SB 981 - final draft.pdf
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Position: FAV

Senate Bill 981- Hospitals – Financial Assistance and Collection of Debts – Policies

In the Senate Finance Committee
Hearing on February 18, 2025 at 1:00 p.m.
Position: FAVORABLE

Maryland Legal Aid (MLA) submits its written testimony on SB 981 at the request of bill sponsor Senator Stephen Hershey.

Maryland Legal Aid (MLA) is a non-profit law firm that provides free legal services to Maryland State's low-income and vulnerable residents, including abused and neglected children, nursing home residents, and veterans. With 12 offices serving residents in each of Maryland's jurisdictions, MLA handles civil legal cases involving a wide range of issues, including family law, housing, public benefits, consumer law, and criminal record expungements. MLA strongly supports SB 981.

The Need for Reform

SB 981 represents a vital reform in Maryland's approach to hospital financial assistance policies. This bill will expand access to financial assistance for those living paycheck to paycheck, promote transparency and consistency in hospital financial aid, and eliminate medical debt lawsuits for small balances that often disproportionately harm low-income families. Medical debt is a significant issue for Maryland residents, especially among low-income and marginalized communities. Key data highlights the urgent need for reform:

1. Maryland hospitals filed over 140,000 lawsuits to recover medical debt between 2009 and 2018, with more than 25% of these cases resulting in wage garnishments.[1] These lawsuits disproportionately impact low-income households.

2. Residents in Maryland's lowest-income regions are three times more likely to be sued for medical debt than those in higher-income areas.[2]

3. According to a 2024 Johns Hopkins Bloomberg School of Public Health study, individuals with medical debt are significantly more likely to delay or forgo necessary care. Among adults with current depression, 36.9% delayed seeking mental health care, and 38% did not receive needed care in the past year.[3]

[1] Abell Foundation. (2019). Limits on medical debt lawsuits: How Maryland hospitals collect millions in debt from low-income patients. See https://abell.org/publication/limits-on-medical-debt-lawsuits.
[2] Id.
[3] Johns Hopkins Bloomberg School of Public Health. (2024). Medical debt and barriers to mental health care access. See https://publichealth.jhu.edu.

At MLA, we have directly observed the harm caused by these practices. Many of our clients, despite being eligible for financial assistance, face aggressive collection tactics, including lawsuits and inaccurate credit reporting. Such practices not only erode trust in the healthcare system but also compound financial stress, perpetuate credit woes, and delay or prevent patient access to critical medical care.

Client Stories

Consider the case of Ms. J., a single mother from Baltimore City. After a minor but medically necessary surgery at a local hospital, Ms. J. received a bill she could not immediately pay. She was unaware that the hospital had included a 'sign under seal' provision in her discharge paperwork. Seven years later, she was served with a lawsuit demanding payment. By then, the interest and fees had grown the original $800 bill to over $2,000. Struggling to make ends meet with garnished wages, Ms. J. was overwhelmed trying to cover basic expenses like rent, transportation, and childcare, and was forced to file for bankruptcy.

How SB 981 Helps: By limiting the statute of limitations for medical debt to three years, the bill would prevent hospitals from reviving long-settled financial burdens and keep medical debts off her credit report, protecting individuals like Ms. J. from prolonged hardship.

Another example is Mr. R., a retired veteran living alone in Southern Maryland. His main source of income is Social Security. Mr. R. received a bill for $600 after an accident in his home resulted in a hospital visit. Although he qualified for financial assistance, he was never informed of his eligibility. The hospital's use of a 'sign under seal' clause allowed them to pursue the debt for over a decade. Mr. R. eventually had to choose between paying the debt and affording his medication.

How SB 981 Helps: The bill's requirement for hospitals to improve transparency and notify patients of financial assistance options would ensure that eligible individuals like Mr. R. receive the help they need.

These stories are not isolated. They reflect a systemic issue that disproportionately impacts Maryland's low-income residents.

The "Sign Under Seal" Issue

A particularly egregious practice is the use of "sign under seal" provisions, which extend the statute of limitations for medical debt from 3 to 12 years. Clients have recounted being unaware that they were committing to prolonged liability simply by signing standard hospital forms. This tactic disproportionately impacts low-income individuals, perpetuating cycles of poverty and

discouraging trust in the healthcare system. HB 268 builds on recent efforts to address these challenges. Key provisions include:

1. **Eliminating the "Sign Under Seal" Practice**

Maryland's "sign under seal" provision unfairly extends the statute of limitations from 3 to 12 years. This practice traps patients in prolonged debt cycles and contradicts principles of fairness and justice. Maryland's general statute of limitations for contract actions is 3 years and there is no reason to grant hospitals the ability to extend that period for an additional 9 years.

2. **Creating Standard Subsidy Levels**

Current law allows hospitals to determine their subsidy levels for reduced-cost care, leading to wide variability. SB 981 ensures consistent and equitable subsidy levels for eligible patients statewide.

3. **Prohibiting Reporting to Credit Agencies**

Medical debt is not a reliable indicator of one's financial capability or creditworthiness. By banning adverse credit reporting for medical debt, this bill prevents long-term financial repercussions, such as difficulty securing housing or access to credit. At present, there is a federal rule prohibiting medical debt credit reporting, but that rule is in jeopardy. State protections are needed to ensure consumers are protected.

4. **Banning Lawsuits for Debts Under $500**

Small-debt lawsuits often create undue hardship, particularly for low-income individuals who must take time off work, arrange childcare, and incur transportation costs to attend court. These lawsuits provide negligible value to hospitals while inflicting significant harm.

Medical debt is not merely a financial burden; it is a barrier to health care and economic stability. Research reveals that individuals with medical debt are significantly more likely to delay or forgo necessary care, prolonging health problems and increasing future costs of care. Furthermore, economic studies reveal that hospital collection practices disproportionately impact low-income Marylanders and communities of color, perpetuating cycles of poverty and exacerbating health disparities. By addressing these inequities, SB 981 prioritizes fairness and transparency while protecting Maryland families from unjust financial strain.

