

February 20, 2025

The Honorable Josaline Peña-Melnyk
Chair, House Health and Government Operations Committee
Room 241, House Office Building
Annapolis, MD 21401

**RE: House Bill 1324 – Hospitals – Medical Debt Collection – Sale
of Patient Debt to Nonprofit Organizations – Letter of Information**

Chair Peña-Melnyk and Committee Members:

The Health Services Cost Review Commission (HSCRC) submits this letter of information for House Bill (HB) titled “Hospitals – Medical Debt Collection – Sale of Patient Debt to Nonprofit Organizations.” The bill authorizes a hospital to sell the medical debt of patients to nonprofit organizations for the sole purpose of canceling the debt. Once sold, the patient is no longer responsible to the hospital or the nonprofit organization for the debt, or for any interest, fees, or associated costs. The HSCRC is directed to treat the amounts of payments to hospitals as an offset to uncompensated care amounts reported by hospitals.

Maryland law sets limitations on how hospitals can collect debts owed by patients ([Health General §19-214.2](#), Maryland Code), including a prohibition on hospitals selling debt. The prohibition on the sale of medical debt was intended as a patient protection. It ensures that hospitals cannot sell debt to debt collectors to avoid patient protections in Maryland law related to hospital collection of debt. HSCRC appreciates that any payments to hospitals related to the sale of debts be treated as an offset to uncompensated care amounts. HSCRC would like to request that the Committee consider adding language similar to the language in HB 765 (2025) and SB 1006 (2024) to strengthen consumer protections and improve the reporting of debt sold under this bill.

Medical Debt Collection Timelines

Medical debt is a long term burden on consumers. There is no time limit on how long a hospital (or a collection agency working for a hospital) can pursue that debt through letters or phone calls. Hospitals have either 3 or 10 years to sue patients for medical debt,

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depending on whether the term “seal” appears on paperwork the patient signs at intake. If the hospital does sue a patient and the court awards a judgment, the hospital has up to 24 years to collect on that judgment. **The sale of debt under HB 1324 would prohibit continued collection efforts by hospitals on the debt that is sold, or collections on judgments entered into based on the sold debt.**

Credit Reports

Medical debt may also result in a negative credit report, which exists for up to 7 years. Negative credit reports can impact access to employment, housing, and credit for necessary items (like a car). **HB 1324 does not require hospitals to reverse adverse information reported to credit bureaus, or to dismiss lawsuits against patients whose debt is sold under the bill.** HSCRC requests that the committee consider an amendment to include these important provisions.

Uncompensated Care Funding

HSCRC provides hospitals with funding for uncompensated care (UCC) in the hospitals' annual global budgets, based on the amount of uncompensated care that the hospitals experience in the prior year. Uncompensated care includes bad debt (debt that has not been paid by a patient or other payer to the hospital). Hospitals normally report bad debt to HSCRC within a year of the patient's encounter with the hospital.

Hospitals may continue collections activities after reporting the bad debt to HSCRC. If a hospital collects on a debt after it is reported to HSCRC as bad debt, the hospital reports the collected amount and HSCRC makes an adjustment to UCC funding in the following year. The purpose of this adjustment is to ensure that the hospital is not compensated for the bad debt both through hospital rates and through the amount paid by nonprofit organization **The provisions of HB 1324 will ensure that any payments to hospitals for the sale of debt will be treated as an offset to uncompensated care funds.** However, the bill does not include provisions requiring hospitals to report the sale of debt to HSCRC. This data is necessary for HSCRC to calculate the offset to uncompensated care.

HB 1324 does not require debt sold under the bill to be at least two years old. HSCRC recommends that the Committee amend the bill to require the debt to be at least two years old. Hospitals take about a year to report bad debt to HSCRC because they wait for insurance claims to be settled. An amendment delaying the sale of debt until it is two years old ensures that the purchase of debt does not lead to confused reporting timelines.



Reduction of Hospital Charges

In States that allow the sale of medical debt, hospital debt is routinely sold to debt collection companies. The market value of old medical debt is significantly lower than the original charges - often pennies on the dollar - due to several factors, including a low likelihood that the debt will ever be collected. In states with existing markets for hospital debt the low market value allows governments and nonprofits to purchase and forgive a significant amount for a low price.

Maryland does not allow hospitals to sell medical debt; therefore, statutory language is needed to allow nonprofit organizations to purchase debt from hospitals at a lower cost than the original charge. **HB 1324 narrowly amends existing law to enable such purchases; however, a conforming amendment to 19-219 is also necessary.** In addition, HSCRC requests that the current language referencing a “discount of Commission charges” be amended to the more accurate description “reduction of Commission charges.”

Sunset Provision

The sale and forgiveness of medical debt is new to Maryland. HSCRC suggests the inclusion of a sunset provision in the bill to allow for an evaluation of its impact, benefits and costs.

HSCRC requests that the committee consider amendments to address the issues described above.

Additional Considerations

HSCRC wishes to bring two additional topics to the Committee’s attention.

