



MARYLAND/DC

CREDITORS BAR ASSOCIATION, INC.

1/24/25

CONCERNS WITH SB349/HB428 **MEDICAL DEBT –COMPLAINTS FOR MONEY JUDGMENT AND REAL PROPERTY LIENS**

The Maryland/DC Creditors Bar Association is an organization comprised of 53 member law firms. Member law firms strive to ethically represent the interests of our clients.

The Maryland/DC Creditors Bar does not oppose the relief sought in SB349/HB428 which is to protect consumers from losing their residence as a result of a judgment lien stemming from a medical debt obligation. However, the definition of Medical Debt in SB349/HB428 is too broad and will encompass other presumably unintended credit products. Furthermore, judgment liens are automatic in Courts of Record.

THE DEFINITION OF MEDICAL DEBT IS TOO BROAD

SB349/HB428 defines Medical Debt as “debt incurred due to a medication, procedure, or service.” The definition of medical debt in SB349/HB428 is too broad and will create confusion and uncertainty.¹ This definition of Medical Debt will include elective medical procedures and include any payments made to medical providers from any source such as credit cards, signature loans or home equity loans. The unintended consequence of the proposed definition of Medical Debt will place creditors in a precarious position. For example, creditor issues a credit card to consumer and consumer defaults with a balance of \$5,000.00 owed and \$2,000.00 of the total balance owed was paid to a hospital for a medical procedure. Creditor obtains a judgment for the \$5,000.00 owed. Another example, a consumer takes out a home equity loan of \$20,000.00 and spends \$15,000.00 on home improvements and \$5,000.00 on a child’s orthodontics and then defaults. Creditor obtains a judgment for \$20,000.00. Are the judgments in both examples the result of Medical Debt or not? A creditor has no way of knowing the credit issued would be used to pay medical bills and that its ability to recover would be hindered. An amended definition of Medical Debt will alleviate the above stated concerns. The Creditors Bar suggests the following definition of Medical Debt :

“MEDICAL DEBT” MEANS AN OBLIGATION OF A CONSUMER TO PAY AN AMOUNT OWED DIRECTLY TO A HEALTHCARE FACILITY OR HEALTHCARE PROFESSIONAL FOR THE RECEIPT OF A MEDICATION, PROCEDURE, SERVICE, OR TREATMENT THAT A MEDICAL PROFESSIONAL DETERMINES TO BE MEDICALLY NECESSARY.

COURTS OF RECORD CREATE JUDGMENT LIENS

Maryland Circuit Courts and the Baltimore City District Court are “Courts of Record” and automatically create liens when a judgment is entered. Judgments entered in other Courts may result in a lien upon request of a judgment creditor. SB349/HB428 prohibits a lien created by breach of contract for the payment of medical debt and provide any liens created in violation may result in an award for economic damages. The award of damages should be limited to liens created as a result of intentional action, or inaction, by a judgment creditor. Lastly, an alternative to prohibiting lien creation is to simply prohibit execution on an owner occupied residential property if a judgment lien is a result of medical debt.

¹ In the 2024 legislative session, very similar bills were introduced as HB673/SB630. HB673 was voted out of the House 140-0 and the definition of medical debt was “a debt incurred due to a medication, procedure, service, or treatment that a medical professional determines to be medically necessary.”