This legislation is a vital step toward a more equitable and compassionate health care

system. Therefore, Maryland Legal Aid strongly urges the committee to given SB 981 a favorable report. Thank you for your time and attention to this critical matter. I am happy to answer any questions.

Respectfully Submitted,

Anthony Davis
Advocacy Director for Consumer Law
Maryland Legal Aid, Inc.
500 E. Lexington Street
Baltimore, Maryland 21202
Phone: (410) 951-7703
Email: adavis@mdlab.org

SB981 Hospital Debt Prevention Act 1199 Written Te

Uploaded by: Brige Dumais

Position: FAV

Testimony on SB981

Hospitals - Financial Assistance and Collection of Debts - Policies

Position: **FAV**

To Chair Beidle and Senate Finance Committee Members:

My name is Brige Dumais, and I am the Political Coordinator with 1199SEIU United Healthcare Workers East. We are the largest healthcare workers union in the nation, with 10,000 members in Maryland and Washington, DC. 1199SEIU urges a **favorable** report on SB981 to expand access to financial assistance to patients living paycheck to paycheck, increase transparency and consistency in hospital financial assistance, and prohibit medical debt lawsuits for patients owing $500 or less.

Medical debt is a major problem for Maryland residents, especially those from low-income households and among communities of color. An average hospital stay costs $14,200. Maryland hospitals often sue their former patients to collect medical debts below $5,000. A study[1] found that many of the patients sued by hospitals were their own workers – including workers represented by 1199SEIU.

1199SEIU is always concerned about the delivery of quality health care to patients as well as the debt its own hard-working people may incur in receiving health care. SB981 will advance those goals by setting standard subsidy levels for patients who are eligible for reduced cost care, ensuring all patients receive affordable care wherever they may be hospitalized; prohibiting reporting of hospital debt to credit agencies; and barring hospitals from suing patients who owe less than $500. We support SB981and urge a favorable report.

In Unity,

Brige Dumais, Political Coordinator
brigette.dumais@1199.org

[1] https://www.nationalnursesunited.org/sites/default/files/nnu/documents/0220_JHH_PreyingOnPatients_Report-opt.pdf

SB 981 - Hospitals - Financial Assistance and Coll
Uploaded by: Donna Edwards
Position: FAV

MARYLAND STATE & D.C. AFL-CIO

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Secretary-Treasurer
Gerald W. Jackson

SB 981 - Hospitals - Financial Assistance and Collection of Debts - Policies
Senate Finance Committee
February 18, 2025

SUPPORT

Donna S. Edwards
President
Maryland State and DC AFL-CIO

Madame Chair and members of the Committee, thank you for the opportunity to submit testimony in support of SB 981. My name is Donna S. Edwards, and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of Maryland's 300,000 union members, I offer the following comments.

Medical debt is a significant problem for Marylanders, disproportionately affecting minority communities and low-income households. SB 981 ensures financial assistance and prevents aggressive debt collection by requiring hospitals to develop policies for providing free and reduced cost care to patients, increasing transparency to allow patients an adequate amount of time to request financial assistance, and prohibits lawsuits for patients owing $500 or less.

By expanding financial assistance eligibility and requiring clear and consistent hospital policies, this legislation supports consumers and healthcare workers alike from incurring crippling debt that often hinders their ability to obtain housing, education, and financial stability. It also ensures that hospitals provide assistance fairly and equitably to look out for our most vulnerable residents, reducing disparities in care and financial burden.

SB 981 is a crucial step toward a more fair and equitable healthcare system. For these reasons, we urge a favorable vote on SB 981.

Progressive MD. FAV.SB981.pdf
Uploaded by: Erica Puentes
Position: FAV

PROGRESSIVE MARYLAND
P.O. Box 6988, Largo MD 20774
ProgressiveMaryland.org
Info@progressivemaryland.org

Bill Title: SB981 Hospitals - Financial Assistance and Collection of Debts - Policies
Position: SUPPORT (FAV)
To: Senate Finance Committee
From: Erica Puentes**,** Legislative Coordinator, on behalf of Progressive Maryland

Dear Chair Beidle, Vice Chair Hayes, and Committee Members,

Progressive Maryland is a statewide non-profit grassroots advocacy group that works for a more just, equitable, and patient centered healthcare system. We know from our work in communities across the state that too many Maryland families are saddled with medical debt, tens of thousands of them with hospital debt.

While our state has made some progress shoring up the rights of hospital patients and addressing the need to reimburse hospital patients who were eligible for reduced cost or free care but didn't receive it, more needs to be done to prevent medical debt in the first place.

Progressive Maryland strongly supports SB981, a hospital debt prevention bill that will deliver benefits to everyday Marylanders. We ask that you hold a favorable vote in Committee and that you urge your Senate colleagues to support SB981 in the full Senate. Marylanders will applaud your efforts to support them and to hold hospitals more accountable.

The bill is valuable, in particular, because it will create minimum standard levels of subsidy for patients eligible for reduced cost care. It should not matter which hospital a Marylander uses; we should be assured that we can afford care no matter which hospital in Maryland we use.

In addition to setting minimum standards, the measure will rein in some of our hospitals' harmful practices. For example, the practice of reporting hospital debt and other adverse information related to hospital debt to credit agencies, which undermines patients' ability to secure housing and other services, will be prohibited. And as things currently stand, hospitals are able to sue patients who are already burdened by uncertainty about their health and finances. SB981 takes a good step to address this situation by prohibiting hospitals from suing patients who owe less than $500. For this reason, **Progressive Maryland urges a favorable report on SB981.** Thank you for your consideration.

