Human Services Committee
JOINT FAVORABLE REPORT

Bill No.: SB-395

Title: AN ACT CONCERNING MEDICAID BUDGETING METHODS AND THE REPORTING OF MEDICAL DEBT.

Vote Date: 3/19/2024

Vote Action: Joint Favorable Substitute

PH Date: 3/14/2024

File No.:

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SPONSORS OF BILL:

Human Services Committee

CO-SPONSORS OF BILL:

Sen. Martin Looney, 11th Dist.

REASONS FOR BILL:

Medical debt affects millions of Americans across the United States and approximately 280,000 Connecticut Residents. More than 40% of adults in America are carrying medical debt that they cannot pay, and this disproportionately impacts people of color, women, and those with lower incomes. Often, individuals with medical debt postpone needed care or skip doses of needed medication due to the fear of incurring more debt. Currently, hospitals and affiliates do not report medical debts under $500 to credit bureaus. However, a majority of Americans are billed higher than $500, leading to such debts being reflected on their credit report. As a result, individuals have been financially burdened and experience the inability to secure loans or other forms of credit for necessities such as mortgages, rent, or car loans. The purpose of this bill is to prohibit any reporting of medical debt to credit rating agencies. This would allow individuals to seek needed care without fear of incurring medical debt that would subsequently negatively impact their credit.

SUBSTITUTE LANGUAGE:

The substitute language removes Section 3 of the bill, which permits the Commissioner of Social Services to reduce or withhold Medicaid funding for any health care provider that violates the provisions of Section 1 of this bill.

RESPONSE FROM ADMINISTRATION/AGENCY:

Commission on Racial Equity in Public Health, Commission Analyst, Gretchen Shugarts; supports this bill by giving background on the issue of medical debt and providing suggestions. It is stated that medical debt is a result of and reinforces, economic and health inequity. It is stated that the National Consumer Law Center (NCLC) reported people of color are more likely to be subject to debt collection. It is stated that medical debt may have a negative impact on an individual's mental and physical health due to the stress associated. It is suggested that the bill can be strengthened by restricting all providers, not just a hospital or entity affiliated with a hospital, from pursuing payment of medical bills via wage garnishments and liens.

Commission on Women, Children, Seniors, Equity & Opportunity, Lead AAPI Policy Analyst, Megan Baker; supports this bill stating that it is a crucial step towards safeguarding Connecticut consumers from the adverse impacts of medical debt, ensuring that individuals are not burdened with undue financial strain due to necessary healthcare services. It is stated that medical debt comprises most debts reported in collections on consumer credit reports, which often results in decreased credit scores and an inability to secure loans or other forms of credit. It is stated that medical debt disproportionately affects vulnerable populations, often people of color. It is stated that medical debt is an inaccurate indicator of an individual's credit risk and hinders people's access to insurance, employment opportunities, and housing.

Department of Social Services (DSS), Commissioner, Andrea Barton Reeves; does not support Section 3 of this bill as written, as stated that DSS is not the appropriate agency to enforce the proposed requirements. It is stated that Medicaid-enrolled providers are currently prohibited from billing Medicaid members for Medicaid-covered services. It is stated that penalties associated with this bill may make providers less likely to enroll in the Medicaid program, potentially impacting access.

Office of the Healthcare Advocate, Acting Healthcare Advocate, Sean King; supports this bill stating that this would allow consumers to be less apprehensive about seeking costly but necessary care and will be in a better position to manage their household finances after a medical debt is incurred. It is suggested that language be added to this bill requiring hospitals and affiliates to notify consumers of the free assistance offered by OHA. It is also suggested that the bill be amended to specify that a hospital or collection agent may not pursue collections against a patient if the hospital or collection agent becomes aware that the patient has initiated a grievance or appeal under a state or federal administrative appeals process. It is stated that these amendments to the bill would further protect and support consumers.

NATURE AND SOURCES OF SUPPORT:

Connecticut General Assembly, President Pro Tempore, Senator Martin Looney; supports this bill stating that it would increase Connecticut's protections from predatory hospital debt collection practices. It is suggested by Chuck Bell, Programs Director for Consumer Reports Advocacy, that Connecticut should consider banning the reporting of medical debt to credit bureaus. It is stated that New York and Colorado have already done this. It is stated that the Consumer Financial Protection Bureau (CFPB) indicates that states are not preempted from taking this action. It is stated that the CFPB is planning to do a national regulation to ban reporting of all medical debt to credit bureaus and that it would be helpful to have states lay the foundation. Lastly, it is stated that this bill would implement added protection which would benefit Connecticut residents.

