Testimony to the House Health & Government Operations Committee
HB428 Medical Debt - Complaints for Money Judgment and Real Property Liens
Position: Favorable

February 5, 2025

The Honorable Joseline Pena-Melnyk, Chair
Health & Government Operations Committee
Room 241, HOB
Annapolis, MD 21401
cc: Members, Health & Government Operations Committee

Chair Pena-Melnyk 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 HB428 which builds on the General Assembly's important work over the past few years of expanding health care access for working families and reducing medical debt. In 2021, the General Assembly passed the Medical Debt Protection Act (HB565) which among many other protections banned the ability of hospitals to place a lien on the home of a patient to collect a hospital debt[1].

HB428 builds on that work by eliminating the ability for private health providers to place a lien on a patient's home to collect a 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 bill[2]. 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

[1] MD Code, Health-Gen. Section 19-214.2 - Debt collection policy
[2] September 2023 Gonzales Poll Commissioned by Economic Action Maryland (then Maryland Consumer Rights Coalition)

report that 44% of medical debt comes from an outpatient visit, 23% from a hospital stay, and 30% both outpatient visits and hospital stays[3].

Financial precarity and housing instability is on the rise. Despite recent gains, the purchasing power of wages continues to lag behind the rising costs of utilities, food, housing, and healthcare. U.C. Berkeley's Housing Precarity Risk Model ranks the Baltimore-Columbia-Towson MSA as the fifth most vulnerable nationally for displacement[4]. The model suggests 400,882 Maryland households live in neighborhoods at higher and highest risk for displacement and that these precarious communities are largely communities of color with Black and Latine owners & renters comprising a majority of households in the high and highest risk neighborhoods[5].

Aggressive Debt Collection Actions

When families fall behind on medical debt, doctors, dentists, and health service providers often pursue aggressive collection actions. One aggressive collection tactic is to place a lien against an individual's home.

In Maryland, nonprofit hospitals placed 4,432 liens placed on families homes over a nine year period, Montgomery County and Talbot County being the most aggressive in placing liens. Some private doctors' practices and diagnostic services also place a lien against a home as a collection tactic. One Baltimore County dental practice has placed liens against 93 patients for amounts as low as $180.

Consequences of a Lien on a Home

A lien makes it difficult for a homeowner to secure credit, obtain refinancing for their home, or take out a line of credit. It also shows up on their credit report (depending on the amount of the debt) which can harm their access to additional credit, creating a snowball effect.

Limiting the ability of homeowners to tap into home equity because of an illness has several unfortunate consequences. First, it may reduce the ability of the health provider to get paid if the homeowner planned to use those funds to pay the balance owed. Secondly, because the majority of medical debt lawsuits are concentrated in low income communities of color — which continue to experience lower home values, lower appraisals, and more difficulties in obtaining home loans — limiting the ability of a homeowner to refinance has the effect of widening the racial wealth gap and exacerbating existing inequalities.

[3] September 2023 Gonzales Poll Commissioned by Economic Action Maryland (then Maryland Consumer Rights Coalition)

[4] https://www.urbandisplacement.org/maps/housing-precarity-risk-model/

[5] https://www.urbandisplacement.org/maps/housing-precarity-risk-model/

What HB428 Does

HB428 would prohibit a lien on a primary residence for medical debt. Eleven states and territories already ban liens for medical debt. It is narrowly drafted to limit this to primary residences.

HB428 also addresses the practice in Baltimore City of placing automatic liens on homes for any consumer debt. HB428 establishes a process with the courts to identify and exclude debt that is due to medical care from becoming a lien on a home.

HB428 includes the use of high-cost health care credit cards that are aggressively marketed to patients and often lead to unaffordable debt. A recent report[6] 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. New York, Minnesota, Colorado and several other states include these medical credit cards in their prohibitions on aggressive collection activities.

It will eliminate an aggressive collection practice that harms low-income patients and disproportionately impacts Black and Brown households.

HB428 simply says a home is off limits as a tool for debt collection for medical debt.

For all these reasons we support HB428 and urge a favorable report.

Best,

Marceline White
Executive Director

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

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