



January 31, 2025

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

RE: House Bill 405 – Prince George’s County – Hospitals – Sale of Patient Debt – Letter of Information

Chair Peña-Melnyk and Committee Members:

The Health Services Cost Review Commission (HSCRC) submits this letter of information for House Bill 405 titled, “Prince George’s County - Hospitals - Sale of Patient Debt.” The bill authorizes a hospital to sell the medical debt of patients to Prince George’s County for the sole purpose of canceling the debt. Once sold, the patient is no longer responsible to the hospital or the County 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. HB 405 would narrowly amend existing Maryland law to allow Prince George’s County to purchase medical debt from hospitals for the sole purpose of canceling patient medical debt. HSCRC appreciates that the bill is written to limit the entities that are eligible to purchase debt and the inclusion of other provisions that clarify the removal of patient responsibility related to the debt and its sale. Further, HSCRC appreciates the provision ensuring that any payments to hospitals related to the sale of debts be treated as an offset to uncompensated care amounts. This provision ensures that there is no reporting confusion between the bad debt originally reported to HSCRC as uncompensated care and the subsequent sale of the same debt.

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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.

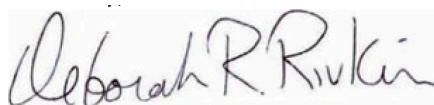
Hospitals may continue collections activities after reporting the bad debt to HSCRC. If a hospital collects on a debt after it is reported to HSCRC as bad debt, the hospital reports the collected amount and HSCRC makes an adjustment to UCC funding in the following year. The purpose of this adjustment is to ensure that the hospital is not compensated for the bad debt both through hospital rates and through the amount paid by the patient or other payer. The provisions of HB 405 will ensure that any payments to hospitals related to the sale of debt will also be treated as an offset to uncompensated care funds.

Considerations for Additional Language

HSCRC would like to request that the Committee consider adding language, similar to the language in HB 765 (2025) and SB 1006 (2024). Rationale for these changes is included as an attachment to this letter.

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,



Deborah Rivkin
Director, Government Affairs

Attachment: Rationale for Possible Changes to HB 405



Rationale for Possible Changes to HB 405

Reporting Requirement: This bill does not require hospitals to report to HSCRC on debt that is sold by the hospital to Prince George's County. HSCRC needs this data to deduct the value of this debt from the amount of uncompensated care paid to hospitals through hospital charges.

Consumer Protection: This bill does not require hospitals to stop collection actions, reverse adverse information reported to credit bureaus, and dismiss lawsuits against patients whose debt is sold under the bill.

Age of Debt and Insurer Payment: The Committee may want to consider adding a provision that requires the debt to be two years old or older. The Committee may also want to consider adding provisions that make sure that insurers and other third-party payers have completed their determinations of coverage on the claims before buying the debt. It can take a year or more for insurance claims to be settled. Limiting the debt relief program to debt that is two years old or older ensures that debt that should be paid by the insurer is paid by the insurer and limited government dollars are used for patients that do not have another source of payment.

Income of Patient: A provision could be included to limit debt relief to lower-income people, to focus this program on the people with the highest need for help.

Reduction in Price: 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 Prince George's County to purchase debt from hospitals at a lower cost than the original charge.

Sunset: This bill does not contain a sunset provision. This will be the State's first program allowing the sale of medical debt. A sunset provision would allow for a reasonable evaluation of how this has worked and what impact it has had on consumers and hospitals.

