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Maine Equal Justice

People Policy Solutions

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Testimony on behalf of Maine Equal Justice in *Support* of LD 558, March 25, 2025

Good afternoon, Senator Bailey, Representative Gramlich, and members of the Committee on Health Coverage, Insurance and Financial Services. I'm Andrea Steward, (she/her/hers) a policy advocate at Maine Equal Justice, a nonprofit civil legal aid provider working to increase economic security, opportunity, and equity for people in Maine.

Thank you for the opportunity to offer testimony in support of LD 558.

Rising health care costs, lack of health insurance and high-deductible plans, and an increasing cost of living have all contributed to a high burden of medical debt in Maine.¹ For people and families living on low-income, even a small unexpected medical bill can be unaffordable. Low-income households are more likely to rely on credit to stretch their paychecks or benefits until the end of the month and are also more likely to have current health care debt that may negatively impact their credit score.² Through all our community outreach and legal services work, medical debt, and its impact on a family's ability to meet their basic needs, is among the top concerns for our clients.

The Proposed bill builds on protections for consumers

Maine has been at the forefront in pursuing consumer protections against harmful medical debt collections. In 2019, Maine amended the Maine Fair Credit Reporting Act, requiring consumer reporting agencies to remove paid or settled medical debts from consumer reports upon receiving reasonable evidence of payment,³ and most recently passed a law banning collection agencies from charging interest or fees on known medical debt.⁴ In 2024 the Maine Legislature amended the Maine Fair Debt Collection Practices Act, prohibiting litigation to compel payment of medical debt when the consumer's household income is less than 300% of the Federal Poverty

¹ Urban Institute. Interactive Medical Debt Map. Sept. 2024.

<https://apps.urban.org/features/debt-interactive-map/?type=medical&variable=medcoll>

² <https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/>

³ 10 M.R.S. § 3110-H(4)

⁴ 32 M.R.S. § 11013(3)(O)

Level (FPL).⁵ Maine Equal Justice continues to support legislation to further these consumer protections including compelling providers to offer patients reasonable payment plans based on their income and to limit the marketing of predatory financial products in health care settings.

In recognition that medical debt is a poor predictor of willingness or ability to pay off other debts, the three largest credit reporting companies voluntarily removed all paid medical debts and medical collections under \$500 from consumer credit reports.⁶ Initial research shows significant reductions in the percentage of Americans with unpaid medical bills on their credit reports following these elective changes, yet higher balances and most medical collections remain on credit reports which can often be the most detrimental to long-term economic stability.

In January 2025, the Consumer Financial Protection Bureau (CFPB) finalized a rule amending Regulation V of the federal Fair Credit Reporting Act (FCRA) to prohibit creditors from considering medical information in credit eligibility determinations and ban the inclusion of medical bills on credit reports used by lenders.

Unfortunately, this rule is now in danger of being abolished. U.S. Rep. Ralph Norman, R-S.C., and U.S. Sen. Mike Rounds, R-S.D., have issued a Congressional Review Act (CRA) resolution to overturn the bureau's final rule on medical debt credit reporting.⁷

Under the CRA, Congress can pass a resolution, with presidential approval, to overturn certain federal agency actions and it prohibits an Agency from re-proposing the rule without direct Congressional action. The CRA action is now scheduled for hearing on March 26, 2025.⁸ This is only one example of the current federal administration's efforts to effectively shutter the CFPB.⁹

Maine has the highest share and median amount of medical debt in New England

Maine has one of the highest rates of medical debt in the Northeast. According to a 2025 statewide survey conducted by Digital Research Inc., 45% of Mainers surveyed reported incurring some form of medical debt in the last 2 years, and one in four households with medical debt owed \$5,000 or more. Over half of respondents said their credit score had been negatively

⁵ 32 M.R.S. § 11013(3)(Q)

⁶ Consumer Financial Protection Bureau. Press Release: CFPB Finalizes Rule to Remove Medical Bills from Credit Reports.

<https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-rule-to-remove-medical-bills-from-credit-reports/>

⁷ Joint Resolution: House of Representatives

<https://docs.house.gov/meetings/BA/BA20/20250326/118049/BILLS-119HJRes74ih.pdf>

⁸ Hearing Entitled: A New Era for the CFPB: Balancing Power and Reprioritizing Consumer Protections, Financial Services Committee <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=409505>

⁹ NPR Network A Medical-debt watchdog gets sidelined by new administration

<https://www.kuow.org/stories/a-medical-debt-watchdog-gets-sidelined-by-the-new>

impacted by medical debt and of those two out of three people said it was a barrier to finding a job or receiving a loan.