Sincerely,

Erica Puentes, Legislative Coordinator
Progressive Maryland

ACSCAN_FAV_SB981.pdf
Uploaded by: Lance Kilpatrick
Position: FAV

Memorandum In Support of SB 981 – Senator Hershey

Senate Finance Committee

February 18, 2025

American Cancer Society Cancer Action Network is the nonprofit nonpartisan advocacy affiliate of the American Cancer Society. ACS CAN empowers cancer patients, survivors, their families and other experts on the disease, amplifying their voices and public policy matters that are relevant to the cancer community at all levels of government. We support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem. On behalf of our constituents, many of whom have been personally affected by cancer, we stand in strong support of SB 981.

Medical debt impacts many people with cancer, their caregivers and their families. ACS CAN has long fought for public policies – like access to comprehensive and affordable health insurance coverage – that reduce the likelihood or severity of that debt. Unfortunately, many Americans remain uninsured or underinsured and even those with comprehensive coverage can still incur significant medical debt.[1,2] People with cancer often bear significant health care costs because they can have substantial health care needs, are high utilizers of health care services, use many different providers, and sometimes require more expensive treatments. They also must pay many indirect costs, like transportation and lodging as well as losing wages due to unpaid time off or job loss, that add to their already heavy cost burden.

In March & April of 2024, ACS CAN asked people with cancer and survivors about their experiences with medical debt through a Survivor Views survey. The survey found that nearly half of the cancer survivors surveyed carried medical debt related to their cancer treatment:[i]

49% of those with debt owed over $5,000
35% have carried their debt for more than three years
55% have gone to collections
49% say their cancer debt has hurt their credit score

SB 981 builds on medical debt protection legislation enacted in 2021 (Chapter 770) by tightening protections for patients by, among many things:

- standardizing financial assistance levels for patients who are eligible for reduced cost care, ensuring all patients can afford care regardless of the hospital where they are receiving it;
- prohibiting reporting of hospital debt and other adverse information related to hospital debt to credit agencies;
- prohibiting hospitals from suing patients when they owe $500 or less.

This legislation will move us closer to our goal of preventing Maryland residents with cancer, survivors, caregivers and their families from incurring and suffering from medical debt as a result of necessary cancer treatment. ACS CAN thanks the Chair and committee for the opportunity to testify and urges a favorable report of SB 981.

1Banegas MP, Guy GP, de Moor JS, et al. For Working-Age Cancer Survivors, Medical Debt And Bankruptcy Create Financial Hardships. Health Aff (Millwood). 2016;35(1):54-61. doi:10.1377/hlthaff.2015.0830

2 Death or Debt? National Estimates of Financial Toxicity in Persons with Newly-Diagnosed Cancer - The American Journal of Medicine. Accessed April 9, 2021. https://www.amjmed.com/article/S0002-9343(18)30509-6/fulltext

Lance Kilpatrick, Government Relations Dir. | lance.kilpatrick@cancer.org | fightcancer.org | 410-547-2143

SB0981_FAV_End Medical Debt Maryland.pdf
Uploaded by: Lindsey Muniak
Position: FAV

END MEDICAL DEBT MARYLAND

SB0981 - Hospitals - Financial Assistance & Collection of Debts
Position: FAVORABLE

Finance Committee
February 18, 2025

Dear Chair Beidle, Vice Chair Hayes, and Members of the Finance Committee:

End Medical Debt Maryland is a coalition of consumer protection organizations, labor unions, civil rights groups, and patient advocates united in our efforts to end medical debt in Maryland. Our coalition is comprised of more than 60 organizations, as well as individual community members across Maryland who have been impacted by the experience of medical debt. Together we represent more than 400,000 Marylanders working to end the devastating impacts of medical debt on families throughout the state.

We write to express our strong support for SB0981. This legislation would establish long-overdue standards for hospital financial assistance provision. It would also implement common-sense protections for Marylanders from some of the most aggressive and predatory practices employed by hospitals to collect medical debt that, in many cases, patients should not even owe.

More than 100 million Americans, over 40% of adults in the country, are currently struggling with medical debt. This is a crisis that crosses lines of political division and has devastating consequences for the economic lives of constituents in every district across the state, regardless of party affiliation.

Maryland has been widely recognized in recent years for its leadership in implementing state-level medical debt protections, and our state now has the opportunity to continue leading on this urgent and widely-felt issue by passing this legislation.

We strongly urge the Committee to issue a favorable report on SB0981.

Sincerely,
End Medical Debt Maryland

EconAction SB981 Hospital Fin Assistance FAV (1).p

Uploaded by: Marceline White

Position: FAV

Testimony to the Senate Finance Committee
SB981 Hospitals - Financial Assistance and Collection of Debts - Policies
Position: Favorable

February 18, 2025

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

Chair Beidle and Members of the Committee:

Economic Action Maryland (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.

We are here in strong support of SB981 which builds on this committee's important work over the past few years of expanding health care access for working families and reducing medical debt. SB981 establishes consistent thresholds and discounts for reduced-cost care throughout Maryland's hospital system, expands notice requirements so that patients are aware of financial assistance and payment options, protects patients credit, and bans medical debt lawsuit for the most vulnerable households.

All Maryland hospitals are nonprofit and are required to provide free and reduced cost care as a condition of their tax-exempt status. Maryland also has a global-budgeting policy that sets rates and provides hospitals with funds for charity care each year based on last year's expenses.

Medical Debt and Financial Assistance 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[1]. Medical debt hit Black-led households harder, with 23% of

1 Gonzales statewide poll, September 2023 Commissioned by Economic Action Maryland Fund (formerly Maryland Consumer Rights Coalition)

African-Americans polled having an unaffordable medical bill[2]. Of Maryland households struggling with medical debt, 53% say their medical debt is from a hospital visit or combination of outpatient and hospital visits[3].

Coupled with rising costs for basic needs which are 22% higher than they were four years ago, an increasing number of low-and-moderate income households may rely on hospital financial assistance to manage the high costs of healthcare.

Today, there is no consistent threshold for providing discounted care nor for the percentage that the hospital debt is reduced. In practice, this means a patient can receive reduced-cost care at Hospital A but be denied reduced-cost care at Hospital B. This creates a capricious system for charity care and one that leads to disparities in who holds medical debt.

