



Maryland Consumer Rights Coalition

Testimony to the Senate Finance Committee
SB514: Health Facilities-Hospitals-Medical Debt Protection
Position: Favorable

February 25, 2021

The Honorable Delores E. Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401
cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We're here today in strong support of SB514 and thank Sen. Feldman for sponsoring this bill.

Healthcare & Medical Debt Nationally

Nationally, healthcare is a growing concern for many Americans. A 2019 report found that about 7 million more adults are without health insurance since the number started rising in 2016¹. Nearly 1 in 6 Americans was contacted by a debt collector in the past year over a health care bill².

Nationally, healthcare and medical debt have a disparate impact on Black Americans. A 2016 study of older adults found that older African-Americans had 2.6 times higher odds of medical debt and only about 40% of that disparity is explained by insurance, health status, and income³. In addition, African-Americans were more likely to be contacted by a debt collection agency and to have to borrow money rather than draw on savings to pay the medical debt.

Medical Debt in Maryland

Medical debt is also a major problem for Maryland residents, especially those from low-income households and among communities of color. 15% of Maryland residents report having medical debt, while 21% of those in communities of color report owing medical debts.⁴

¹ "GoFundMe CEO: One-Third of Site's Donations are to Cover Medical Costs" Time magazine, Jan. 30, 2019.

² [NCLC, Don't Add Insult to Injury, November 2019](#)

³ [NCBI, 2016](#)

⁴ [NCLC, Maryland Debt Collection Fact Sheet](#)



In an October 2020 survey commissioned by MCRC, 12 % of Maryland voters survey have or have a family member with a medical bill they are unable to pay⁵. Three times as many African-American residents are unable to pay a medical compared to white residents⁶.

Hospital Debt & Lawsuits in Maryland

Hospital care, in particular, is a major driver of healthcare costs and medical debt in Maryland. An average hospital stay lasts four days and costs, on average, \$14,200. In fact, hospital care makes up 37% of health care services in Maryland, the highest percentage of all health care costs.⁷

Although hospitals have financial assistance policies in place and last year with the passage of HB1420, the General Assembly expanded eligibility for financial assistance, the current system is leaving too many behind. Charity care provided by Maryland hospitals has plummeted by 36%, or \$168 million, from 2009 to 2018.

At the same time that charity care has plummeted, hospitals have sued former patients for medical debts of \$5000 or less at an alarming rate. Over the past 10 years, Maryland hospitals filed 145,746 lawsuits for medical debt, resulting in 37,370 wage garnishments, 4,432 property liens, and 3,278 bankruptcies due to medical debt⁸. Many of these lawsuits were against patients that would have likely qualified for free or discounted medical care.

COVID-19

We are in a time of twin crises of COVID-19 pandemic and an economic recession. Thousands of Marylanders have lost their jobs, reduced their hours, or had to close their business. Many continue to wait on unemployment. Nationally, more than 12 million people have lost their employer-tied health insurance. At the same time, essential workers continue to be at risk on the frontlines of this crisis. The brunt of job loss and the vulnerability of exposure fall disproportionately on Black and Brown communities who have experienced greater job loss, comprise a large segment of the essential workforce, and have higher rates of contracting COVID-19 than other Marylanders.

While the immediate danger from the pandemic may wane, the longer-term consequences will continue. Experts now predict that up to 10% of COVID-survivors will experience long-term disabilities including chronic fatigue and dysautonomia. Many others who survive do so with severely damaged heart or lungs. These chronic conditions will require long-term medical treatment that is not covered by the COVID protections in federal law while at the same time, these health conditions make it more difficult for individuals to continue to work full-time⁹. And it will take several years, at best, for the economy to recover. Under no circumstance does it make sense for hospitals to continue to garnish wages, place liens on homes, zero out bank accounts, or pursue lawsuits against individuals who are seeking medical care.

