

Reasonable Regulations of Medical Debt Would Improve Economic Security for Marylanders

Position Statement Supporting House Bill 565

Given before the Health and Government Operations Committee

Medical bills burden too many Maryland households with financial insecurity, debt collections that damage credit history, and bankruptcy. House Bill 565 would protect low and middle-income households from punitive medical debt lawsuits. It will prohibit medical debt lawsuits for \$1,000 or less, require income-based repayment plans, and prevent wage garnishments and liens on homes over medical debt. **For these reasons, the Maryland Center on Economic Policy supports House Bill 565.**

National surveys and other research show that medical debt can and does affect people across different levels of income, education and other indicators¹. However, even relatively minor illness can threaten the financial security of low-income households, whether they have insurance or not. Co-pays and medical bills that aren't covered by insurance, and lost income or employment from time-off work, can become insurmountable obstacles for those already living paycheck to paycheck.

The median debt for medical debt lawsuits is just \$944. That is an added expense many working and middle-income families cannot afford – but hospitals that receive millions of dollars in tax breaks and grant funding can. Prohibiting lawsuits for these small amounts and instead putting the focus instead on reasonable repayment plans is a more appropriate way to address the needs of all parties.

In addition, garnishing someone's wages for medical debt is counterproductive. When a working person's wages are seized, it becomes harder to afford necessities like rent, food, and transportation. When families have less to spend on necessities, that also affects local small businesses and the broader community.

Finally, it is all the more important, as Marylanders continue to deal with both the health and economic effects of the COVID-19 pandemic, that people know they can get the medical care they need without putting their family's future financial security at risk.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Health and Government Operations Committee give a favorable report to House Bill 565.

Equity Impact Analysis: House Bill 565

Bill summary

The Medical Debt Protection Act would protect people with medical debt by:

- Mandating hospitals to develop a repayment plan that does not exceed 5% of the individual's monthly income – and capping interest rates at 1.5%
- Prohibiting hospitals from putting liens on homes and from garnishing wages
- Banning hospitals from suing for medical debt \$1,000 and under
- Requiring a hospital to provide a refund of certain amounts collected from a patient or the guarantor of a patient who was found eligible for reduced-cost care on the date of service

Background

An estimated 1 in 4 Americans have past due medical bills, according to national surveys. The median debt for medical debt lawsuits is just \$944. That is an added expense many working and middle-income families cannot afford – but hospitals that receive millions of dollars in tax breaks and grant funding can.

Equity Implications

Discriminatory policies that created barriers to opportunity and barriers to accessing health care have led to racial inequities in income, wealth, and health. As a result, Black Americans are more likely to have medical debt, with about 1 in 3 having a past due medical billⁱ.

Marylanders of color are also less likely to have health insurance, particularly low-income immigrant Marylanders who might not be eligible for Medicaid or subsidies.

Reducing the frequency of medical debt lawsuits, preventing wage garnishments, and requiring reasonable repayment plans would make it easier for Marylanders to access and afford needed medical care.

Impact

House Bill 565 would likely **improve racial and economic equity** in Maryland.

ⁱ Singlecare, "2021 Medical Debt Statistics," January 2021. <https://www.singlecare.com/blog/medical-debt-statistics/>

ⁱⁱ Signe-Mary McKernan, Steven Brown, Genevieve M. Kenney; Urban Institute; "Past-due medical debt a problem, especially for black Americans"; March 2017 <https://www.urban.org/urban-wire/past-due-medical-debt-problem-especially-black-americans>