Prior to accessing financial assistance, patients need to know that it exists and is available. In 2020, 29% of Maryland households did not know that hospitals provided charity care. African-Americans comprised 50% of the households who were not aware that hospitals provided financial assistance for income-eligible patients[4].

Low-income patients, many living in majority Black and Brown communities, are three times as likely to be sued for medical debt. Low-income patients are also the ones most affected by negative reporting of medical debt to their credit cards.

SB981 addresses many of these issues by:

- Establishing consistent thresholds and discounts for reduced cost care. This will create a consistent floor across all Maryland hospitals for working families.
- Requiring a signature upon receipt of the hospital financial assistance policy to ensure that a patient or family member has notice of the hospital's financial assistance and payment options.
- Bans hospitals' reporting of medical debt to credit reporting agencies, codifying part of the CFPB's rule.
- Bans medical debt lawsuits for the most vulnerable patients by preventing hospitals from suing on medical debts that are $500 or less.

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2 ibid

3 Ibid

4 https://econaction.org/wp-content/uploads/2025/01/gonzales_poll_2020.pdf

Despite what opponents may claim, hospitals can easily afford the ban on lawsuits which economists estimate will protect more than 3000 lawsuits and represent a loss in revenue per hospital of approximately $3500[5]. Creating clear thresholds for discount care will increase fairness and expand access to healthcare. Expanding notification of financial assistance will enable hospitals to meet their mission in providing charity care.

SB981 puts patients first and builds on this committee's good work to protect patients, reduce medical debt, and expand protections.

For all these reasons we support SB981 and urge a favorable report.

Best,

Marceline White
Executive Director

5 https://econaction.org/wp-content/uploads/2025/01/limits_on_medical_debt_lawsuits_in_maryland.pdf

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Tax ID 52-2266235

HB28_SB981 - Putting Patients First.pdf
Uploaded by: Marceline White
Position: FAV

Putting Patients Over Profits – HB268/SB981

The 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]

Of Maryland households struggling with medical debt, 53% say their medical debt is from a hospital visit or combination of outpatient and hospital visits.[3]

All of Maryland's hospitals are nonprofits which means they receive enormous tax benefits and in return are required by law to provide a financial assistance policy, make it publicly available, and refrain from debt collection until they have determined a patient's eligibility for financial assistance.

Today, with the rising costs of housing, utilities, food, insurance, gas, and healthcare, many hard-working families find that the costs to cover basic needs are 22% higher than they were four years ago.[4]

Coupled with insurance coverage gaps, high deductibles, and dwindling financial cushions, more families than ever need financial assistance-in fact, it may be the difference between managing high costs or falling into unmanageable debt.

Problem - Inconsistent Discounted Care

However, as past research has shown,[5] approximately 60% of UCC (i.e. unpaid charges) attributable to individuals with a household income under 200% of the federal poverty level (FPL) is reported by hospitals as bad debt, rather than free care hospitals are legally required to provide.

Patients who are living paycheck to paycheck may qualify for reduced-cost at one hospital, but pay full freight for medical care at another hospital. This is because, unlike free care, which has been established as 200% FPL for all hospitals across Maryland, there is no consistent standard for reduce-cost care nor for percentage reduction that a patient can expect based on their financial circumstances.

This means that a patient may qualify for reduced cost care at a hospital in Baltimore City and receive a 50% discount, while a patient with the same circumstances could seek care at a hospital in Baltimore County and receive no discount on their care.

Patients often go to a hospital when facing a medical emergency and do not have the ability to choose to attend the hospital with the most favorable reduced-cost care option. Patients' choices might also be limited by geography, where their physician has privileges, or where their insurance policy covers in-network care.

Providing different eligibility guidelines and different levels of discounts for patients creates confusion, This means access to affordable care is conditioned on where one becomes ill or has an emergency. This leads to inequitable outcomes and disparities.

1– Gonzales statewide poll, September 2023 Commissioned by Economic Action Maryland Fund (formerly Maryland Consumer Rights Coalition), 2–ibid, 3–ibid, 4– https://www.nbcnews.com/business/economy/inflation-july-2024-how-is-the-economy-looking-right-now-rcna166226 , 5– https://econaction.org/wp-content/uploads/2025/01/impact_of_hospital_financial_assistance.pdf

Problem – Clear Notice of Current Policies

Many Maryland patients are unaware that hospitals provide free and reduced-cost care. **In 2020, 29% of households did not know that hospitals provided charity care.** African-Americans comprised 50% of the households who were not aware that hospitals provided financial assistance for income-eligible patients.[6]

While notice has improved at some hospitals, many patients are still unaware since notice varies in form and content from hospital to hospital.

Problem – Hospital Extraordinary Collection Actions

When patients fall behind on bills, Maryland hospitals may pursue extraordinary collection actions including reporting medical debt to credit reporting agencies and suing patients for their hospital bill.

On January 5, the Consumer Financial Protection Bureau (CFPB) issued a new rule[7] prohibiting reporting of medical debt to the credit reporting agencies because the CFPB found that medical debt is a poor predictor of repayment and leads to prospective homeowners being turned down for mortgages and tenants screened out of rentals.[8] Three days after the law was finalized, a credit union sued to block the rule.[9]

In Maryland, 19 hospitals surveyed retain the right to report medical debt to credit reporting agencies (the policies were collected prior to the CFPB's new rule) while eight do not report medical debt.[10]

Similarly, most Maryland hospitals reserve the right to sue patients for medical debt although many note they are not currently doing so. Earlier research found that **over a nine-year period, Maryland hospitals filed 145,746 medical debt lawsuits with the median amount sought at $944. These lawsuits were disproportionately concentrated in low-income communities, with three times as many lawsuits per capita filed against residents in the lowest-income regions of Maryland as compared to the highest-income regions.**[11] Many of these low-income communities were majority Black and Brown communities highlighting the racial disparities in medical debt and medical debt lawsuits.

