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BILL ANALYSIS



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Senate Bills 449 through 451 (as introduced 6-26-25)

Sponsor: Senator Sarah Anthony (S.B. 449 & 451)

Senator Jonathan Lindsey (S.B. 450)

Committee: Health Policy

Date Completed: 11-4-25

INTRODUCTION

The bills would require a hospital to create and implement a financial assistance program that based a patient's ability to pay on the patient's annual income, the annual income's relation to Federal poverty guidelines (FPL), and whether the patient was insured. The Department of Health and Human Services (DHHS) would have to establish a process for a hospital to collect information on a patient's income to determine eligibility for the hospital's financial assistance program. A hospital would have to report certain information concerning its program to the DHHS. A hospital that violated these requirements would be subject to a civil fine, and civil fines collected for violations would have to be spent by the DHHS on programs to relieve medical debt in the State. The bills also would prohibit a consumer reporting agency from making a consumer report that contained medical debt information and a collection agency from representing that medical debt information could be included in a consumer report.

FISCAL IMPACT

The bills would have no fiscal impact on the DHHS, the Department of Licensing and Regulatory Affairs, and the Department of Insurance and Financial Services. They would have an indeterminate fiscal impact on the Department of Treasury. Existing appropriations would be sufficient to establish and direct the investment of the new Medical Debt Relief Fund. If the average daily balance of the Fund regularly exceeded \$1.0 million, minor administrative costs could be incurred. This would depend on the total amount appropriated to the Fund, which is currently unknown.

Beginning in 2027, the Attorney General could begin incurring litigation costs. The amount of the costs would depend upon the number and scope of potential litigation against hospitals under the proposed "Hospital Financial Assistance Act". While the Act would impose civil fines against hospitals for violations, it would not cover potential costs the Attorney General could have when bringing action under the language of the bill. It is possible that local courts could see an increase in filings under the bills. The degree to which increased filings would create costs for local courts would depend upon the number and scope of such filings.

MCL 331.167 (S.B. 450)

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CONTENT

Senate Bill 449 would enact the "Hospital Financial Assistance Act" to do the following:

- Require a hospital to develop and implement a financial assistance program for patients receiving care from the hospital by January 1, 2027, and conspicuously and in understandable terms publish information about the program.
- Require a hospital to submit an annual report to the Director of the DHHS concerning certain details about the hospital's financial assistance program by October 1, 2027.
- Require the DHHS to establish by rule a uniform process for a hospital to collect information on a patient's income for determining eligibility for the hospital's financial assistance program.
- Prescribe penalties and enforcement action for violations of the Act.
- Create the Medical Debt Relief Fund within the State Treasury, allocate all civil fines under the Act to the Fund, and require the DHHS to spend money from the Fund on programs that relieve medical debt within Michigan.

Senate Bill 450 would amend Public Act 350 of 1913, which governs the establishment and funding of county public hospitals, to specify that the power of a board of hospital trustees to determine a patient's need for financial assistance would be subject to **Senate Bill 449's** proposed "Hospital Financial Assistance Act".

Senate Bill 451 would enact the "Medical Debt Act" to do the following:

- Prohibit a consumer reporting agency from making a consumer report that contained an adverse item of information related to medical debt.
- Prohibit a collection agency attempting to collect medical debt from representing that the medical debt information would be included in a consumer report, with certain exceptions.
- Prescribe penalties for violations of the Act.

Senate Bill 450 is tie-barred to Senate Bill 449. Senate Bills 449 and 451 are described in further detail below.

Senate Bill 449

Definitions

Under the "Hospital Financial Assistance Act", "hospital" would mean that term as defined by the Public Health Code: 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. The term does not include a mental health hospital licensed or operated by the DHHS or a hospital operated by the Department of Corrections.

"Income" would mean that term as defined in the Income Tax Act: the sum of Federal adjusted gross income as defined in the Internal Revenue Code plus all income specifically excluded or exempt from the computations of the Federal adjusted gross income. Also, a person who is enrolled in an accident or health insurance plan may deduct from income the amount that person paid in premiums in the tax year for that insurance plan for the person's family. Income does not include specific amounts of gifts or prizes, governmental benefits, or employer contributions to specific insurance plans.

"Insured patient" would mean a patient who is enrolled in Medicaid or Medicare or is covered under a health benefit plan. "Uninsured patient" would mean a patient who is not an insured patient.

"Health benefit plan" would mean an individual or group expense-incurred hospital, medical, or surgical policy or certificate, an individual or group health maintenance organization contract, or a self-funded plan established or maintained by the State or a local unit of government for its employees. The term would not include accident-only, credit, dental, or disability income insurance; long-term care insurance; coverage issued as a supplement to liability insurance; coverage only for a specified disease or illness; worker's compensation or similar insurance; or automobile medical-payment insurance.

"Federal poverty guidelines" would mean the poverty guidelines revised periodically and published in the Federal Register by the Secretary of the United States Department of Health and Human Services under the Secretary's authority to revise the poverty line.

Hospital Financial Assistance Program

By January 1, 2027, a hospital would have to develop and implement a financial assistance program for patients receiving care from the hospital.

