

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 3861

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 20, 2024

The Assembly Financial Institutions and Insurance Committee adopts amendments to Assembly Bill No. 3861.

This bill, titled the “Louisa Carman Medical Debt Relief Act,” prohibits a medical creditor or medical debt collector from:

(1) reporting a patient’s medical debt to any consumer reporting agency for health care services performed on or after the effective date of the bill;

(2) creating a consumer report containing a patient’s paid medical debt or a medical debt worth less than \$500, regardless of the date the medical debt was incurred;

(3) charging an interest rate on a medical debt of more than three percent per year;

(4) garnishing the wages of an individual to collect medical debt owed by that individual; or

(5) placing a lien on an individual’s primary residence or personal property to collect medical debt owed by that individual.

The bill provides certain protections to patients with medical debt from collection actions by medical creditors and medical debt collectors.

The bill also provides that any portion of a medical debt furnished to a consumer reporting agency in violation of the bill will be void, and that it will be an unlawful practice under the “consumer fraud act” for a medical debt collector or creditor to violate the medical debt provisions of the bill. An unlawful practice is punishable by a monetary penalty of not more than \$10,000 for a first offense and not more than \$20,000 for any subsequent offense. In addition, an unlawful practice can result in cease and desist orders issued by the Attorney General, the assessment of punitive damages, and the awarding of treble damages and costs to the injured party.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

(1) stipulate that a medical creditor or medical debt collector is prohibited from:

(a) charging an interest rate on a medical debt of more than three percent per year;

(b) garnishing the wages of an individual to collect medical debt owed by that individual;

(c) placing a lien on an individual's primary residence or personal property to collect medical debt owed by that individual;

(d) engaging in any permissible collection actions against a patient who accepts and complies with the terms of a reasonable payment plan offered by the medical creditor or medical debt collector; or

(e) charging an interest rate of more than three percent per year on late payments to a medical debt subject to a reasonable payment plan and is required to provide a grace period of at least 90 days for late payments;

(2) provide that communication made by a medical creditor or medical debt collector to a patient in the course of trying to collect a medical debt is required to include a statement, in at least 14-point boldface font, that the medical creditor or medical debt collector has not reported the debt to a consumer reporting agency and that if the debt, or any part of it, has been reported to a consumer reporting agency, the portion reported is void;

(3) stipulate that the term "collection action" does not include: reasonable attempts by a medical creditor to send an invoice or bill to an individual, which shall include sending an invoice or bill and one reminder to pay an invoice or bill; collecting a copayment from the individual at the point of service; or, in the case of a nursing home that is providing health care services to a patient, placing a lien on the patient's primary residence or personal property to collect medical debt;

(4) make certain changes to definitions used throughout the bill; and

(5) make the bill effective on the 180th day following the date of enactment rather than effective immediately.