⁵ [Gonzales poll, October 2020](#)

⁶ [ibid](#)

⁷ [MHCC, Health Care Costs in Maryland](#)

⁸ [Preying on Patients, NNU, 2020](#)

⁹ [COVID Long-Haulers Struggle, NPR February 2021](#)



- **Public Health**

COVID-19 safeguards call for social distancing. To garnish wages, wipe out bank accounts, or place a lien against a home will increase housing insecurity for former patients. Some may lose housing altogether, while others will need to move into a family member's home, thereby increasing public health risks.

Many individuals who may need medical care for non-COVID issues, may not seek treatment because of their concerns regarding medical debt. In fact, in an October poll, of the survey respondents who said they or a family member had a medical bill they were unable to pay, 53% say they have already delayed care because of a concern for costs¹⁰. This troubling trend is likely to accelerate as many workers who had health insurance tied to their employment have lost health insurance. A national study estimates that 7.7 million workers have lost employer-sponsored health insurance which means that many more may avoid care.

Finally, the evidence is emerging that many who survive COVID-19 do so with new chronic lung and heart problems. Others suffer from COVID long-haulers disease, a form of dysautonomia. These individuals will need long-term care and will need to be able to afford that care.

- **Economic Rights**

As noted this is an economic rights issue. Medical debt differs from other consumer debt in a number of important ways. First of all, debt that is accrued by seeking medical treatment is not a choice like other products and services. It is often incurred involuntarily and, in emergency situations, there are not opportunities to make informed choices. Moreover, even when a patient with insurance chooses an in-network facility, the patient has no control over whether or not they are treated by an in-network physician. Pricing is opaque and confusing and problems with medical errors abound.

The solutions to collect on a debt are punitive and lead to a vicious cycle of poverty. Many of those sued in Maryland for hospital debt work as staff at the hospitals that sue them, at Walmart or Target. Many are hard-working, low-wage individuals. Individuals who can not afford \$1000 hospital debt, cannot afford to have their wages garnished, nor can they afford to have their savings taken by a hospital, nor to have a lien on their home. In fact, these solutions are likely to worsen an individual's health as financial stress is linked to poor physical and mental health problems.

- **Racial Equity**

As research shows, these lawsuits fall hardest on low-income communities and many fall hardest on Black neighborhoods and other communities of color. Our October 2020 Gonzales poll found that 45% of African-American respondents would have to use credit or could not afford a \$500 medical bill. And as noted earlier, there is evidence of higher collection efforts in majority Black communities than in white

¹⁰ [Gonzales poll, October 2020](#)



communities. And just as disturbingly, our poll found that more than 50% of African-American households were not aware of any hospital financial assistance policies. There are already social disparities in health and health outcomes. Hospitals lawsuits and debt collection practices also exacerbate and deepen these existing inequalities and widen the racial wealth gap.

Why SB514 is needed

This bill expands consumer protections for patients who have hospital medical debt. It increases transparency, provides an income-based repayment plan for patients, provides redress if patients qualify for financial assistance but didn't receive it, and eliminates or lessens the most punitive aspects of these debt collection practices.

Many of the solutions in SB514 are not new. Washington and Oregon state have passed legislation related to medical debt issues. A number of states have introduced legislation this year.

Four states do not garnish wages for any debts, nine states do not place liens on first homes, and Delaware does not garnish bank accounts. Moreover one-third of Maryland hospitals do not sue their patients for medical debt. Other Maryland hospitals can follow suit. In fact, the amount of medical debt sought in these lawsuits is 0.18 % of operating revenue and 4.2 % of net income.

As research from health economists from Boston University shows, this bill will not harm hospitals' bottom line. New research shows the effect of a prohibition on medical debt of \$1000 or less would cost \$7000, on average ,per hospital.

Finally, this bill does not eliminate the ability of hospitals to pursue the debt. Once they have exhausted a financial payment plan, the hospital can pursue debt collection. The consumer will receive multiple calls, texts, social messages each day about the debt and their credit will be lowered. Both are significant incentives to pay the debt owed.

For all these reasons, we support SB514 and urge a favorable report.

Best,

Marceline White
Executive Director