and Texas (Tex Const. Art XVI, §§50, 51 & Tex Prop. Code §§41.001-.002).