

**Sent:** Friday, March 15, 2024 4:26 PM

**Subject:** Your campaign CAHC's Policy Perspective: The Burden of Medical Debt



# CAHC's Policy Perspective

Preserving and Expanding Health Care Access

March 15, 2024

## The Burden of Medical Debt

**An exploration of policy solutions and consumer protections related to medical credit cards, medical debt, hospital financial assistance programs, and facility fees**

Medical debt is increasing in Maine. Predatory or unjust billing and collection practices have gained increasing attention and scrutiny as Americans have become increasingly frustrated and imperiled by high health care costs. The burden of medical debt negatively impacts the daily lives of too many Mainers and their families.

[A survey](#) released last year revealed that over four in ten Mainers have some form of medical debt in their household. The burden of medical debt means household economies are compromised in challenging, sometimes agonizing, ways. Those with medical debt report having difficulties paying for basic necessities like food, heat, or housing.

A Kaiser Family Foundation (KFF) [survey](#) shows people with medical debt report having to reduce spending for food, clothing, and other basic needs. Respondents also reported drawing from their savings to pay for medical bills, borrowing money from friends or family members, or taking on additional debt. In Maine, of those who reported negative financial impacts due to medical expenses, many incurred additional credit card debt, or reported being contacted by a collection agency.

Some populations bear a disproportionate burden of medical debt. Another KFF [survey](#) found that larger shares of people in poor health and living with a disability report medical debt. Higher numbers of Black adults report having medical debt compared to their White, Hispanic, and Asian American counterparts. These disparities are important to keep in mind as we evaluate and discuss current and potential protections for all consumers – including those living with disability, for example.

This blog post will explore current federal and state level protections for consumers, including here in Maine. It will also describe policy options for addressing medical debt in Maine.

### Restrictions on Reporting Medical Debt to Creditors

Not only does medical debt affect the day-to-day decision making of many Mainers, it can also affect credit scores, leading to other negative financial impacts. A poor credit score can make it more difficult to secure housing, a car, or other loans. It can also affect employment.

Importantly, medical debt is unlike other forms of debt: most often it is unplanned. Typically, consumers cannot financially prepare for unexpected medical conditions, visits to the emergency

room, or necessary procedures. For these reasons, medical debt is a poor indicator of credit risk and is often more reflective of high healthcare costs. Because of these unusual circumstances, action is being taken on both the federal and state levels.

At the federal level, the Consumer Financial Protection Bureau is in the process of rulemaking that would remove medical bills from Americans' credit reports and ban coercive collections actions. The rulemaking [process](#) is ongoing, however. It is impossible to predict whether this process would continue or where it will lead, given rulemaking is a slow process and political uncertainty.

Additionally, while the three [largest national credit reporting companies](#) (TransUnion, Equifax, and Experian) have removed all **paid** medical debts from consumer credit reports and those less than a year old and all medical bills under \$500 from consumer credit reports, it is clear more needs to be done to protect consumers from bad credit ratings resulting from medical debt.

Some states have also taken action. In 2023, [Colorado](#) and [New York](#) banned reporting medical debt to creditors. A bill in Minnesota, the [Debt Fairness Act](#), if enacted, would ban medical debt from being reported to credit bureaus and reduce interest on medical debt from 8 to 0 percent. The bill was laid over for further consideration in the [Commerce Finance and Policy committee on March 4<sup>th</sup>, 2024](#).

Senate President Troy Jackson has introduced LD 2174, *An Act to Protect Consumers from Predatory Medical Credit Card Providers*. As proposed, the bill aims to prohibit misleading advertising of medical credit cards and would prohibit health care providers from signing people up for such cards in a treatment or recovery room, in the effort to ensure consumers are able to make informed decisions about whether to sign up for a medical credit card. It would also provide that a creditor attempting to collect payments from a consumer connected with a medical credit card is subject to the Maine Fair Debt Collection Practices Act provisions.

The bill would mitigate the harmful effects of medical credit cards, which often include predatory conditions and can inflate medical bills by 25%. Medical credit cards were originally used to pay for care not typically covered by health insurance, such as dental and vision care or cosmetic surgery. However, they are now also used to pay for a much broader range of services, including routine care, as consumers try to cope with the high cost of medical care.

Many medical credit cards are advertised as having zero-interest promotional periods of 6 to 18 months. However, according to the Consumer Financial Protection Bureau, the fine print on these credit cards, which can be difficult to decipher, often contains deferred interest conditions: If a consumer doesn't pay off the full amount before the end of the promotional period, they are responsible for all the interest that would have accrued dating back to the original purchase date. The interest rates can be up to 27 percent or higher (significantly higher than the typical 16 to 22 percent range for general-purpose credit cards).

The bill was tabled in the Health Coverage, Insurance, and Financial Services committee on March 13th, 2024. The committee is expected to hold a work session on the bill or a possible amendment to the bill in the coming week. An amendment is not yet posted but will be shared by the committee once finalized.

