



Testimony to the Senate Finance Committee
SB 614 – Consumer Protection– Credit Reporting – Medical Debt
Position: Favorable

The Honorable Pam Beidle
Senate Finance Committee
3 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Senate Finance Committee

Feb. 20, 2025

Honorable Chair Beidle and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works to secure safety, transparency, and fair treatment for Maryland drivers and consumers.

We support **SB 614** because it will protect Maryland consumers from suffering serious (and often unfair) harm to their credit records as a result of medical debts.

Although research has shown that difficulty paying medical debts has relatively little value as a predictor of future financial or other behavior, those problems can have a serious impact on a consumer's access to credit or a mortgage, on how much they will pay for insurance or a car loan, and even their ability to rent a home or get a job. And with federal efforts to protect consumers against such impacts receding, it's especially important that Maryland establish new safeguards.

As a result of the high cost of medical care, medical debt has become shockingly common -- and not just among low-income or uninsured Americans. Recent estimates find that U.S. consumers owe at least \$195 billion in medical debt.¹ An extensive Kaiser Family Foundation (KFF) survey published in 2022 found that 41% of U.S. adults had medical debt and 24% reported being unable to pay that debt. One in seven adults said they had been denied care by another medical provider because of outstanding medical debt.²

Medical debt is significantly different from other debt – in ways that make its impact on our credit records more unfair than other debt issues. Unlike other financial liabilities, medical debt is a burden no one wants and almost no one chooses to take on voluntarily. Indeed 72% of those with such debts told KFF they were prompted by a single unfortunate medical issue or a short-term problem.³ And with the cost of even a few days in the hospital now likely to be well in excess of \$10,000 – and much greater bills sure to come if you or a family member develops a truly serious health problem -- a single illness can easily leave even a middle-income or more prosperous family with decent health insurance unable to pay all their medical bills. Studies have also found that

¹ <https://www.marylandmatters.org/2022/08/29/new-safeguards-in-maryland-and-other-states-may-help-those-who-are-drowning-in-medical-debt/>

² <https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/>

³ Ibid.



medical debts reported to credit bureaus are more likely than other debts to be inaccurate and in many cases are unknown to consumers until they appear on their credit reports.

Yet these problematic debts have long plagued consumer credit reports. As recently as early 2022, the Consumer Financial Protection Bureau (CFPB) found that medical collections represented a majority of collections “tradelines” on consumer credit reports.⁴ And their outsized role in consumer credit rating is particularly troubling as the bureau’s own 2014 study indeed found that “the presence of medical collections tradelines on consumer reports is less predictive of future defaults or serious delinquencies than the presence of nonmedical collections tradelines.”⁵

Now some useful reforms have eased the impact of medical debt in recent years. Under regulatory pressure from the Biden administration, the leading credit bureaus in 2022 agreed, for instance, to remove certain information about medical debts from credit reports (including data on debts under \$500) and increase the grace period for reporting unpaid medical debts.⁶ That change significantly reduced the presence of medical debt in our credit reports

Further relief appeared to be at hand when, after years of study and comment periods on further reforms, on Jan. 7 CFPB finally announced new rules that promised to prohibit the inclusion of medical bills on credit reports and prevent lenders from using medical information in credit decisions. The bureau estimated that its new regulation would remove another \$49 billion in medical debts from the credit records of 15 million Americans – improving their credit scores by an average of 20 points – and leading to about 22,000 additional mortgage approvals/year.⁷

Sadly, that final rule (like other CFPB actions) has now been put on hold by the new Trump administration – and likely will never take effect.⁸ And with the new administration likely backing off regulatory pressure on the credit bureaus, we may wonder how long the reforms announced in 2022 will continue to be in effect.

This makes it all the more important for Maryland to act quickly and strongly to protect the many thousands of Marylanders who still have outstanding medical debt on their credit reports. **SB 614** offers us a great opportunity to do so. Among other key consumer protections, the bill will prohibit:

- Consumer Reporting Agencies from reporting or maintaining any files containing adverse information or collection activity related to medical debts.
- Lenders and others from using medical debt data to determine eligibility for credit.

⁴ <https://www.federalregister.gov/documents/2024/06/18/2024-13208/prohibition-on-creditors-and-consumer-reporting-agencies-concerning-medical-information-regulation-v>

⁵ Ibid.

⁶ <https://www.urban.org/urban-wire/medical-debt-was-erased-credit-records-most-consumers-potentially-improving-many>

⁷ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-rule-to-remove-medical-bills-from-credit-reports/>

⁸ <https://www.theguardian.com/us-news/2025/feb/04/medical-debt-reform-trump>



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- Hospitals and other health care facilities from disclosing medical debt information to a credit reporting agency.

It would also require health care facilities to make any debt collectors they work with pledge not to share such information – and void any contract that fails to do so.

In 2023 and 2024 eight states acted to protect consumers against the unfair harm medical debt can do to their credit record and their financial lives by prohibiting medical debts from appearing on credit records (including New York, California and Colorado).⁹

Maryland needs to step up and provide similar protections by passing **SB 614**.

We support SB 614 and ask you to give it a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto

⁹ <https://www.federalregister.gov/documents/2024/06/18/2024-13208/prohibition-on-creditors-and-consumer-reporting-agencies-concerning-medical-information-regulation-v>