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BILL ANALYSIS



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Senate Bills 701 and 702 (as introduced 11-6-25)
Sponsor: Senator Jonathan Lindsey (S.B. 701)
Senator Sarah Anthony (S.B. 702)
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 1-26-26

CONTENT**Senate Bill 702 would enact the "Medical Debt Protection Act" to do the following:**

- Prohibit a large healthcare facility or medical debt provider from charging a person owing medical debt (patient) interest or a late fee on medical debt until 90 days after the due date of the final invoice for the medical debt.
- Prohibit a large healthcare facility or medical debt buyer from charging a late fee or interest that exceeded 3% of the amount of that medical debt per year.
- Prohibit a large healthcare facility or medical debt collector from taking certain extraordinary collection actions, such as causing an individual's arrest, foreclosing or taking a lien on the individual's property, or garnishing an individual's wages to collect the medical debt.
- Prescribe the circumstances for which a medical debt creditor or medical debt buyer could take extraordinary collection actions and specify that the collection actions could not be taken until 120 after the due date for a final invoice and with a 30-day collection notice.
- Prescribe agreement requirements for the sale of a medical debt and the subsequent collection of that debt, generally requiring a debt collector to comply with the Act's requirements described above.
- Require a healthcare facility to refund within 60 days a patient that paid more money than was owed on medical debt after financial assistance was applied.
- Specify that a violation of the Act would be subject to the enforcement provisions of the Michigan Consumer Protection Act described under Senate Bill 701.

Senate Bill 701 would amend the Michigan Consumer Protection Act to include a violation of the "Medical Debt Protection Act" proposed by Senate Bill 702 as a prohibited practice.

Senate Bills 701 and 702 are respectively tie-barred to House Bills 5255 and 5254.

Senate Bill 702**Collection of Interest by Large Healthcare Facility or Medical Debt Provider**

The Act would prohibit a *large healthcare facility or medical debt buyer* from charging a patient interest or a late fee on medical debt until 90 days after the due date applicable to the final invoice for the medical debt.

"Large healthcare facility" would mean either of the following:

- A "hospital" defined under the Public health code as a person that is a facility offering inpatient, overnight care, and services for observation, diagnosis, and active treatment of an individual with a medical, surgical, obstetric, chronic, or rehabilitative condition requiring the daily direction or supervision of a physician and would not include a mental health hospital licensed or operated by the Department of Health and Human Services (DHHS) or a hospital operated by the Department of Corrections.
- A person that provides at least one service to prevent, alleviate, cure, or heal human physical illness or injury or a mental or behavioral condition or disorder (healthcare service) and that has an annual revenue of at least \$20.0 million.

"Medical debt" would mean a debt that arises from the receipt of healthcare services or a healthcare product including a device, piece of durable medical equipment, or prescription drug, or from transportation to receive healthcare services. The term would not include an open-end or closed-end extension of credit by a financial institution that may be used by the borrower only to purchase healthcare services, products, or transportation described above.

Collection of Interest on Late Fees

A large healthcare facility or medical debt buyer could not charge interest or late fees on medical debt that exceeded 3% of the amount of the medical debt for each year. "Medical debt buyer" would mean a person that is engaged in the business of purchasing medical debt or collecting medical debt on behalf of another person, whether the medical debt buyer collects the debt directly or hires an attorney or other person to do so.

Prohibited Collection Actions

A medical creditor or medical debt collector could not use any of the following extraordinary collection actions to collect medical debt:

- Causing an individual's arrest.
- Foreclosing on an individual's real property.
- Placing a lien on an individual's personal property.
- Garnishing the wages of an individual who qualified for financial assistance under the financial assistance policy applicable to that underlying medical debt.¹

"Medical creditor" would mean the person that provided healthcare services, products, or transportation, that gave rise to the medical debt and to which the medical debt is owed or, if the medical debt has been sold, to which the medical debt was previously owed.

"Extraordinary collection action" would mean any action taken to obtain payment of a medical debt to which any of the following applied:

- The action involves selling an individual's medical debt to another party.
- The action involves reporting adverse information about an individual to a consumer reporting agency.
- The action involves deferring, denying, or requiring payment before providing emergency services or urgent services because of the individual's nonpayment of medical debt.
- The action requires a legal or judicial process including a) placing a lien on an individual's property; b) foreclosing on an individual's real property; c) attaching or seizing an

¹"Financial assistance policy" would mean a written policy under Federal Law or another written policy for providing financial assistance to patients adopted by a large healthcare facility or medical creditor voluntarily or otherwise as applicable by Federal or state statute, regulation, or rule.

individual's real property; d) commencing a civil action against the individual; e) causing the individual's arrest; or f) garnishing an individual's wages.