Solution – HB268/SB981

HB268/SB981 addresses many of these issues by:

- Establishing consistent thresholds and discounts for reduced cost care. This will create a consistent floor across all Maryland hospitals for working families.
- Requiring a signature upon receipt of the hospital financial assistance policy to ensure that a patient or family member has notice of the hospital's financial assistance and payment options.
- Bans hospitals' reporting of medical debt to credit reporting agencies, codifying part of the CFPB's rule.
- Bans medical debt lawsuits for the most vulnerable patients by preventing hospitals from suing on medical debts that are $500 or less.

6– econaction.org/wp-content/uploads/2025/01/gonzales_poll_2020.pdf , 7– consumerfinance.gov/rules-policy/final-rules/prohibition-on-creditors-and-consumer-reporting-agencies-concerning-medical-information-regulation-v/ , 8–consumerfinance.gov/about-us/newsroom/cfpb-finalizes-rule-to-remove-medical-bills-from-credit-reports/ , 9– news.bloomberglaw.com/business-and-practice/cfpbs-medical-debt-credit-reporting-ban-faces-industry-lawsuit , 10– lowninstitute.org/projects/hospital-billing-and-collection-practices-a-national-data-set/#

What HB268/SB981 Will Do

Increase fairness of charity care

Patients that are eligible for reduced cost care by income will be eligible for reduced cost care at all Maryland hospitals creating clarity and consistency for both hospitals and patients. Patients will have access to the same discounts wherever they or a loved one may seek care in Maryland and hospitals may use one form to assess patients for charity care since the guidelines are the same across hospital systems.

Increase Access to Healthcare

53% of patients who were unable to pay their hospital bill have delayed care over concern for costs, with African-Americans disproportionately delaying care.[12] Banning lawsuits for hospital bills $500 or under and prohibiting reporting medical debt to credit reporting agencies will increase those seeking care without fear of excessive collection actions. Banning lawsuits of $500 or less will avert 3,066 lawsuits per year for low-income patients.[13]

Increase consumer awareness

Requiring the patient or guardian to affirmatively sign notice of financial assistance and payment plans increases the likelihood that a patient understands their rights and will pursue financial assistance or payment options should they need them. This reduces medical debt and increases appropriate use of hospitals charity care.

What HB268/SB981 Won't Do

Strain Hospitals Budgets

Banning medical debt lawsuits for $500 will lead to a total revenue loss per hospital of $3,523 which can be addressed elsewhere by hospitals.

Strain Hospitals Administrative Resources

Standardizing discounts will reduce the strain on financial counselors and staff processing financial assistance requests while requiring a signature to affirm receipt of notice does not differ substantially from current requirements. Any additional time needed is offset by time saved in screening for financial assistance due to the standardized thresholds and discounts.

Why Support HB268/SB981

Improves Financial Security, Reduces Chronic Illness

Reducing medical debt directly impacts household finances by improving credit scores and access to credit. Research shows that households that have their medical debt relieved see improvements in physical and mental health outcomes as well as improved overall access to care. Since medical debt is disproportionally held among low-income communities, reductions in the burden of medical debt helps advance financial and health-based equity.

Addresses Racial Health and Wealth Disparities

Medical debt, lack of awareness of financial assistance policies, and medical debt lawsuits were disproportionately concentrated among African-American households. Addressing these issues will have an outsized beneficial effect to majority Black communities that saw more medical debt lawsuits, struggled more with medical debt, and had less access to information about hospital financial assistance.

For all these reasons, we urge you to Put Patients First and support HB268/SB981!

11– /econaction.org/wp-content/uploads/2025/01/limits_on_medical_debt_lawsuits_in_maryland.pdf , 12– econaction.org/wp-content/uploads/2025/01/gonzales_poll_2020.pdf , 13– econaction.org/wp-content/uploads/2025/01/limits_on_medical_debt_lawsuits_in_maryland.pdf

Testimony in support of SB0981 - Hospitals - Finan

Uploaded by: Richard KAP Kaplowitz

Position: FAV

SB0981_RichardKaplowitz_FAV
02/18/2025

Richard Keith Kaplowitz
Frederick, MD 21703

TESTIMONY ON SB#/0981 - FAVORABLE
Hospitals - Financial Assistance and Collection of Debts - Policies

TO: Chair Beidle, Vice Chair Hayes, and members of the Finance Committee

FROM: Richard Keith Kaplowitz

My name is Richard K. Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of SB#0981**, Hospitals - Financial Assistance and Collection of Debts – Policies**

This bill is a priority for Progressive Maryland and the Frederick Progressives Chapter.

The goal of this bill is to alter provisions of law related to a hospital's financial assistance and collection of debts policies.

It is contemplated that it will accomplish the creation of a healthcare system in Maryland that addresses the medical debt crisis while providing for prioritization of patient's needs over profit before care. The bill will meet that goal through

- Standardized Subsidy Levels: The bill establishes minimum subsidy levels for reduced-cost care, ensuring equitable access to affordable healthcare across all hospitals. No Marylander should face unaffordable care based on the hospital they use.
- Prohibition of Harmful Practices: SB981 prevents hospitals from reporting medical debt to credit agencies, safeguarding patients' ability to access housing and essential services.
- Restrictions on Patient Lawsuits: The bill prohibits hospitals from suing patients for debts under $500, providing protection for vulnerable individuals already facing financial and health uncertainties.

This bill makes the provision of care primary over cost of care treating health care as a human right. It does this by specifying the percentage by which a hospital is required to reduce a patient's out-of-pocket expenses under certain circumstances. It addresses how a patient's lack of knowledge of healthcare financing means they do not know how to request any financial assistance with their medical costs. The bill adds to the notice requirements relating to a hospital's financial assistance policy. Finally, it protects patients who have limited financial resources by prohibiting a hospital from filing a civil action to collect a debt against a patient whose outstanding debt is at or below $500.

This is a bill that makes healthcare justice a priority in Maryland for all its residents.

I respectfully urge this committee to return a favorable report on SB#0981.

