Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
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Testimony to the Senate Judicial Proceedings Committee
SB 349 — Medical Debt – Complaints for Money Judgment and Real Property Liens
Position: Favorable

The Honorable Will Smith Jan. 29, 2025
Judicial Proceedings Committee
2 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Judicial Proceedings Committee

Dear Chairman Smith and Committee Members,

I'm a consumer advocate and Executive Director of Consumer Auto, a nonprofit group that works to secure safety, transparency, and fair treatment for Maryland drivers and consumers.

We strongly support **SB 349** because it would prevent thousands of Maryland families from living under the threat that they could lose their homes or face other serious financial problems as a result of home liens caused by medical debts.

As a result of the high cost of medical care, medical debt has become shockingly common -- and not just among low-income or uninsured Americans. Recent estimates find that U.S. consumers owe at least $195 billion in medical debt.[1] An extensive Kaiser Family Foundation (KFF) survey published in 2022 found that 41% of U.S. adults had medical debt and 24% reported being unable to pay that debt. One in seven adults said they had been denied care by another medical provider because of outstanding medical debt. [2]

Those without a college degree or with lower incomes were more likely to have such debts – but 31% of college graduates and 26% of those with incomes over $90K also reported medical debts, as did 44% of adults under 65 who have health insurance (and 62% of those without it). The debts are concentrated among people of color, with 56% of African-American and 50% of Hispanic adults reporting medical debts; about one in four black adults reported that they doubt they'll ever be able to pay off those debts.[3]

Unlike other financial liabilities, medical debt is a burden no one wants or chooses to take on voluntarily. Indeed 72% of those with such debts told KFF they were prompted by a single unfortunate medical issue or a short-term problem. [4] And with the cost of even a few days in the hospital now likely to be well in excess of $10,000 – and much greater bills sure to come if you or a family member develops a truly serious health problem -- a single illness can easily leave even a middle-income or more prosperous family with decent health insurance unable to pay all of their medical bills.

[1] https://www.marylandmatters.org/2022/08/29/new-safeguards-in-maryland-and-other-states-may-help-those-who-are-drowning-in-medical-debt/
[2] https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/
[3] Ibid.
[4] Ibid.

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No one should lose their home as a result of an illness or a short-term medical problem. Yet between 2009 and 2018 more than 4,440 Marylanders had liens put on their homes as a result of medical debts. [5] And when a lien is placed on someone's home it not only raises the real risk of foreclosure for the outstanding debt but makes it much harder to make use of the equity they have worked to build–to help finance home repairs or renovations or pay for a college education or to refinance the home or for other projects critical to a family's financial future.

This committee and the Maryland legislature did act to protect many Marylanders against home liens (and other unfair medical debt collection practices) in 2021, when Maryland barred hospitals from putting liens on the homes of those eligible for free or reduced-cost car under the landmark Medical Debt Prevention Act. But the cost of care has grown so high that many families now accrue serious medical debt not just from hospitals but from the offices of orthodontists, dentists. obstetricians, and other health care providers. And it isn't just those who qualify for reduced-cost care who now are frequently burdened by medical debts; many middle-class and more prosperous homeowners also face the threat of liens on their homes from medical debts they can't pay on time.

That's why we now need to extend protection against medical liens on our homes to all Marylanders and for all types of medical debt. **SB 349** would do that by mandating clearly that "A Lien on Owner-Occupied Residential Property May Not be Created by Contract or as a result of a breach of contract for the payment of medical debt." (Section 14-203.1(B))

This language would not prevent liens on vacation or second homes or investment properties – so it would NOT enable high-income people to avoid attachments on a lucrative portfolio of properties while failing to pay their bills. But it would prevent Marylanders from losing their homes or access to home equity because of burdensome medical expenses that are very often beyond our control.

We support SB 349 and ask you to give it a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto

[5] https://www.baltometro.org/sites/default/files/bmc_documents/committee/presentations/housing/HOUSING210805pres_medical-debt-protection-act.pdf