



## **HB 1324 - Hospitals - Medical Debt Collection - Sale of Patient Debt to Nonprofit Organizations**

### **House Economic Matters Committee**

**February 26, 2025**

#### **SUPPORT**

Chair Wilson, Vice-Chair, and members of the committee thank you for the opportunity to submit testimony in support of House Bill 554. This bill allows nonprofits to purchase medical debt to forgive borrowers.

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.**

House Bill 1324 amends Md. Code, Health § 19–214.2. This will permit the direct sale of medical debt from hospital systems to 501(c)3 nonprofits for the sole purpose of abolishing debt, provided that the explicit purpose of the tax-exempt organization is to abolish patient debt and allow for debt payment by a third party. This will allow nonprofit organizations to use their funds consistent with their charitable mission to negotiate directly with hospitals and purchase large amounts of otherwise uncollectible hospital debt at a significant discount, in order to cancel debt and help the financial circumstances of thousands of Marylanders whose medical debt impacts their credit and their access to opportunity.

Medical debt remains one of the most significant barriers to economic stability for low-income individuals and families. Unexpected health emergencies often leave people with insurmountable bills, forcing difficult trade-offs between paying for essentials like rent and groceries or keeping up with medical expenses. Unlike other forms of debt, medical debt is often involuntary, stemming from urgent and necessary care rather than discretionary spending. Yet, once reported to credit agencies, it can lower credit scores, making it more difficult to secure stable housing, obtain employment, or qualify for loans. These consequences disproportionately impact low-income families, exacerbating existing financial hardships and limiting their ability to recover from economic setbacks.

HB 1324 ensures that charitable dollars are used efficiently, directly benefiting Maryland residents rather than being funneled into collections efforts that often yield little return. Furthermore, reducing medical debt alleviates stress and anxiety for affected individuals, improving not only financial stability but also overall well-being of marginalized Marylanders and their families.

**Thus, we encourage you to return a favorable report for HB 1324.**

*Creating Assets, Savings and Hope*