March 14, 2025

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

RE: Senate Bill 981 - Hospitals - Financial Assistance and Collection of Debts - Policies – Letter of Support As Amended

Dear Chair Peña-Melnyk,

The Health Services Cost Review Commission (HSCRC) requests that the Committee favorably report on Senate Bill (SB) 981, "Hospitals - Financial Assistance and Collection of Debts - Policies," as amended. The current language of SB 981 parallels its crossfile, House Bill (HB) 268, which already received a favorable report from this Committee. SB 981 makes a number of changes to Maryland's hospital assistance and medical debt collection statute that protect consumers and correct inconsistencies in the law.

SB 981 Protects Consumers from Medical Debt

A 2023 Gonzales Research poll found that an estimated 14% of Marylanders reported that someone in their household had medical debt they were unable to repay. SB 981 builds on the important work that the legislature has done over the past five years to strengthen consumer protections against medical debt. Key provisions in this bill include the following:

1. **Standardizing Discounts for Low-Income Patients**
   Hospitals are required to provide reduced-cost care to patients with family incomes between 200% and 300% of the federal poverty level (FPL). SB 981 sets standardized minimum discounts to ensure consistent relief for all eligible patients, regardless of where they receive care. Currently, hospitals offer varying discounts to these patients, leading to inequities. For example, one hospital may provide free care to families with incomes at 300% of the FPL, while another may charge the same families as much as 95% of costs.
2. **Clarifying the Definition of Medical Debt**
   Current law requires hospitals to provide reduced cost care to families with incomes

between 301% of the FPL and 500% of the FPL, if they have medical debt that is equal to more than 25% of their family income. However, the current definition of “medical debt” excludes co-payments, coinsurance, and deductibles. This narrow definition limits access to financial assistance. SB 981 includes these costs, allowing individuals with substantial medical expenses to access the financial help they need.

These changes will help ensure that lower-income patients receive consistent and adequate financial support for hospital costs.

SB 981 Adds Consistency to the Law

SB 981 aligns timelines related to financial assistance and medical debt. For example, several years ago, the General Assembly extended the time that patients have to apply for financial assistance to 240 days. This bill aligns other timelines in the law with that 240 day period. In addition, this bill conforms with proposed federal regulations that prohibit hospitals from reporting medical debt to credit bureaus.

Finally, the bill ensures that household income, rather than individual income, is used to calculate the maximum allowable monthly payment to hospitals in income-based payment plans. Household income is the measure used to determine eligibility for financial assistance, so this change ensures alignment between hospital financial assistance and income-based payment plans. The definition of household income is modeled after federal Medicaid income determination standards. This change helps prevent scenarios where financially capable households avoid payments while safeguarding lower-income families from excessive monthly payments.

Hospitals Receive Funding Through Rates for Financial Assistance

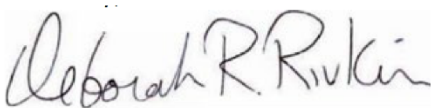
HSCRC funds hospital uncompensated care (UCC) (including financial assistance provided by hospitals and bad debt) through all-payer rates. On a statewide basis, there is no gap between the UCC experienced by hospitals in a year and the increase in hospital rates to fund UCC in the next year. To the extent this bill increases the amount of financial assistance provided to patients, that will be offset by reductions in bad debt, reducing the impact on total UCC. HSCRC’s existing uncompensated care funding policy can support the changes proposed by this bill, while relieving the burden of medical debt on the patients most in need of support.

Conclusion

The Commission urges a favorable report on SB 981 to strengthen financial assistance policies. This bill takes critical steps to ensure that eligible patients receive the support they need while fostering a fairer, more consistent system for financial assistance and debt collection.

Thank you for your consideration of this important legislation. 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,



Deborah Rivkin
Director, Government Affairs