"Emergency services" would mean all the following with respect to an emergency medical condition:²

- A medical screening examination as required by Federal Law that is within the capability of the emergency department of a hospital, including ancillary services routinely available to the emergency department to evaluate a medical condition and further medical examination and treatment, to the extent they are within the capabilities of the staff and facilities available at the hospital as required under Federal Law to stabilize the patient.³
- As it relates to any mental health service or substance use disorder service rendered at a behavioral health crisis service provider, a behavioral health assessment that is within the capability of a behavioral health crisis service provider, including ancillary services routinely available to evaluate the emergency medical condition and further examination and treatment to the extent they are available at the provider as are required so the patient's condition does not deteriorate.

"Urgent services" would mean healthcare services that if delayed could seriously jeopardize an individual's life, health, or ability to regain maximum function.

Sale and Collection of Medical Debt

A medical creditor could not sell an individual's medical debt to a medical debt buyer unless, before the sale, the creditor entered into a legally binding written agreement with the medical debt buyer under which all the following applied:

- The medical debt buyer was prohibited from engaging in any of the extraordinary collection actions described above to obtain payment.
- The medical debt buyer was prohibited from charging interest on the debt at a rate higher than 3% per year.
- The debt was returnable or recallable by the medical creditor on a determination by the medical debt buyer that the individual was eligible for financial assistance under the assistance policy applicable to that debt.
- The medical debt buyer was required to adhere to specified procedures that ensured that the individual did not pay, and had no obligation to pay, the debt buyer more than the individual was responsible for under the Act.

A medical creditor that sold medical debt to a medical debt buyer under an agreement pursuant to the Act would be liable for any actions taken by the medical debt buyer in relation to that debt, subject to any indemnification provisions agreed to by the creditor and buyer.

Additionally, *a medical creditor or medical collector* could not take any extraordinary collection action until 120 days after the due date applicable to the final invoice for a healthcare service. The creditor or collector would have to provide the patient with a notice that included all the following at least 30 days before taking any extraordinary collection action:

² "Emergency medical condition" would mean regardless of the final diagnosis condition or situation in which an individual declares a need for immediate medical attention for any individual, or where that need is declared by emergency medical services personnel or a public safety official.

³ Generally, under Federal law, healthcare facilities must provide individuals arriving at an emergency department with medical screening and stabilization regardless of their insurance policy or ability to pay.

- If the medical debt resulted from healthcare services provided by a large healthcare facility, a statement of whether financial assistance was available for eligible individuals and a plain-language summary of that policy.
- A list of any extraordinary collection actions that would be taken to obtain payment.
- A deadline after which the extraordinary collection payments would be initiated.

"Medical debt collector" would mean a person that regularly collects or attempts to collect, directly or indirectly, medical debts originally owed, due, or asserted to be owed or due to another. The term would include a medical debt buyer.

The deadline described above would have to be at least 30 days after the notice was provided.

A large healthcare facility or medical debt collector collecting medical debt for healthcare services provided by a facility could not use any extraordinary collection action unless the action was described in the facility's billing and collections policy.

If a patient had paid any part of a medical debt in excess of the amount owed after receiving any financial assistance offered by a facility or debt collector, under an agreement made for the sale of medical debt to a medical debt buyer, the healthcare facility would have to refund the excess amount to the patient within 60 days after the payment was determined.

Violations

A violation of the Act would be subject to the enforcement provisions of the Michigan Consumer Protection Act described under Senate Bill 701.

Senate Bill 701

The Michigan Consumer Protection Act lists conduct considered unfair, unconscionable, or deceptive in trade or commerce and allows the Attorney General to bring an action to enjoin a person engaging or about to engage in prohibited conduct, among other remedies. The bill would include a violation of the "Medical Debt Protection Act" proposed by under Senate Bill 702 in the list of conduct considered unfair, unconscionable, or deceptive in trade or commerce.

(The Acts also affords a class action for individuals harmed by a violation of it, and, for persistent and knowing violations, a court may assess a civil fine of up to \$25,000 and costs for the prevailing party.)

MCL 445.903 (S.B. 701)

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

Senate Bills 701 and 702 are companion bills to House Bills 5254 and 5255, respectively.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bills likely would have a negative fiscal impact on the Department of Licensing and Regulatory Affairs (LARA). Due to its regulatory purview over health care facilities and debt collection agencies, LARA would likely need to spend additional resources to investigate alleged violations of the bills' provisions or respond to consumer complaints. Existing

resources likely would be sufficient to cover some costs associated with these activities; however, it is unknown whether additional staff or significant funds would be required. This would depend on the number of alleged or proven violations under the bills.

The bills would not have a direct fiscal impact on State and local governments or courts. By subjecting violations of the proposed "Medical Debt Protection Act" to enforcement under the Michigan Consumer Protection Act, courts could see an increase in filings and hearings; however, any increase in filings could be offset by filing fees.

The bills would have no fiscal impact on the DHHS.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.