



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

Testimony of the Maryland Independent Living Network

SUPPORT – Favorable

House Ways & Means Committee, February 26, 2025

The Maryland Independent Living Network is a coalition of the Maryland Statewide Independent Living Council and the seven Maryland-based Centers for Independent Living (CIL). CILs are created by federal law. CILs work to enhance the civil rights and quality of services for people with disabilities. There are seven CILs located throughout Maryland, operated by and for people with disabilities. CILs provide Information and Referral, Advocacy, Peer Support, Independent Living Skills training, and Transition Services to individuals with disabilities in their communities.

House Bill 1324 authorizes a hospital to sell debt owed by a patient for hospital services to a nonprofit organization that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code for the sole purpose of canceling the debt. The contract between the hospital and the nonprofit organization purchasing the debt must state that the sole purpose of the sale of the debt is to cancel the debt and include a written agreement from the patient allowing the debt to be sold. The patient is not responsible to the hospital or the nonprofit organization for any amount of the debt that is sold, or any interest, fees, or costs associated with the debt or the sale.

The Maryland Independent Living Network is in strong support of House Bill 1324, a critical piece of legislation that addresses the crushing burden of medical debt on Maryland residents, especially those in the disability community.

Addressing the Current Problem

Maryland law currently includes provisions within Health General §19-214.2 of the Maryland Code that regulate hospital debt collection practices, notably a prohibition on the sale of medical debt. This prohibition was originally intended to protect patients from predatory debt collection practices. However, the realities of the current healthcare landscape necessitate a more nuanced approach.

Escalating costs of healthcare, coupled with the prevalence of high-deductible insurance plans, have left many Marylanders, including those with disabilities, facing insurmountable medical bills. These debts can lead to financial ruin, impacting credit scores, housing stability, and overall well-being. The current prohibition on debt sales, while well-intentioned, inadvertently restricts hospitals from utilizing a potentially beneficial mechanism for debt relief.

Benefits of HB 1324

House Bill 1324 offers a targeted and responsible solution. It authorizes hospitals to sell medical debt under very specific and controlled circumstances:

Governmental Unit or Contractor: The debt can only be sold to a governmental unit or its designated contractor. This ensures that the debt is being transferred to an entity focused on public good, rather than profit-driven debt collectors.

Debt Cancellation Purpose: The sole purpose of these sales is debt cancellation. This means that the patients' financial obligations are relieved, providing much-needed relief and a chance to rebuild their financial lives.

Prohibition of Continued Collection: Once the debt is sold, hospitals are expressly prohibited from engaging in any further collection activities on that debt. This provides a clear and definitive end to the patient's debt burden.

HB 1324 creates a pathway for hospitals to partner with non-hospital entities to alleviate medical debt, rather than perpetuate it. This is not about enabling hospitals to profit from debt sales; it's about providing a responsible mechanism for debt forgiveness.

Highlighting the Positive Impact

Enacting HB 1324 will:

Provide immediate and tangible relief to Marylanders struggling under the weight of medical debt;

Protect patients from aggressive and predatory debt collection practices;

Empower hospitals to work collaboratively with governmental units to address the growing issue of medical debt;

Stabilize the financial health of Maryland families; and

Reduce future healthcare costs associated with people avoiding needed care due to fear of debt.

HB 1324 represents a compassionate and practical approach to addressing a pressing issue. It aligns with the intent of existing regulations while adapting to the evolving challenges faced by patients and healthcare providers alike.

Conclusion

House Bill 1324 is a vital step towards ensuring that all Marylanders have access to affordable healthcare and the opportunity to live free from the crushing burden of medical debt.

The Maryland Independent Living Network strongly **supports** HB 1324 and requests a favorable report.

Thank you for your consideration of these comments.

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