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**Testimony in Support of LD 558, “An Act to Strengthen Consumer Protections by Prohibiting the Report of Medical Debt on Consumer Reports,” LD 902, “An Act to Establish the Medical Debt Relief Program, and LD 1030, “An Act Regarding the Reporting of Medical Debt on Consumer Reports.”**

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Good Afternoon, Senator Bailey, Representative Gramlich, and members of the Joint Standing Committee on Health Care, Insurance, and Financial Services. My name is James Myall, and I’m a Policy Analyst at the Maine Center for Economic Policy. I’m here to testify on behalf of MECEP in support of LDs 558, 902, and 1030. MECEP supports these bills as ways to reduce the unfair burden of medical debt on Mainers’ lives.

Medical debt is a symptom of our broken health care system. While reforms like the Affordable Care Act have made health care more affordable and accessible for Mainers, the ability of Mainers to get quality care without incurring debt is far from universal. While some of this debt is incurred by people without health insurance, far too often, Mainers with private health insurance are also burdened by debt as a result of high deductibles and copays or plans which don’t cover everything Mainers need.

The exact scale of the medical debt crisis can be hard to pin down, but one estimate suggests that in 2021, one in 10 Maine adults – 110,000 people – hold medical debt. The burden of medical debt falls hardest on Mainers from low-income families, people of color, and people in poor health (including people with disabilities).<sup>1</sup> These are precisely the individuals who have less money to begin with, and who are more likely to need to go into debt to afford critical medical care.

Medical debt holds back Mainers’ overall economic stability. When Mainers are burdened by medical debt, they have fewer savings for other emergencies, and end up resorting to payday loans or credit cards to tackle things like a car repair.<sup>2</sup> It also leads them to avoid further encounters with the health care system, even forgoing necessary care out of fear of incurring more debt.<sup>3</sup> That’s counter-productive not only for these individuals, but also for our health care system as a whole, as it will probably lead to higher costs for more serious conditions down the road.

In the bigger picture, debt acts as a drag on our economy. When Mainers are weighed down by debt, they find it harder to make big life decisions like going to college, or buying a home.

They put off taking risks like starting a business. And that all adds up to an economy that is less dynamic with less growth and fewer opportunities for all of us.

The fundamental unfairness of medical debt is that it is used by credit reporting agencies as a measure of someone's creditworthiness. Yet medical debt is unlike most other forms of debt. While taking out a car loan or a mortgage can be seen as a consumer choice, most medical debt is not incurred by choice but by necessity. Not only do patients not always know the cost of care before they agree to it, but Mainers don't get to choose when they break a leg, get treated for cancer, or contract diabetes. When credit agencies punish Mainers for holding medical debt that they are struggling to pay, they are punishing them for bad luck, not bad choices.

The bills before you will each help reduce the burden of medical debt in different ways. By limiting the reporting of medical debt, LD 558 and, to a lesser extent, LD 1030, would ensure that Mainers' credit histories aren't harmed by incurring necessary and unfair debt that doesn't accurately reflect their credit-worthiness. LD 902 would more directly tackle the debt crisis by purchasing and cancelling outstanding debt. A number of cities and states have experimented with this approach, and a program like this can be particularly successful when it can buy up debt cheaply because the debtor has very little prospect of repaying it. In Connecticut, \$30 million has been appropriated to wipe out approximately \$650 million of consumer debt.<sup>4</sup>

Each of these bills would help reduce the burden of medical debt on Mainers, which will improve the lives of tens of thousands of Mainers, as well as strengthening our overall economy. We urge you to vote ought to pass on these efforts.

Thank you; I'm happy to take any questions.

## Notes

<sup>1</sup> Shameek Rakshit, Matthew Rae, Gary Claxton, Krutika Amin, and Cynthia Cox, "The burden of medical debt in the United States." *Peterson-KFF Health System Tracker*. Feb 12, 2024.

<https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states>

<sup>2</sup> Aubrey Winger, Gary Claxton, Matthew Rae, Anthony Damico, and Shameek Rakshit, "How financially vulnerable are people with medical debt?" *Peterson-KFF Health System Tracker* Feb 12, 2024.

<https://www.healthsystemtracker.org/brief/how-financially-vulnerable-are-people-with-medical-debt>

<sup>3</sup> Lunna Lopes, Audrey Kearney, Alex Montero, Liz Hamel, and Mollyann Brodie, "Health Care Debt In The U.S.: The Broad Consequences Of Medical And Dental Bills." *KFF* Jun 16, 2022. <https://www.kff.org/health-costs/report/kff-health-care-debt-survey/>

<sup>4</sup> Katy Golvava, "CT cancels \$30M in medical debt for thousands of residents." *Connecticut Mirror* Dec 16, 2024. <https://ctmirror.org/2024/12/16/ct-medical-debt-forgiveness-program/>

**Commented [AP1]:** Some of the examples of this I've heard of are pennies on the dollar -- do you have a sense of whether that would be the case with 902? If so, would it be worth noting that here?