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February 18, 2025

TO: The Honorable, Pamela Beidle, Chair
Senate Finance Committee

FROM: Irnise F. Williams, Deputy Director, Health Education and Advocacy Unit

RE: Senate Bill 0614- Consumer Protection - Credit Reporting - Medical Debt (Fair
Medical Debt Reporting Act)- **SUPPORT WITH SPONSOR AMENDMENTS**

The Health Education and Advocacy Unit (HEAU), supports Senate Bill 614, with the sponsor's amendment of the definition of medical debt and the removal of provisions in the hospital financial assistance and debt collection statutes that become obsolete with the passage of this bill. This bill will protect Marylanders from the burdens of having medical debt on their consumer reports, making it easier for them to get jobs, secure credit, secure housing and build long-term wealth.

The Consumer Financial Protection Bureau's (CFPB) [research](#) reveals that a medical bill on a person's credit report is a poor predictor of whether the person will repay a loan. Among consumers who report problems paying medical bills, 66% acquired their debt because of a one- time short term expense arising from an acute medical need.¹ The CFPB also reported that debt collectors were using the credit reporting system to coerce payment from patients for inaccurate or otherwise false and misleading medical bills.

The Health Education and Advocacy Unit assists consumers who reach out to us when they receive collection notices for bills, they don't believe they are responsible for paying. Many of these consumers choose to pay the bill to avoid adverse credit reporting even though:

- the provider is improperly balance billing the consumer;
- the bill is for services that are subject to an open appeal of a carrier's adverse decision;

¹ Consumer Financial Protection Bureau, *Complaint Bulletin: Medical billing and collection issues described in consumer complaints* (April 2022), <https://www.consumerfinance.gov/data-research/research-reports/complaint-bulletin-medical-billing-and-collection-issues-described-in-consumer-complaints/>

- the bill has already been paid;
- the bill is for services never performed by the provider; or
- the consumer is eligible for hospital financial assistance.

For these reasons, and others, the CFPB finalized a [rule](#) in January that would remove an estimated \$49 billion in medical bills from the credit reports of about 15 million Americans. This rule also bans the inclusion of certain medical debt on credit reports and prohibits lenders from using medical information in their lending decisions. This rule currently faces legal challenges, and it is unclear if the CFPB will defend the rule. Accordingly, and even before the legal challenges, [states were being encouraged](#) by the [CFPB](#) to create state laws that extend or bolster federal protections, noting that the Fair Credit Reporting Act does not preempt state laws that impose additional requirements on consumer reports. Numerous states, including California, Colorado, New York, Massachusetts, Washington, Oregon and South Dakota have enacted or have introduced bills that would ban medical debt from being included on credit reports or factored into credit scores.

Ensuring that Marylanders can continue to be protected from the burden of medical debt on their credit reports will extend the opportunity for consumers to be able to access financial options for their future, improve healthcare access and continue to improve credit scores.

We urge a favorable report on Senate Bill 614.

cc: The Honorable Clarence K. Lam