

SENATE BILL REPORT

ESSB 5480

As Passed Senate, February 26, 2025

Title: An act relating to protecting consumers by removing barriers created by medical debt.

Brief Description: Protecting consumers by removing barriers created by medical debt.

Sponsors: Senate Committee on Law & Justice (originally sponsored by Senators Riccelli, Bateman, Alvarado, Chapman, Hasegawa, Lovelett, Nobles, Orwall, Ramos, Robinson, Slatter, Stanford, Trudeau, Valdez and Wilson, C.).

Brief History:

Committee Activity: Law & Justice: 2/04/25, 2/06/25 [DPS, DNP].

Floor Activity: Passed Senate: 2/26/25, 35-12.

Brief Summary of Engrossed First Substitute Bill

- Declares a medical debt void and unenforceable if it is reported to a consumer credit reporting agency or credit bureau.
- Prohibits specific entities from reporting medical debts to a consumer credit reporting agency or credit bureau, on pain of committing a violation of the Consumer Protection Act.

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: That Substitute Senate Bill No. 5480 be substituted therefor, and the substitute bill do pass.

Signed by Senators Dhingra, Chair; Trudeau, Vice Chair; Lovick, Salomon, Valdez and Wagoner.

Minority Report: Do not pass.

Signed by Senators Holy, Ranking Member; Fortunato and Torres.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Ryan Giannini (786-7285)

Background: The Consumer Protection Act, established in 1961, prohibits unfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce, contracts, or conspiracies that restrain trade or commerce, and monopolies. The attorney general may bring actions in the name of the state against any person to restrain and prevent acts prohibited by the Consumer Protection Act and request a broad array of remedial actions. A person may bring suit for treble damages up to \$25,000 above the amount of the actual injury plus attorneys fees alleging they were injured in their business or property.

A medical debt, defined as any obligation for payment arising out of an agreement or contract for the provision of health care services, may be reported by a licensed collection agency to a consumer credit reporting agency or credit bureau only after 180 days has passed after the original obligation was received by or assigned to the collection agency. A health care provider or health care facility may sell or assign a medical debt to a licensed collection agency no sooner than 120 days after the initial billing statement has been transmitted to the patient or other responsible party.

Summary of Engrossed First Substitute Bill: A medical debt is unenforceable if a person, health care provider, health care facility, or licensed collection agency reports it to a consumer credit reporting agency.

Neither a consumer reporting agency, licensed collection agency, hospital, physician group, nor other professional partner of a hospital may report adverse information about claims involving a medical debt to consumer credit reporting agencies or credit bureaus. The definition of medical debt is redefined to mean a debt owed by a consumer to a person whose primary business is providing medical services, products, or devices, or to such person's agent or assignee, for the provision of such medical services, products, or devices. Medical debt includes medical bills that are not past due or that have been paid. "Medical service, produce, or device" includes any service, drug, medication, product, or device sold, offered, or provided to a patient by a health care provider or health care facility. Cosmetic surgery, except for certain reconstructive surgery after injury or disease, is not considered a medical service, produce, or device.

Failure to comply with these mandates and prohibitions is deemed an unfair or deceptive act with respect to the Consumer Protection Act. Such actions are considered to be violations of the law governing the license of a hospital, physician group, or professional partner of a hospital.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Folks in my district have concerns about the rising costs, especially health care costs. The cost of treating chronic illness or an emergency room visit are overwhelming, forcing people into medical debt—the number one cause of bankruptcy in America. Nearly one in three families in Washington have someone struggling with medical debt. No one chooses to get sick or have a medical emergency, but medical debt affects credit scores, making it hard to rent an apartment or find a job.

Other states have enacted similar policy. Medical debt is a great asset-stripping challenge faced by low-wage workers. Many clients qualify for hospital charity care but the hospitals fail to screen for it, or they have other meritorious defenses. The threat of medical debt discourages people from seeking medical care. The Consumer Financial Protection Bureau (CFPB) rule does not go far enough. The cost of care should never get in the way of patients receiving the care they need. Our hospital already prohibits collection agencies from reporting medical debt to consumer credit agencies. When I contracted cancer, I accrued medical debt which was sold to a law firm which applied 12 percent interest. Later I was sued over a billing error. No one should have to endure financial ruin to seek life-saving care. Our health system is broken, and hard-working people get hit the hardest.

CON: We appreciate ongoing conversations. Lenders need an accurate credit history to determine an applicant's creditworthiness. Medical debt does not ameliorate the responsibility to fulfill financial obligations. Unpaid debt increases costs for everyone. Not all debt involves written contracts; debts should not be declared void for lack of contractual language. This Legislature should focus on financing strategies that don't obligate hospitals to collect costs directly from consumers. The Fair Credit Reporting Act prohibits states from regulating areas of consumer reporting covered under federal law. CFPB lacks the legal authority to prohibit credit agencies from considering medical debt or dictating what can and can't be included in credit reports. Not reporting medical debt affects the healthy credit and lending ecosystem. The bill should use the CFPB definition of medical debt put forward by the Biden administration to promote uniformity. Without this, purchases for gym equipment and elective surgeries not traditionally thought of as medical debt will be swept into the bill's coverage.

OTHER: We are sensitive to the effect medical debt has on patients. We should define terms to clarify who is subject to this bill. Duplicative obligations should be consolidated. The patient notification requirement doesn't allow flexibility to accommodate the way hospitals actually work. Don't require a patient notification statement to be made before service. We appreciate limiting the scope only to credit cards issued specifically for the purpose of medical costs. Banks and other lenders need to have transparency into borrowers' financial picture, in part to offer tailored payment plans and help identify issues

before they snowball.

Persons Testifying: PRO: Senator Marcus Riccelli, Prime Sponsor; Arthur West; Adam Zarrin, Leukemia & Lymphoma Society; Amanda Martin, Northwest Consumer Law Center; Julia Kellison, Northwest Justice Project; Kristopher Shook; Teddi McGuire, Providence.

CON: Kelsi Hamilton, Washington Collectors Association; Kris Quigley, Consumer Data Industry Association; Joshua Hurwitz, Emergency Medicine Associates; Andrew Roskam, Receivables Management Association International; Diana Carlen, PRA Group, Inc..

OTHER: Katie Kolan, Washington State Hospital Association; Glen Simecek, Washington Bankers Association; Malorie Toman, Washington State Medical Association.

Persons Signed In To Testify But Not Testifying: No one.