Health care prices in Maine are 20% higher than the national average, with hospital costs reaching nearly 2.5 times the Medicare rate.¹⁰ Approximately half of the population relies on Medicare, and private insurance holders face increasing premiums and out-of-pocket expenses.¹¹ For low-income Mainers, these costs are often unmanageable and people are forced to make trade-offs or cut back on other essentials like food, heat, or medications

Who Is Most Affected in Maine?

Mainers with Low and Fixed Incomes

In 2022, 32.5% of Maine's population fell below 400% of the FPL, with 10.3% living below 100% of the FPL.¹² In some rural counties, over 17% of residents live below the poverty line.¹³ Many low-income individuals rely on a patchwork of hospital free care and municipal assistance programs that are inconsistently administered, leading to medical bills that should be covered by aid programs being sent to collections.

The median medical debt in Maine is \$1,681, but for many, this debt leads to severe financial consequences.¹⁴ Nearly all bankruptcy cases handled by Pine Tree Legal Assistance stem from medical events that result in lost income and prolonged attempts to access Social Security Disability Insurance (SSDI). Of the 13 current bankruptcy cases, 10 involve medical-related financial crises.

Rural Mainers

Maine is the most rural state in the nation, with 40% of its population living in rural areas. Rural residents face greater barriers to accessing health care, including longer travel times and fewer providers.¹⁵ Fifteen of Maine's sixteen counties are designated as having health professional shortages.¹⁶ These barriers increase the likelihood of unpaid medical bills and subsequent credit reporting.

¹⁰ <https://communitycatalyst.org/wp-content/uploads/2024/05/Maine-State-Spotlight-Final-Updated-May-2024.pdf>

¹¹ Id.

¹² <https://www.kff.org/other/state-indicator/distribution-by-fpl>

¹³

<https://www.maine.gov/labor/cwri/county-economic-profiles/countyProfiles.html&sa=D&source=docs&ust=1723375760572857&usg=AOvVaw1hfhadFLa6xN6OK0xLUjGF>

¹⁴ Id (n1)

¹⁵ Maine CDC. Rural Health and Primary Care. July 27, 2024.

<https://www.maine.gov/dhhs/mecdc/public-health-systems/rhpc/rural-health.shtml>

¹⁶ https://digitalcommons.usm.maine.edu/cgi/viewcontent.cgi?article=1025&context=population_health

Traveling for medical care imposes additional costs, including time off work and transportation expenses, which disproportionately impact low-income households. As rural health facilities continue to close, the burden on these communities only grows.

Mainers of Color

While Maine has a growing diverse population, communities of color face disproportionately high levels of medical debt.¹⁷ At the height of the COVID-19 pandemic, Maine had the nation's largest racial disparity in case counts, with Black residents contracting the virus at more than 20 times the rate of white residents.¹⁸ Language barriers and inconsistent access to financial assistance exacerbate the burden of medical debt for immigrant families. Many immigrants lack access to health insurance and rely on emergency services, resulting in higher medical bills. Maine Equal Justice frequently assists individuals who qualify for free care but are not informed of their rights until legal intervention.

Older Mainers

Maine has the highest median age in the country and the second-largest proportion of residents aged 65 and older.¹⁹ Older adults face greater medical needs and more complex billing, making them particularly vulnerable to errors and debt accumulation.²⁰ Medicare does not cover essential health needs such as hearing aids and dental care, leaving many older adults with significant out-of-pocket costs.

Mainers with Disabilities and Chronic Health Conditions

Maine has the tenth-highest percentage of people reporting a disability in the United States.²¹ Individuals with disabilities often face higher medical costs and gaps in insurance coverage. The mandatory 24-month waiting period for Medicare after SSDI approval leaves many without coverage and vulnerable to accumulating medical debt.²²

Conclusion

In Maine, the burden of medical debt affects every aspect of life, from financial security to physical and mental well-being. We urge the committee to vote to pass LD 558

¹⁷ <https://www.urban.org/urban-wire/communities-color-disproportionally-suffer-medical-debt>

¹⁸ <https://www.pressherald.com/2020/06/21/maine-has-nations-worst-covid-19-racial-disparity/>

¹⁹ <https://www.kff.org/other/state-indicator/distribution-by-age>

²⁰ CFPB. May 30, 2023.

<https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-medical-billing-and-collections-among-older-americans/full-report/>;

²¹ Kaiser Family Fund State Health Facts; Percentage of Non-Institutionalized Population Who Reported a Disability. 2022. <https://www.kff.org/other/state-indicator/disability-prevalence/>

²² 42 C.F.R. 406.12