SB981_SponsorAmendment_383222
Uploaded by: Senator Hershey
Position: FAV

SB0981/383222/1

AMENDMENTS PREPARED BY THE DEPT. OF LEGISLATIVE SERVICES

14 FEB 25
15:38:26

BY: Senator Hershey
(To be offered in the Finance Committee)

AMENDMENTS TO SENATE BILL 981
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 3, after the first "of" insert "excluding a civil action on a certain contract between a hospital and a consumer from a certain provision of law establishing the statute of limitations on civil actions on certain specialties;"; and after line 13, insert:

"BY repealing and reenacting, without amendments,
Article - Courts and Judicial Proceedings
Section 5-101 and 5–1201(a) and (e)
Annotated Code of Maryland
(2020 Replacement Volume and 2024 Supplement)

BY repealing and reenacting, with amendments,
Article - Courts and Judicial Proceedings
Section 5-102
Annotated Code of Maryland
(2020 Replacement Volume and 2024 Supplement)

BY repealing and reenacting, without amendments,
Article - Health - General
Section 19-201(a) and (e) and 19-301(a) and (f)
Annotated Code of Maryland
(2023 Replacement Volume and 2024 Supplement)".

AMENDMENT NO. 2

On page 1, after line 20, insert:

"**Article – Courts and Judicial Proceedings**

5–101.

A civil action at law shall be filed within three years from the date it accrues unless another provision of the Code provides a different period of time within which an action shall be commenced.

5–102.

(a) An action on one of the following specialties shall be filed within 12 years after the cause of action accrues, or within 12 years from the date of the death of the last to die of the principal debtor or creditor, whichever is sooner:

(1) Promissory note or other instrument under seal;

(2) Bond except a public officer's bond;

(3) Judgment;

(4) Recognizance;

(5) Contract under seal; or

(6) Any other specialty.

(b) A payment of principal or interest on a specialty suspends the operation of this section as to the specialty for three years after the date of payment.

(c) This section does not apply to:

(1) A specialty taken for the use of the State; **[**or**]**

(2) A deed of trust, mortgage, or promissory note that has been signed under seal and secures or is secured by owner–occupied residential property, as defined in § 7–105.1 of the Real Property Article**; OR**

(3) A CONTRACT, INCLUDING A CONTRACT UNDER SEAL, OR A PROMISSORY NOTE OR OTHER INSTRUMENT UNDER SEAL THAT IS:

(I) RELATED TO AN OBLIGATION OF A CONSUMER TO PAY CONSUMER DEBT, AS DEFINED IN § 5–1201 OF THIS TITLE, THAT ARISES FROM HOSPITAL SERVICES, AS DEFINED IN § 19–201 OF THE HEALTH – GENERAL ARTICLE; AND

(II) BETWEEN A CONSUMER AND A HOSPITAL, AS DEFINED IN § 19–301 OF THE HEALTH – GENERAL ARTICLE.

5–1201.

(a) In this subtitle the following words have the meanings indicated.

(e) "Consumer debt" means a secured or an unsecured debt that:

(1) Is for money owed or alleged to be owed; and

(2) Arises from a consumer transaction.";

and after line 21, insert:

"19–201.

(a) In this subtitle the following words have the meanings indicated.

(e) (1) "Hospital services" means:

(i) Inpatient hospital services as enumerated in Medicare Regulation 42 C.F.R. § 409.10, as amended;

(ii) Emergency services, including services provided at a freestanding medical facility licensed under Subtitle 3A of this title;

(iii) Outpatient services provided at a hospital;

(iv) Outpatient services, as specified by the Commission in regulation, provided at a freestanding medical facility licensed under Subtitle 3A of this title that has received:

1. A certificate of need under § 19–120(o)(1) of this title; or

2. An exemption from obtaining a certificate of need under § 19–120(o)(3) of this title; and

(v) Identified physician services for which a facility has Commission–approved rates on June 30, 1985.

(2) "Hospital services" includes a hospital outpatient service:

(i) Of a hospital that, on or before June 1, 2015, is under a merged asset hospital system;

(ii) That is designated as a part of another hospital under the same merged asset hospital system to make it possible for the hospital outpatient

service to participate in the 340B Program under the federal Public Health Service Act; and

(iii) That complies with all federal requirements for the 340B Program and applicable provisions of 42 C.F.R. § 413.65.

(3) "Hospital services" does not include:

(i) Outpatient renal dialysis services; or

(ii) Outpatient services provided at a limited service hospital as defined in § 19–301 of this title, except for emergency services.".

On page 20, after line 8, insert:

"19–301.

(a) In this subtitle the following words have the meanings indicated.

(f) "Hospital" means an institution that:

(1) Has a group of at least 5 physicians who are organized as a medical staff for the institution;

(2) Maintains facilities to provide, under the supervision of the medical staff, diagnostic and treatment services for 2 or more unrelated individuals; and

(3) Admits or retains the individuals for overnight care.".

SB981_SponsorAmendment_693525
Uploaded by: Senator Hershey
Position: FAV

SB0981/693525/1

AMENDMENTS
PREPARED
BY THE
DEPT. OF LEGISLATIVE
SERVICES

14 FEB 25
15:29:40

BY: Senator Hershey
(To be offered in the Finance Committee)

AMENDMENT TO SENATE BILL 981
(First Reading File Bill)

On page 12, in line 25, strike "**OR A PROFESSIONAL FEE**".

CASH_SB 981_SUPPORT.pdf
Uploaded by: Tonaeya Moore
Position: FAV

SB 981 - Hospitals - Financial Assistance and Collection of Debts - Policies
Senate Finance Committee
February 18, 2025
SUPPORT

Chair Beidle, Vice-Chair, and members of the committee thank you for the opportunity to submit testimony in support of Senate Bill 981. This bill will ensure that low-income individuals are not burdened by the cost of receiving medical care.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than $10,000 annually. More than half earn less than $20,000.**

Medical debt is a significant challenge for Maryland residents, disproportionately impacting low-income households. Currently, 15% of Maryland residents report having medical debt, and this figure rises to 21% among residents in communities of color. SB 981 is a critical step forward in addressing this issue, building on the progress made by this committee in recent years. Low-income patients can face a variety of challenges that can drastically affect their quality of life if they are having difficulty paying their medical debts. Lawsuits due to medical debt put people into a cycle of debt that leads to bankruptcy, homelessness, and have devastating financial impact that can take years to overcome.