Connecticut Hospital Association; supports this bill with a request to strike Section 3 of the bill, stating that this would harm patients and delivery of care. *(This was changed in the substitute language.)* It is stated that Sections 1 and 2 of the bill make reasonable changes to current underlying statutes governing medical debt collection practices and would be in line with current practice for most hospitals in Connecticut.

Consumer Reports, Programs Director-Advocacy, Charles Bell; supports this bill stating that medical debt affects millions of Americans. It is stated that two-thirds of adults with medical debt said that they or a member of their household have put off getting needed medical care because of costs. It is stated that medical debt is different than other types of debt, as individuals do not plan to get sick or get hurt. It is stated that medical billing is difficult to navigate for consumers, especially for non-native speakers. It is also stated reporting medical debt to credit bureaus can have negative consequences for consumers, as it can hinder their ability to access credit for major purchases such as homes, cars, or educational opportunities. It is stated that this bill will allow consumers to secure the healthcare they need, without fear of facing financial devastation or aggressive collection tactics.

Health Equity Solutions, Senior Manager of Policy, Kally Moquete; supports this bill and recommends certain measures. It is stated that patients should be screened for hospital financial assistance and directed to the Office of Healthcare Advocate to address outstanding bills. It is stated patients should have the option to buy their medical debt at the same rate as collection agencies. It is stated that 72% of medical debt comes from one-time or short-term medical expenses, and 42% of Access Health CT insurance buyers cannot afford rising healthcare expenses. It is stated hospitals should be required to screen patients and direct them to financial assistance programs. It is recommended the language in this bill be modified accordingly.

National Multiple Sclerosis Society, Associate Vice President of State Advocacy & Policy, Laura Hoch; supports this bill stating that individuals with multiple sclerosis (MS) are at high risk for medical debt due to the costly nature of the disease. It is stated that the average cost of living with MS is $88,487 per year, with individuals spending on average $65,612 more on medical costs than individuals without MS. It is stated that medical debt can have a long-lasting adverse impact on their financial security and can negatively impact a person’s credit score.

The following individuals have provided written testimony in support of this bill.
It is stated the issue of medical debt in Connecticut affects around 280,000 residents. It is stated many of these debts exceed the $500 threshold for credit non-reporting. It is stated similar bills have already been enacted in New York and Colorado, and the hope is that more states will follow suit. It is stated the ultimate goal is for the Consumer Financial Protection Bureau to implement such a bill nationally. It is stated medical debt is often seen as a result of our expensive and fragmented healthcare system, and it shouldn't hinder one's ability to purchase a home, rent, find employment, or obtain credit.

Connecticut Alliance for Retired Americans, Executive Vice President, Win Heimer
Connecticut Citizen Action Group (CCAG), Associate Director, Liz Diehl

Connecticut Tenants Union, Secretary-Treasurer, Peter Fousek
She Leads Justice, Policy Director, Tonishia Signore
Social Welfare Action Alliance, Coordinating Committee, Stephen Monroe Tomczak
Leukemia & Lymphoma Society, Director of Northeast Government Affairs, Ernie Davis
Connecticut Resident, Danbury, Jessica Elizondo
Connecticut Resident, Fairfield, Leanne Harpin

NATURE AND SOURCES OF OPPOSITION:

Consumer Data Industry Association, Vice President of Government Relations, Sarah M. Ohs; opposes this bill stating that suppressing medical debt from a credit report will cause more risk to a consumer's credit history. It is stated not reporting medical debt on a consumer's credit history will increase risk to lenders and creditors, decrease the amount of credit available to consumers, and increase interest rates. It is stated that the Federal Fair Credit Reporting Act preempts language requiring non-reporting to credit reporting agencies. It is stated that nationwide credit reporting agencies (CRAs) have put in measures to protect consumers, such as increasing the time period where unpaid collection debt would appear on a credit report from 6 months to 1 year, no longer reporting less than $500 in debt on credit reports, and no longer including paid medical debt on credit reports. It is stated that this bill would cause credit reports to be less accurate and, thus, less reliable.

Reported by: Chandra Persaud & Jessica Elizondo **Date: March 26, 2024**