Senator Mike Tipping has introduced LD 2115, *An Act to Prohibit Unfair Practices Related to the Collection of Medical Debt*. The amended bill would strengthen the Maine Fair Debt Collections Practices Act and prohibit debt collectors from charging interest and fees on medical debt. It would also prohibit debt collectors from suing patients, who have income below 300% Federal Poverty Level, for medical debt. The bill received bipartisan support and a majority "ought to pass as amended" vote out of the Health Coverage, Insurance, and Financial Services committee on March

13<sup>th</sup>, 2024. The bill is expected to be taken up by the full legislature in the coming weeks. The updated language is not yet posted but will be shared [here](#) once finalized.

## Preconditions Before a Hospital Can Send a Bill to Collections

While the previous section discussed medical debt reporting, this section will explore protections for consumers *before* a bill is sent to collection, thereby reducing the likelihood a consumer will have to take on debt.

[Federally](#), certain actions regarding the sale of medical debt by a non-profit hospital can be considered what is referred to as extraordinary collections actions (ECA). ECAs are actions requiring a judicial process, involving selling a debt to another party (such as debt collectors), or reporting adverse information to credit agencies or bureaus.

Given this designation, federal law requires nonprofit hospitals to follow certain notice and waiting period requirements before initiating the sale of medical debt to third party collectors (or engaging in an ECA). For example, hospitals and collection agencies cannot report to a consumer to a credit reporting agency or file a civil complaint until 120 days after initial billing.

Some other states place stronger restrictions or preconditions on how and when bills can be sent to collections. [New York, North Carolina, Colorado, and California](#) require prior patient notification before a bill is sent to collection. [Oregon, Minnesota, and Washington](#) require patients to be screened for financial assistance before their bill is sent to collections. Medical providers in [Massachusetts, New Mexico, New Jersey, and Connecticut](#) are prohibited from sending low-income patients to collections or suing them for debt if the patient's household income is under 200% of the federal poverty level. Additionally, [Illinois](#) and [Minnesota](#) require providers to offer patients a reasonable payment plan before sending a bill to collection.

All these protections provide consumers in those states with greater protections from being sent to collection, ideally allowing them the opportunity to enroll in hospital financial assistance programs, engage in a reasonable payment plan, or avoid collection all together (for those below a certain income limit).

In Maine, House Speaker Rachel Talbot Ross has sponsored a bill, LD 1955, that aims to reduce the prevalence of medical debt and barriers in accessing financial assistance programs in Maine. The [survey](#) data mentioned previously revealed that the majority of Mainers with medical debt report that the debt originated from a hospital bill. If passed, the bill would provide two important consumer protections. First, it would provide improved notice of the availability of Hospital Charity Care (Free Care in Maine), as required by Maine law. [Roughly half](#) of Mainers with hospital-related medical debt are unaware that non-profit hospitals in Maine are required to provide free medically necessary care to Mainers who meet certain income guidelines. Second, the bill would increase the Free Care income eligibility threshold from 150% of the federal poverty level (FPL) to 200% FPL. LD 1955 received a majority "ought to pass" vote in the Health and Human Services committee on February 21<sup>st</sup>, 2024. The bill is expected to be taken up by the full House in the coming weeks. The updated language is not yet posted but will be shared [here](#) once finalized.

## Addressing Hidden Hospital Facility Fees

Hospital facility fees can also contribute to medical debt and are often hard to plan for, given lack of transparency surrounding the fees. Facility fees can [often exceed the actual cost of care](#) and [often are not completely covered by insurance](#), leaving people with large out-of-pocket fees they were not expecting.

In Maine, LD 2271, *An Act to Implement the Recommendations of the Task Force to Evaluate the Impact of Facility Fees on Patients to Improve Facility Fee Transparency and Notification and to Prohibit Facility Fees for Certain Services*, was introduced this week. The bill is the result of recommendations made by the [Task Force to Evaluate the Impact of Facility Fees on Patients](#).

LD 2271 proposes to regulate hidden and unexpected hospital charges on routine medical bills by banning facility fees for telehealth appointments in most situations and requiring more transparency on when facility fees will be charged to a patient. It would also require hospitals to post signs in waiting rooms, on web sites and in other areas letting patients know whether a facility fee will be charged and telling them they may pay more for care at the hospital than if they received the care at a non-hospital setting. Lastly, the bill would ban fees from being charged for telehealth services if the patient is not at the hospital during the service.

A public hearing on the bill is scheduled for **this coming Tuesday, 3/19/24**, at 1:01pm before the Legislature's [Joint Standing Committee on Health Coverage, Insurance and Financial services](#). Those interested in testifying may do so in person, [by Zoom \(advanced sign up required\)](#), [or in writing](#).

## In Conclusion

These policies have been proposed in the effort to protect consumers from unnecessarily taking on medical debt and the devastating aftermath, including the effects it can have on the daily lives of Mainers. As healthcare costs continue to increase, shielding patients from harmful and unjust debt is imperative.



If you have a story to share about medical debt or using a medical credit card and are willing to share your experience, please email [policy@mainecahc.org](mailto:policy@mainecahc.org).

## About Ceilidh Shea - Policy Advocate

Ceilidh has a strong interest in the intersection of public policy and health outcomes, particularly with respect to health equity and health justice. She is a graduate of Colorado College, where she majored in Political Science and minored in Global Health.



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