



Testimony in Support of House Bill 1324

Hospitals – Medical Debt Collection – Sale of Patient Debt to Nonprofit Organizations
Before the Health and Government Operations Committee, February 26, 2025

Because House Bill 1324 offers the potential to alleviate hospital medical debt and the related negative consequences to debtors, the Public Health Law Clinic submits this testimony in support of the legislation. Maryland enjoys the well-deserved reputation as a state with strong consumer protection laws, particularly with respect to medical debt. A cornerstone of that strength is the existing law that prohibits hospitals from selling medical debt, sparing patients from aggressive collection actions and encouraging hospitals to provide financial support and offer fair repayment plans. House Bill 1324 will create a narrow exception to the current law, allowing the sale of hospital medical debt to nonprofit organizations for the sole purpose of extinguishing the debt, protecting the patient from any cost or other potential negative repercussions. This will improve the health of Marylanders by addressing medical debt as a social determinant of health while maintaining the State’s strong consumer protection laws.

I. Medical Debt’s Impact on Health

Economic stability is an important social determinant of health. Social determinants of health are nonmedical factors that contribute to health outcomes. Those who are financially secure have greater access to medical and non-medical resources that promote general well-being, such as adequate housing and food, educational opportunities, transportation, and employment training. The burden of medical debt fundamentally disrupts the ability of individuals and families to meet their economic needs and can lead to worse health outcomes and a reduction in quality of life. Further, medical debt can create a cyclical struggle for communities as people struggle to escape debt. Economic instability brought on by medical debt threatens the present and future public health of whole communities.

Around 4 in 10 adults in the United States are burdened by medical debt. Polling on households experiencing medical debt illustrates that a majority (63%) of households have had to cut spending on essentials such as food, clothing, and other household items because of the debt. Among the poll participants, a sizable portion (28%) indicated that medical debt has contributed to a delay in education or home ownership for themselves or their immediate family.¹

¹ Luna Lopes et al; Health Care Debt In The U.S.: The Broad Consequences Of Medical And Dental Bills, Kaiser Family Foundation (KFF) (Jun 16, 2022), <https://www.kff.org/health-costs/report/kff-health-care-debt-survey/>; see also Luna Lopes, et al.; Americans’ Challenges with Medical Health Care Costs, KFF (March 1, 2024); <https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/>; Cynthia Cox and Gary Claxton, Medical Debt Among New Mothers, KFF (May 9, 2024); <https://www.kff.org/health-costs/issue-brief/medical-debt-among-new-mothers/>.

The burden of medical debt is especially pronounced among those who already face health issues and financial insecurity. Many individuals choose to either delay or skip needed treatment, forgo taking prescription drugs, and remain locked out of access to health care services due to financial barriers associated with high medical costs and debt. These choices can lead to worse overall health outcomes that ultimately amplify higher medical costs for individuals and households down the road, adding to existing financial problems. And these impacts further exacerbate existing health inequities because Black and Hispanic adults; women; parents, particularly young women who have recently given birth; those with low income; and people who are under or uninsured are more likely to carry damaging medical debt.

Looking specifically at Maryland, medical debt disproportionately affects low-income and minority communities.² For those in Maryland already struggling financially, medical debt can exacerbate their economic struggles. Medical debt can also lead to housing and food insecurity for low-income people. In addition, medical debt affects minority households more. In Maryland, communities of color are more likely to possess medical debt than white communities. As such, medical debt can widen racial inequalities.

II. Extinguishing Medical Debt Aligns with Consumer Protection Intent of Current Law

Medical debt is typically unpredictable and uncontrollable. An acute injury requiring emergency department care or the onset of a chronic medical condition requiring hospital care can trigger spiraling medical debt for hospital patients. Before 2009, Maryland hospitals were permitted to sell patient debt to collection agencies. Although subject to some regulation, collection agencies are more likely to engage in oppressive collection tactics. Recognizing the difference between hospital debt and general consumer debt and understanding the cascading potential harms imposed by debt collection activities for those with medical debt, the General Assembly adopted Health-General §19-412.2(b)(2), prohibiting the sale of hospital debt. At that time, this protection was the gold standard. In good ways, times have changed to the advantage of patients bearing hospital debt.

House Bill 1324 reflects and takes advantage of these changes while retaining the protective intent of Health-General §19-412.2(b)(2). House Bill 1324 permits a narrow exception, allowing the sale of hospital debt only to nonprofit organizations for the sole purpose of extinguishing the debt at no cost to the patient. Philanthropic organizations across the country have purchased and extinguished medical debt for patients who, frankly, have little or no ability to pay off the debt in their lifetime and who live under the economically damaging impact of that debt in the short- and long-term. Maryland patients cannot benefit from this philanthropy because of the important, protective benefits of Health-General §19-412.2(b)(2). To the extent that philanthropic organizations are interested in extinguishing hospital debt in Maryland, passing House Bill 1324 will allow for that action. The General Assembly could not have

² Economic Action Maryland, Gonzales Poll (Medical Debt) (October 2020); https://econaction.org/wp-content/uploads/2025/01/gonzales_poll_2020.pdf.

anticipated this new environment when the protective provision was passed in 2009, requiring the minor change in House Bill 1324.

CONCLUSION

House Bill 1324 aligns with the original protections created in 2009: to help alleviate the economic pressure placed on those suffering from medical debt. The bill allows for nonprofit organizations the opportunity to rescue community members from hospital debt, with the rippling positive effects that will bring Maryland families. With less strain from medical debt, individuals will be more likely to seek necessary medical care and be able to prioritize social determinants of health like food and housing, both of which will improve their health and benefit the State as a whole.

For these reasons we request a favorable report on House Bill 1324.

This testimony is submitted on behalf of the Public Health Law Clinic at the University of Maryland Carey School of Law and not by the School of Law, the University of Maryland, Baltimore, or the University of Maryland System.

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