



Testimony to the House Economic Matters Committee
Consumer Protection - Credit Reporting - Medical Debt (Fair Medical Debt Reporting Act)
Position: Favorable

February 18, 2025

The Honorable C.T. Wilson, Chair
House Economic Matters Committee
Room 231, House Office Building
Annapolis, Maryland 21401
cc: Members, House Economic Matters

Chair Wilson and members of the committee:

Economic Action, formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights and equity for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland. Our direct service programs assist clients in every county in Maryland.

We are here in strong support of HB1020. HB1020 builds on the good work Maryland has done related to hospital medical debt and expands consumer protections at this critical time into outpatient medical debt.

Medical debt remains a problem in Maryland. In 2023, 14% of Maryland voters had a medical bill or medical debt that they or someone in their household is unable to pay. Medical debt hit Black-led households harder, with 23% of African-Americans polled having an unaffordable medical bill¹. 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 visits².**

¹ September 2023 Gonzales Poll Commissioned by Economic Action Maryland (then Maryland Consumer Rights Coalition)

² September 2023 Gonzales Poll Commissioned by Economic Action Maryland (then Maryland Consumer Rights Coalition)

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494
info@econaction.org · www.econaction.org
Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.



HB1020 includes the use of high-cost health care credit cards that are aggressively marketed to patients and often lead to unaffordable debt. A recent report³ of legal service groups reported that of clients with medical care credit cards; 68% were sued by the cardholder; 65% were not screened for assistance; 65% were not offered a payment plan, 53% had difficulty making payments, 47% were told the card was 0% interest when it was actually deferred interest, and 47% had negative information reported to a credit reporting agency.

Although representatives for the debt-buying industry may claim that it is difficult to determine what debt is medical debt, the largest of the health care financing companies issues a specific QR code to each dentist, physical therapist, lab, and testing facility it contracts with. This means that the firm can simply see via the individual QR code if that was issued at the health care providers office or facility.

Credit

Credit scores are critical tools that consumers rely upon to qualify for mortgages or apartments, car loans, other consumer loans and in some cases, employment. Medical debt is different from other types of consumer debt—consumers don't choose to take on this debt, it is often due to an emergency health care issue or long-needed health care treatment. In fact, the Consumer Financial Protection Bureau's research has found that medical debt is less predictive of future consumer credit performance than other kinds of consumer debt⁴.

Moreover, medical debt bills are rife with unreliable information. This means that debt buyers are often pursuing patients for debt with little or no supporting documentation and the pursuits may be unwarranted.

For example, Portfolio Recovery Associates (PRA Group) has 103 complaints in the Consumer Financial Protection complaint database alleging that the group tried to collect on debt that was not owed, the amount collected was incorrect, there was not enough information to collect on the debt and more (see attachment for more data).

Credit is important for consumers, particularly as the cost of living increases, access to credit is a critical tool for working families should they need to avail themselves of it. Medical debt is not predictive of other credit performance and is often unreliable.

³ https://www.nclc.org/wp-content/uploads/2023/04/Report_Health-Care-Plastic.pdf

⁴

<https://www.consumerfinance.gov/about-us/newsroom/cfpb-letter-to-massachusetts-state-legislature-on-barring-medical-bills-on-credit-reports/>

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494

info@econaction.org · www.econaction.org

Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.



Removing medical debt from credit reports has not had a negative impact on credit reporting agencies according to VantageScore, a firm that elected to eliminate all medical collection data from one of their scoring models and noted that it expected the impact “to be minimal for a large segment of the population.”⁵

On January 7, 2025 the CFPB finalized a rule that bans the inclusion of medical bills on credit reports. The CFPB was sued on the rule. Currently the rule is stayed for 90 days, although that may change given the change in leadership.

In 2023, New York and Colorado passed legislation to ban the inclusion of medical debt on credit reports. A number of states including Massachusetts, South Dakota, and are also taking up the issue in 2025.

While opponents may suggest that Maryland should not expand or build upon the CFPB’s rule, the CFPB itself disagrees saying: *States play a frontline role in protecting consumers from unscrupulous practices, including by enacting laws that go further than or reinforce federal protections*⁶.

HB1020 builds on the CFPB’s strong, data-driven rule, protects Maryland patients and households from having medical debt placed on their credit reports, and expands access to credit and financial security for struggling households across the state.

For these reasons, we urge a favorable report on HB1020.

Best,

Marceline White
Executive Director

⁵ *ibid*

⁶ *ibid*