



Advocating the right to quality, affordable health care for all Mainers.

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Statement of Kate Ende, Consumers for Affordable Health Care

To the Joint Standing Committee On Health Coverage, Insurance, and Financial Services

Testimony in Support of:

LD 2115, An Act Requiring Health Care Providers to Engage in Fair Practices When Selling Medical Debt

February 29, 2023

Senator Bailey, Representative Perry, and Members of the Joint Standing Committee On Health Coverage, Insurance, and Financial Services, thank you for the opportunity to submit these comments in support of LD 2115, An Act Requiring Health Care Providers to Engage in Fair Practices When Selling Medical Debt.

My name is Kate Ende and I am the Policy Director at Consumers for Affordable Health Care, a nonpartisan, nonprofit organization that advocates the right to quality, affordable health care for every person in Maine. As designated by Maine's Attorney General, CAHC serves as Maine's Health Insurance Consumer Assistance Program (CAP), which operates a toll-free HelpLine. Our HelpLine, fielded over 7,000 calls and emails last year from people across Maine who needed help obtaining, keeping, using, or fixing problems with private health insurance or with accessing or affording health care services. CAHC also serves as the Ombudsman program for Maine's Medicaid program, MaineCare, and helps people apply for and navigate the enrollment process for MaineCare. It is with that background that we provide these comments.

LD 2115 protects Mainers from harmful collection agency practices that exacerbate negative impacts of existing medical debt or force consumers to incur more debt. The bill would prohibit collections agencies from charging interest and fees, litigating to collect on debt, and would prohibit them from reporting debt to credit agencies.

Nationally, we're seeing increasing attention paid to medical debt and initiatives to prevent it. Before providing information on medical debt collection in Maine, I want to offer some background on our national landscape. There are important efforts being made on the federal level and LD 2115 would further strengthen some of these new protections.

In 2022 major credit bureaus removed paid medical collections from credit reports and stopped reporting unpaid medical collections until those debts were one year old, (as opposed to the previous six-month period). As of April 2023, medical collections under \$500 no longer appear

on consumer credit reports.¹ In September of 2023, the Consumer Financial Protection Bureau (CFPB) began a rulemaking process to remove medical bills from credit reports. That process is ongoing.² However, at this point in time, medical debt can still negatively impact someone's credit card.

This bill is an opportunity for Maine to build upon and strengthen these protections. Medical debt can seriously impact credit reports and scores for many Mainers. A poor credit score can lead to higher interest rates, fewer loan options, and can also make it more difficult to find housing and obtain certain services.³

Medical debt is unique in that it is not a good predictor of someone's ability to pay their debts. Research conducted by the CFPB found that "medical billing data on a credit report is less predictive of future repayment than reporting on traditional credit obligations. Mistakes and inaccuracies are common and can be compounded by problems such as disputes over insurance payments or complex billing practices."⁴ Although medical debt has little predictive value, it is still being included in credit reports and credit score calculations, with devastating effects for many people. For this reason, we respectfully ask the Committee to further strengthen the protections proposed in LD 2115 by prohibiting medical providers, in addition to debt buyers and collections agencies, from reporting negatively to credit agencies. New York and Colorado have already taken this step to protect their residents from poor credit scores resulting from medical debt.^{5 6}

LD 2115 would also prohibit collections agencies from charging interest and fees on medical debt. In Maine, more than four out of ten people have taken on medical debt in their household in the last five years.⁷ Nearly half of those with medical debt have been contacted by a collection agency due to a medical bill and nearly a third have struggled to pay for their basic needs, like food, heat, or housing, due to medical costs. Maine people are struggling with the cost of medical care, the last thing they need is to be charged additional interest or fees that they have to pay off on top of the medical bills they already owe. This bill would ensure Maine people are not charged interest or fees on medical debt, which will protect people who are already struggling to pay their bills from incurring additional debt. LD 2115 would also prohibit collections agencies from litigating on medical debt, the outcome of which can be financially devastating for Mainers who are already struggling to pay their bills. Currently, if a patient fails to pay a bill in collections, debt collectors can file a lawsuit and if

¹ <https://www.urban.org/urban-wire/medical-debt-was-erased-credit-records-most-consumers-potentially-improving-many>

² <https://www.consumerfinance.gov/about-us/newsroom/cfpb-kicks-off-rulemaking-to-remove-medical-bills-from-credit-reports/>

³ <https://www.investopedia.com/the-side-effects-of-bad-credit-4769783#:~:text=A%20poor%20credit%20history%20can,you%20in%20a%20job%20hunt>

⁴ <https://advocacy.consumerreports.org/press-release/new-york-governor-signs-ban-on-reporting-medical-debt-to-credit-reporting-agencies/>

⁵ https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=S04907&term=&Summary=Y&Actions=Y&Committee%26nbspVotes=Y&Floor%26nbspVotes=Y&Memo=Y&Text=Y&LFIN=Y&Chamber%26nbspVideo%2FTranscript=Y

⁶ <https://leg.colorado.gov/bills/hb23-1126>

⁷ [24FEB SURVEY Mainers Perceptions of Health Care Affordability and Facility Fees.pdf](#)

won, can garnish wages or take funds directly out of a patient's bank account to repay debt.⁸ Much like fees and interest rates, these practices can force many Mainers into further debt and make it harder for Mainers to meet their basic needs. Texas, North Carolina, New York, and Pennsylvania already prohibit collections agencies from garnishing wages. Eleven states, including Rhode Island and Connecticut, prohibit foreclosure of homes resulting from litigation on medical debt.⁹ Being taken to court can be an onerous and stressful process for consumers that often requires people to take off work or arrange childcare. Most people are unaware of their rights, and many do not seek assistance from legal services and are ill equipped to represent themselves in legal proceedings. LD 2115 would help protect consumers by prohibiting debt buyers and collections agencies from litigating to collect medical debt.

Medical debt is affecting the day-to-day lives of many Mainers. Many with medical debt are forced to choose between paying off their debt or paying for groceries, heat, gas, childcare, and other essential needs. It is of the utmost importance that we protect patients from harmful and predatory collections actions that can often exacerbate debt and financial hardship. For these reasons I urge you to vote ought to pass on LD 2115. Thank you and I'd be happy to answer any questions.

⁸ <https://www.cbsnews.com/news/debt-collections-credit-reports/>

⁹ <https://www.commonwealthfund.org/publications/fund-reports/2023/sep/state-protections-medical-debt-policies-across-us>