Specifically, SB 981 will:

- Establish standardized subsidy levels for eligible patients, ensuring equitable access to affordable care regardless of the hospital where they receive treatment.
- Prevents hospitals from reporting medical debt or related adverse information to credit agencies. This protection safeguards patients from further financial hardship that can hinder access to housing, education, and other essential pathways to financial stability.
- Prohibits hospitals from suing patients for debts under $500, a practice that often creates undue harm with minimal financial benefit to the hospital, and
- Increase transparency and consistency in hospital financial assistance.

SB 981 promotes transparency, consistency, and fairness in hospital financial assistance policies, while protecting Maryland residents from practices that exacerbate financial instability.

Thus, we encourage you to return a favorable report for SB 981.

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SB981 Financial Assistance LOSWA.pdf
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February 14, 2025

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

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

RE: Senate Bill 0981- Hospitals - Financial Assistance and Collection of Debts – Policies- **SUPPORT WITH AMENDMENTS**

The Health Education and Advocacy Unit (HEAU) offers this letter of support for SB981 but requests consideration of amendments to eliminate a limitation imposed on the reduced-cost care protections.

The revisions to hospital financial assistance and debt collection policies offered in this bill build on the important work of the past few years to provide financial protection to consumers seeking preventive services or suffering from temporarily acute or chronic medical conditions. The revisions also provide some clean-up language to provide clarity about the consumer protections afforded by the policies.

Several important changes are made for consumers who are lower income but do not qualify for free care. This bill changes the definition of medical debt to include co-payments, coinsurance, and deductibles for medical costs billed by a hospital. These costs are currently excluded from consideration for eligibility for reduced-cost care with financial hardship, which limits access to this financial support for patients. The new definition better reflects the reality that insured consumers face today – their plans have high deductibles and coinsurance costs – meaning their coverage doesn't enable affordable access to healthcare. Recent findings from the Commonwealth Fund revealed more than two of five working adults are inadequately insured.

The bill also establishes minimum levels of discounts for patients eligible for reduced-cost care based on the patient's federal poverty level, which we support. Currently, hospitals set their own discounts which vary from hospital to hospital. The discounts consumers are entitled to

shouldn't be based on where they live or work, or what hospital they may be taken to or must go to in an emergency. But the HEAU is concerned that, as written, the bill specifically limits the reduced-cost care protections to "expenses for the regulated hospital service." The HEAU believes that consumers seeking care in and receiving bills from nonprofit hospitals, even hospital services that aren't rate-regulated by the Health Services Cost Review Commission (HSCRC) should be afforded the reduced-cost care provisions afforded in this bill. Accordingly, we request that the "regulated hospital service" language be stricken, and that the bill be amended to make clear the legislature's intent that the financial assistance and debt collection requirements apply broadly to the services the patient receives.

We support a state law prohibiting hospitals from reporting adverse information for hospital debt to credit reporting agencies and filing lawsuits to collect amounts at or below $500. The HEAU assists consumers whose carriers have improperly denied coverage of their care and from consumers who were improperly billed by their healthcare providers. These types of errors can lead to the reporting of adverse information, and aggressive debt collection practices, including lawsuits and actions to enforce judgments, which should not occur in the first instance. It is not uncommon for consumers to seek HEAU's assistance in obtaining a refund for a bill they paid because they felt coerced to pay the bill to protect their credit. In many cases, consumers may have exhausted their insurance carrier appeals process or may not have availed themselves of a hospital's financial assistance program or income-based payment plan option. Moreover, the Consumer Financial Protection Bureau's research reveals that a medical bill on a person's credit report is a poor predictor of whether they will repay a loan, and contributes to thousands of denied applications on mortgages that consumers would be able to repay. The protections in this bill address some of those concerns.

The HEAU also takes this opportunity to point out that as currently structured, the financial assistance policies contained in 19-214.1 of the Health General Article only apply to acute care and chronic care hospitals in the State under the jurisdiction of the HSCRC. Pediatric, psychiatric and rehabilitative hospitals do not fall under this definition. The HEAU recommends an interim review of both the financial assistance and debt collection statutes to address this gap in consumer protections, and to review issues related to out-of-state hospitals operating in Maryland, such as licensure, rate-setting and application of financial assistance and debt collection statutes.

The HEAU appreciates the Sponsor's and Committee's commitment to helping ensure consumers can afford to get the medical care they need and supports the consumer protections otherwise offered in SB981 with the proposed amendments to ensure that consumers receiving care at nonprofit hospitals, even at locations that aren't rate-regulated, receive the necessary financial assistance and debt collection protections.

SB 981 – Hospitals – Financial Assistance and Collection of Debt – Policies

HEAU Proposed Amendments

1. On page 2, line 16, after "hospital bill" INSERT ", including for outpatient services that are not rate-regulated by the Commission"

2. On page 4, line 4, after "expenses" STRIKE "for the regulated hospital service" and INSERT "billed by the hospital, including for outpatient services that are not rate-regulated by the Commission"

3. On page 4, line 12, after "expenses" STRIKE "for the regulated hospital service" and INSERT "billed by the hospital, including for outpatient services that are not rate-regulated by the Commission"

4. On page 10, line 30, after "patients" INSERT ", including for outpatient services that are not rate-regulated by the Commission"

5. On page 11, line 13, after "(a)(1) of this section" INSERT, "which shall include outpatient services that are not rate-regulated by the Commission"

Rationale

The HEAU believes limiting the financial assistance protections by excluding hospital outpatient services that aren't rate-regulated by the Commission is not supported by the remedial nature of the financial assistance, debt collection, and payment plan policies intended to protect consumers from unaffordable hospital bills.

