

# S.B. 1061 REMOVE MEDICAL DEBT FROM CREDIT REPORTS

Senator Monique Limón

## BACKGROUND

Nurses have long witnessed patients delay or forgo receiving the care they need because of medical debt. Nearly 4 in 10 Californians (38 percent) report having medical debt.<sup>1</sup> But Californians with medical debt are twice (78 percent) as likely to skip care due to costs than those without medical debt (38 percent).<sup>2</sup> For low-income Californians, more than half report that they postponed health care due to cost concerns.<sup>3</sup>

Medical debt has a far greater impact on low-income and Black and Latino Californians. One in two low-income Californians have medical debt, and Black (53 percent) and Latino Californians (46 percent) are more likely to have medical debt than White (33 percent) or Asian Californians (28 percent).<sup>4</sup> Nearly half of women in the United States also say they have debt from medical or dental bills.<sup>5</sup>

When patients cannot pay medical bills, this medical debt can be included on their credit reports. In 2021, medical debt was the most common type of debt on consumer credit records (58 percent).<sup>6</sup> When medical debt is reported to credit reporting agencies, patients who cannot afford health care have reduced access to credit, including car loans and mortgages.

Often reported by health care providers and debt collectors to credit reporting agencies inaccurately, medical debt is a bad predictor of whether a consumer will default on future loans.<sup>7</sup>

## PROBLEM

Medical debt far too frequently leads to low-income communities and communities of color delaying or forgoing necessary medical care. Californians need a fair credit system that does not punish them for seeking medical help when they need it.

Every year many patients in California are targeted by health care providers and debt collectors for medical bills that they cannot afford. Many patients who face damaging medical debt on the credit reports are uninsured or underinsured when they receive hospital or other care.

Moreover, medical debt disproportionately impacts marginalized communities. Existing racial and socio-economic health disparities are exacerbated when health care providers and medical debt collectors report unpaid medical bills to credit reporting agencies. Hospitals and other providers should be responsible for ending harmful medical debt reporting practices.

## SOLUTION

To ensure that our patients get the care they need, nurses know that California must remove all medical debt from credit reports. S.B. 1061 would end this destructive practice by prohibiting consumer reporting agencies from including medical debt on credit reports. At least 1 in 5 California adults (over 6 million people) have medical debt that would be kept off of their credit reports as a result of this bill.<sup>8</sup>

S.B. 1061 would also protect patients' personal information by requiring that any medical debt collection contracts bar medical debt information from being shared with credit reporting agencies.

The bill enforces the exclusion of medical debt on credit reports by declaring medical debt void if information regarding that debt is provided to a credit reporting agency.

S.B. 1061 also implements tracking of Californians' medical debt disputes by requiring hospitals to maintain an updated database of all litigation related to patient medical bills owed to the hospital.



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## ▶ ENDNOTES

- 1 California Health Care Foundation (Jan. 2024), “The 2024 CHCF California Health Policy Survey,” at pp. 33-34.
- 2 Id.
- 3 CalHHS, Healthy California for All Commission (Oct. 2021), “Community Voices: Priorities and Preferences of Californians with Low Incomes for Health Care Reform,” at pp. 9.
- 4 Id.
- 5 Kaiser Family Foundation (Jun. 2022), “Health Care Debt in the U.S.: The Broad Consequences of Medical and Dental Bills.”
- 6 Consumer Financial Protection Bureau (Mar. 2022), “Medical debt burden in the United States,” at pp. 2, 5.
- 7 Id. at pp. 27-28, 46.
- 8 See California Health Care Foundation (Jan. 2024), “The 2024 CHCF California Health Policy Survey,” at pp. 33-34.

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