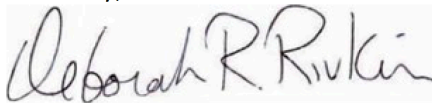
- **Income Limits:** In addition to the issues described above, the committee may also wish to consider a provision limiting debt relief to lower-income people, to focus this program on the people with the highest need for help. Similar bills have limited the forgiveness of debt to families who are below 500% of the federal poverty level or who have medical debt exceeding 5% of their family’s income.
- **Written Agreement with Patient:** HB 1324 contains a requirement that the contract between the hospital and the nonprofit organization to sell the debt “include a written agreement from the patient allowing the debt to be sold”. Similar bills have required a notice to the patient that the debt is forgiven, rather than a written agreement between the patient and the nonprofit. The Committee may wish to consider that the requirement for a written agreement will increase the administrative burden for the nonprofit and the consumer.



HSCRC has not included amendments for two items above in the attachment to this letter. Our staff is available to consult with the Committee if the Committee is interested in making changes to the bill.

HSCRC requests that the committee consider amendments to address the issues described above. The HSCRC remains committed to consumer protections for medical debt and financial assistance. If you have any questions or if I may provide you with any further information, please do not hesitate to contact me at 410-991-7422 or deborah.rivkin@maryland.gov, or Jon Kromm, Executive Director, at jon.kromm@maryland.gov.

Sincerely,

A handwritten signature in black ink that reads "Deborah R. Rivkin". The signature is written in a cursive, flowing style.

Deborah Rivkin
Director, Government Affairs

Attachment: Amendments



Amendment One

On page 5, after line 23 insert

“(5) IF THE HOSPITAL OBTAINED A JUDGMENT AGAINST THE PATIENT OR REPORTED ADVERSE INFORMATION TO A CONSUMER REPORTING AGENCY ABOUT THE PATIENT, THE NONPROFIT ORGANIZATION PURCHASING AND FORGIVING THE DEBT SHALL SEEK TO VACATE THE JUDGEMENT OR STRIKE THE ADVERSE INFORMATION.”

Reasoning: To require hospitals to seek reversal of judgments or adverse information previously reported to consumer reporting agencies related to sold debt.

Amendment Two

Page 2, line 14, after “bad debt;” strike “and”

On page 2, line 18, strike the period and insert a semicolon followed by “**AND**”.

On page 2, after line 18, insert

“(4) FOR HOSPITAL DEBTS OWED BY PATIENTS OF THE HOSPITAL THAT THE HOSPITAL SOLD TO A NONPROFIT ORGANIZATION UNDER SUBSECTION (M) OF THIS SECTION:

A. THE TOTAL DOLLAR AMOUNT OF THE DEBT SOLD BY THE HOSPITAL FOR THE REPORTING YEAR;

B. THE TOTAL DOLLAR AMOUNT PAID TO THE HOSPITAL BY THE NONPROFIT ORGANIZATION WHO PURCHASED THE DEBT; AND

C. THE TOTAL NUMBER OF PATIENTS WHOSE DEBT WAS SOLD, IN FULL OR IN PART, TO THE NONPROFIT ORGANIZATION WHO PURCHASED THE DEBT.”

Reasoning – To require hospitals to report to HSCRC the amount of debt that is sold. HSCRC needs this data to determine the amount to reduce the uncompensated care paid to hospitals through hospital charges.

Amendment Three

On page 4, line 30 after “(M) (1) (I)” insert “**SUBJECT TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION,**”

On page 5, after line 18 insert



“(3) DEBT SOLD UNDER THIS SUBSECTION MUST BE FOR HOSPITAL SERVICES PROVIDED AT LEAST 2 YEARS BEFORE THE DATA OF THE SALE.

Page 5, line 19, strike “(3)” and insert **(4)**

Page 5, line 21, strike “(4)” and insert **(5)**

Reasoning: To ensure that any debt sold is two years or older.

Amendment Four

Page 1, line 18, strike “and” and after “(n)” insert “**AND 19-219(A)(3)**”

Page 5, line 20, strike “discount” and insert “**REDUCTION**”

Page 6, after line 3, insert

“**19-219**

(a) The Commission may review the costs, and rates, quality, and efficiency of facility services, and make any investigation that the Commission considers necessary to assure each purchaser of health care facility services that:

(3) EXCEPT AS PROVIDED IN § 19-214.2(M) OF THIS SUBTITLE, THE [The] rates are set equitably among all purchasers or classes of purchasers without undue discrimination or preference.”

Reasoning: To allow the purchase of the debt at a lower cost than the original charge. “Reduction” is the appropriate term to use in relation to HSCRC rates, not “discount”.

Amendment Five

On page 6, line 5, after “October 1, 2025.” Insert “**IT SHALL REMAIN EFFECTIVE THROUGH DECEMBER 31, 2027, AND AT THE END OF DECEMBER 31, 2027, THIS ACT, WITH NO FURTHER ACTION REQUIRED BY THE GENERAL ASSEMBLY, SHALL BE ABROGATED AND OF NO FURTHER FORCE AND EFFECT.**”

Reasoning: To create a sunset provision to allow for reasonable evaluation of the effects of this new program on consumers and hospitals.