SB 981- Hospitals - Financial Assistance and Colle

Uploaded by: Jake Whitaker

Position: FWA

Maryland
Hospital Association

Senate Bill 981 - Hospitals - Financial Assistance and Collection of Debts - Policies

Position: ***Support with Amendments***
February 18, 2025
Senate Finance Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment on Senate Bill 981.

Maryland hospitals have one core mission: delivering the highest quality care to every patient across the state. Hospitals believe every person should receive the care they need without financial worry or hardship. Maryland hospitals make every effort to inform patients about available financial assistance, including free or reduced-cost care. That includes helping patients enroll in Medicaid or other insurance options and offering reasonable payment options when needed.

The hospital field supports SB 981's goal to reduce patient out-of-pocket costs and ensure equitable access to hospital care for all Marylanders. In recent years, Maryland hospitals worked with the state to strengthen already robust financial assistance laws, including reforming debt collection practices, expanding eligibility for free and reduced care, and providing more consumer-friendly hospital bill payment plan policies.

While the hospital field supports the goal of this legislation, we respectfully caution this Committee from implementing comprehensive reforms while prior financial assistance reforms are ongoing. For example, the payment plan regulations pursuant to 2021 financial assistance reform legislation are still in development.

In addition, the state signed an agreement with the federal government in November 2024 to implement the AHEAD Model beginning in 2026. This new chapter of the Maryland Model presents an opportunity for the state to make important investments in primary care, population health, and health equity. It also commits the state to achieving a new total cost of care (TCOC) savings target for Medicare and will implement new limitations on TCOC growth.

Free and reduced-cost care is an important component of uncompensated care that is provided for under global budgets and hospital rates that are set by the Health Services Cost Review Commission (HSCRC). Modifications to financial assistance requirements could impact the total cost of care and the state's ability to meet our obligations under the AHEAD Model. Statutory requirements for financial assistance, therefore, must align with our AHEAD commitments.

Hospitals tailor financial assistance to meet the diverse needs of the communities they serve—reflecting the unique characteristics of their patient populations. Hospitals are in the best position to understand the needs of patients in their communities and need flexibility to determine the best way to allocate resources for free and reduced-cost care. Any structure must enable hospitals to prioritize financial assistance to support the patient populations with the greatest need.

Financial assistance reforms should consider the relationship between a rise in outstanding bills and an increase in high-deductible health plans, rising denials, unnecessary prior authorization requirements, and the responsibility payers share in maintaining the viability of Maryland's all-payer model. High-deductible health plans leave many people functionally uninsured while payer denials and onerous prior authorization requirements increase patient out-of-pocket costs and limit access to care.

Fiscal Impact of Expanded Financial Assistance Eligibility

Recognizing the financial burden hospitals take on when providing quality care to patients who cannot pay for it, HSCRC factors in the cost of uncompensated care, which includes charity care and bad debt, into the rates HSCRC sets for hospitals. The approach equitably distributes uncompensated care costs across all hospitals and all payers, including public payers, like Medicaid, and private payers. The legislation has expanded eligibility thresholds, required minimum reductions in out-of-pocket expenses, and inclusion of co-payments, coinsurance, and deductibles as qualifying medical debt could substantially increase uncompensated expenditures that would be included in rates paid by all payers of health care services. This could result in increased Medicaid expenditures and a fiscal impact on the health plan for state employees and retirees.

The state is also currently confronting significant uncertainty due to federal legislative proposals that could reduce federal match funding for Medicaid coverage. If these cuts in federal funding occur, the state may need to reduce eligibility for Medicaid coverage resulting in a potentially significant increase in the number of individuals without health coverage. Individuals who no longer have Medicaid coverage may depend on charity care as an alternative. We need to ensure that our policies for supporting uncompensated care are sustainable and that charity care will be available for our most vulnerable residents.

For these reasons, we respectfully request the Committee adopt the following amendments:

Amendment 1

The hospital field recommends removing the section that redefines medical debt to include co-pays, insurance deductibles, and insurance cost sharing. This may shift the responsibility of insurers to provide more comprehensive coverage to other payers of health care services including the Maryland Medicaid Program, Medicare, commercial health plans, and the state employee health plan. As detailed above, redefining medical debt may increase financial assistance offered by hospitals, which will drive up the amount of uncompensated care in Maryland. An increase in uncompensated care is ultimately funded by all payers including the state Medicaid Program.

Amendment 2
MHA requests that this Committee strike provisions that standardize for specified income tiers the amounts by which hospitals must reduce patient out-of-pocket expenses and require the provision of reduced-cost care for patients with family incomes up to 500% of the federal poverty level without the ability for hospitals to seek a lower threshold to meet unique community needs.

Maryland hospitals remain committed to providing free and reduced-cost care to eligible patients and provided more than $400 million in free and reduced-cost care to patients in FY 2023 alone. That said, current financial assistance policies carefully balance the unique health needs of each community and the funding needed by hospitals to adequately serve their communities. This requirement would impose additional administrative burdens and limit hospitals' flexibility to invest resources based on the community and region of Maryland that they serve. For example, since many communities lack available behavioral health and primary care, hospitals frequently step up to help address these gaps in access to care. To meet the growing needs of Marylanders and sustain healthy communities, hospitals must remain financially stable and operationally strong.

Amendment 3
MHA requests that this Committee remove the requirement that patients sign and date a notice acknowledging that the patient is aware of a hospital's financial assistance policies. The hospital field already goes to great lengths to ensure patients receive notice of financial assistance policies and have access to free and reduced-cost care. Hospitals display financial policies throughout their facilities, including in main lobbies, hallways, outpatient registration, cafeterias, and other places throughout the hospital. Financial assistance policies are provided to patients upon admission, displayed in multiple languages on hospitals' websites, and posted on online patient portals. Maryland hospitals strive to provide flexible policies that meet the unique needs of patients across the state.

For more information, please contact:
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