

SB 1061 (Limón)

Remove Medical Debt from Credit Reports

Update California law to provide relief for Californians with medical debt

More than one in three Californians have medical debt ...

When someone has unaffordable medical expenses those unpaid bills often turn into medical debt that is included on their credit report. This damages their credit score and may affect their ability to get an affordable car loan or a mortgage, to rent an apartment, and even to get certain jobs.

... but medical debt is an extremely poor predictor of creditworthiness!

Medical debt is not like other voluntary types of credit. Californians incur medical debt because they need health care. Medical debt is involuntary and is a bad predictor of whether a consumer will default on future loans. In other words, medical debt does not belong on credit reports.

The line-items on credit reports for medical debt are especially inaccurate because healthcare providers' billing systems are particularly error-prone, with at least two in five Americans having received an erroneous medical bill. All too often what is sent to credit reporting agencies like Equifax, Experian, and TransUnion is a debt for the wrong amount, a debt already paid, a debt that is the subject of an insurance dispute, or even a debt for a cost never actually incurred.

Medical debt causes people to skip care

In the last year, more than half of Californians reported skipping or delaying health care because of the cost. Among this group, 46% say this made their condition worse.

One-third of Californians with medical debt owe \$2,500 or more and 78% of people with any kind of medical debt reported skipping care due to cost.

Increased impact on marginalized groups

Low-income, Black, and Latino consumers are far more likely to have medical debt on their credit reports. This exacerbates existing disparities and too often leads to people forgoing necessary medical care.

One in two low-income Californians has medical debt.

Black (53%) and Latino (46%) Californians are more likely to have medical debt than White (33%) or Asian (28%) Californians.

California Can Join Nationwide Effort

The Biden Administration has recognized the impact that unpaid medical bills have on credit, and the Consumer Financial Protection Bureau is in the process of rulemaking. But, regulations are far from being finalized and likely will be challenged in court or Congress. States need to act now.

Connecticut, Colorado, Illinois, Minnesota, New York, Rhode Island, and Virginia have already passed Legislation removing medical debt from credit reports.

California can be next!

Californians deserve a system that does not punish them for seeking medical help when they need it.

What does SB 1061 do?



Prohibits Consumer Reporting Agencies (CRAs) from including medical debt on credit reports by adding it to the list of information that they cannot report.



Ensures that Californians' personal information is protected by mandating that medical debt contracts include a provision preventing medical debt information from being shared with CRAs.



Enforces the exclusion of medical debt on credit reports by declaring medical debt void if information regarding that debt is knowingly provided to a CRA.



Implements tracking of Californians' medical debt disputes by requiring hospitals to maintain records about litigation filed against patients, and lists of debt collectors and buyers of debt, and those who pursue litigation on the hospital's behalf.

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