

Testimony in Support of Senate Bill 0614

Consumer Protection-Credit Reporting-Medical Debt (Fair Medical Debt Reporting Act)
Before the Finance Committee: February 20, 2025

The Public Health Law Clinic submits this testimony in support of Senate Bill 0614, which aims to protect patients in Maryland from being penalized for seeking medical care and taking on the associated financial costs of treatment. Healthcare related debt burdens 41% of adults in this country. Almost 25% express having difficulty paying off these debts, needing extra time beyond due dates to pay off such debt, or being forced to put medical bills on credit cards or take out loans from family members or banking institutions to pay medical debt.¹ Senate Bill 0614 limits the impact of medical debt by prohibiting consumer credit reporting agencies from including most medical debt information in a consumer report, limiting the disclosure of medical debt collections to consumer reporting agencies, and generally protecting the creditworthiness of individuals who acquire medical debt.

By nature, medical debt is unique and poses special risks to patients and consumers compared to other types of debt. The need for medical care is often unexpected and such costs are usually associated with unforeseen incidents such as an accident or sudden illness. Medical treatment is often expensive, and patients are not usually informed about the costs of medical treatment in advance and have few options to “price compare” or “shop around.” Additionally, medical billing procedures are confusing and complicated. In 2022, about 53% of adults who had medical debt expressed there were inaccuracies or inconsistencies with their bills, but less than half of that number mentioned that they knew how to appeal or dispute the bill.²

I have experienced firsthand how pervasive the effects of medical debt can be. Prior to attending law school, I worked in the healthcare field in both direct patient care and administrative positions. I had patients tell me they wanted to pursue less effective treatments because the best options for their condition were too expensive. I have fielded phone calls from families who, upon receiving a bill for care their child needed, told me they would have to go hungry for the next two weeks until they got paid again because of the bill. Even on the provider side, I have been a part of the scramble to find alternative funding options for a patient whose life-saving care was denied insurance coverage, because we did not want to save a life physically but ruin a life financially.

Patients across the country are at the mercy of high medical costs that they don’t quite understand and don’t know how to pay for, and the impacts are felt in many places besides bank accounts. Marylanders are not spared. Between 2009-2018, Maryland hospitals filed 145,746 medical debt lawsuits, leading to 3,278 patients filing for bankruptcy and 37,370 patients having their wages garnished. Shockingly, the median amount of debt targeted in the thousands of

¹ *Health Care Debt In The U.S.: The Broad Consequences of Medical and Dental Bill*, KFF (2022), <https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/>.

² Consumer Finance Protection Bureau, *Prohibition on Creditors and Consumer Reporting Agencies Concerning Medical Information (Regulation V) Final Rule*, (January 7, 2025), https://files.consumerfinance.gov/f/documents/cfpb_med-debt-final-rule_2025-01.pdf.

destructive lawsuits is a meager \$944.³ According to the Consumer Finance Protection Bureau (CFPB), the presence of medical debt of any amount on a consumer report, even for individuals who are capable of or are currently making payments on their debt, can increase the costs and reduce the availability of credit, and affect access to employment and housing.⁴ Unpaid medical debt is not differentiated from other forms of collections or debt such as credit card balances or personal loans on a consumer credit report. This can overlook the unique aspects of medical debt and exponentiate the effects medical debt can have on an individual's consumer credit report and rating.

Recognition of the deleterious impact medical debt has on individual creditworthiness has grown at the national level and even among credit reporting agencies in recent years. The CFPB issued a series of final rules in 2021, requiring debt collectors to notify a consumer about medical debt before reporting the debt to a consumer reporting agency.⁵ In 2022, the largest national credit reporting agencies (NCRAs) announced voluntary changes to credit reporting processes, including the postponement of including medical collections on a consumer report for up to one year, the elimination of paid medical collections from consumer reports, and that medical collections of less than \$500 would not be included in consumer reports.⁶ As a result, in 2022, over 15 million consumers had their medical debt erased from their credit reports and over 27 million adults saw their credit rating improve from a subprime level (below 600) to near prime level (between 601 and 660).⁷ However, there are loopholes on how medical debt can affect individual creditworthiness, especially in applications for government subsidized mortgages, which utilize less modern forms of credit determination that do not incorporate these recent changes. Additionally, recent changes in the federal government have curtailed the ability of agencies such as the CFPB to enact or enforce measures to protect individuals with medical debt. And the credit reporting agencies' voluntary actions can be withdrawn at any time. Senate Bill 0614 represents a timely, critical step for the General Assembly to ease the burden of medical debt off the shoulders of all Marylanders, protect patients from the outsized economic effects medical debt can have outside of healthcare settings, and ultimately help nurture the physical and economic health of all.

³ National Nurses United, *Preying On Patients: Maryland's Not-for-Profit Hospitals and Medical Debt Lawsuits*, (February, 2020), https://www.nationalnursesunited.org/sites/default/files/nnu/graphics/documents/0220_JHH_PreyingOnPatients_Report.pdf.

⁴ CFPB, *supra* note 2.

⁵ 12 C.F.R. 1006.30(a).

⁶ PR Newswire, *Experian and TransUnion Remove Medical Collections Debt Under \$500 From U.S. Credit Reports*, (April 11, 2023), <https://www.prnewswire.com/news-releases/equifax-experian-and-transunion-remove-medical-collections-debt-under-500-from-us-credit-reports-301793769.html>.

⁷ The Urban Institute, *Medical Debt Was Erased from Credit Records for Most Consumers, Potentially Improving Many Americans' Lives*, (November 2, 2023), <https://www.urban.org/urban-wire/medical-debt-was-erased-credit-records-most-consumers-potentially-improving-many>.

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Conclusion

SB 0614 by itself will not solve medical debt issues or the high costs of healthcare. However, in the face of stalled patient and consumer protective actions at the federal level, the General Assembly can proactively implement measures to safeguard creditworthiness, economic livelihoods, and general wellbeing for all Marylanders. For these reasons, we request a favorable report on SB 0614.

This testimony is submitted on behalf of the Public Health Law Clinic at the University of Maryland Carey School of Law and not by the School of Law, the University of Maryland, Baltimore, or the University of Maryland System.