A program would have to comply with all the following:

- Base patient eligibility on objective metrics that were tied to FPL.
- Include in the program a patient who owed the hospital one or more unpaid bills in a 12-month period that, in total, were greater than 30% of the patient's annual income.
- Provide for up to a 100% discount based on a sliding scale for a patient who was an uninsured patient and whose annual income was at or below 350% of the FPL.
- Consider the financial resources and out-of-pocket expenses of a patient who was covered under a health benefit plan.

A hospital would have to conspicuously publish information on the hospital's financial assistance program on all the following:

- A bill, invoice, or summary of charges sent to a patient.
- A statement or written notification sent to a patient before a patient's medical debt to the hospital was sent to a collection agency.
- The hospital's website.

A hospital would have to ensure that information on the hospital's financial assistance program met all the following:

- Was written in easily understood, nontechnical terms.
- Included information on how to reach a department or an employee of the hospital to inquire about the financial assistance program.
- Was available on request in English, Spanish, and in other languages, as determined appropriate by the DHHS.
- Included information on how to file a complaint for a violation of the proposed Act or a rule promulgated under the proposed Act.

Annual Report

By October 1, 2027, a hospital would have to submit an annual report to the Director that included all the following information:

- The number of applications for the hospital's financial assistance program received and processed by the hospital.
- The amount and types of benefits provided by the hospital under the hospital's financial assistance program.
- The amount of uncollected or forgiven debt that the hospital provided to patients who did not qualify for the hospital's financial assistance program.

If a hospital were part of a health system with more than one hospital, the health system could file one annual report containing the information for each hospital in the health system. If a health system filed the report, the health system would have to ensure that the report was organized in a manner to identify the information required for each hospital, by hospital name and location.

The DHHS would have to publish the reports it received on the its website in an area accessible to the public.

Require DHHS to Develop Process

The DHHS would have to establish by rule a uniform process for a hospital to collect information on a patient's income for determining eligibility for the hospital's financial assistance program. A hospital would have to comply with this process. In establishing the process, the DHHS would have to consider the convenience of a patient when submitting information to a hospital and a patient's ease of access to any technology that was required by the DHHS.

A patient's failure to provide the information required above to a hospital using the process developed by the DHHS would be an affirmative defense to an action brought as described under Violations.

In developing the process described above, the DHHS would have to consult with hospitals and organizations representing hospitals and could consult with the Department of Treasury or any other State department that the it considered necessary or appropriate.

The DHHS could promulgate rules pursuant to the Administrative Procedures Act to implement the Act.

Violations

A person could notify the DHHS of a violation of the Act or a rule promulgated under the Act on a form and in a manner prescribed by the DHHS. The DHHS would have to investigate each complaint received in a timely manner.

If, after investigation by the DHHS, the DHHS judged that a person had engaged in an act or practice that constituted a violation of the Act, the Director could request the Attorney General to bring an action in the name of the people of Michigan to restrain, enjoin, prevent, or correct a violation of the Act or a rule promulgated under the Act.

A hospital that violated the Act would be subject to a civil fine of up to \$10,000. The Attorney General could bring an action to collect the fine. A fine collected would have to be deposited in the Medical Debt Relief Fund.

Medical Debt Relief Fund

The Act would create the Medical Debt Relief Fund in the State Treasury. The State Treasurer

would have to deposit money received for violations of the Act or from any other source in the Fund. The State Treasurer would have to direct the investment of money in the Fund and credit interest and earnings from the investments to the Fund.

The DHHS would be the administrator of the Fund for audits of the Fund. The DHHS would have to spend money from the Fund on appropriation only to implement programs to relieve medical debt in Michigan.

Senate Bill 451

Definitions

Under the "Medical Debt Act", "consumer" would mean a resident of Michigan. "Consumer report" would mean a written, oral, or other communication or any information by a consumer reporting agency that relates to a consumer's creditworthiness, credit standing, credit capacity, debts, character, general reputation, personal characteristics, or mode of living, that is used or expected to be used or collected, in whole or in part, as a factor to establish a consumer's eligibility for credit or insurance for personal, family, or household purposes, an employment purpose, or any other purpose authorized under the Fair Credit Reporting Act. The term would not include any of the following:

- A report that contained information that related only to a transaction between the consumer and the person making the report.
- An authorization or approval of a specific extension of credit directly or indirectly by the issuer of a credit card or similar device.
- A report in which a person that had been requested by a third party to make a specific extension of credit directly or indirectly to a consumer conveyed a decision with respect to the request, if the third party advised the consumer of the name and address of the person that the request was made to and the person made any disclosure required under the Fair Credit Reporting Act to the consumer.

"Consumer reporting agency" would mean a person that, for monetary fees, for dues, or on a cooperative nonprofit basis, regularly engages, in whole or in part, in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties. The term would not include a business entity that provides only check verification or check guarantee services.

"Collection agency" would mean a person that is directly engaged in collecting or attempting to collect a claim owed or due or asserted to be owed or due another or repossessing or attempting to repossess a thing of value owed or due or asserted to be owed or due another arising out of an expressed or implied agreement.

"Creditworthiness" would mean an entry in a consumer's credit file that impacts the ability of a consumer to obtain and retain credit, employment, business or professional licenses, investment opportunities, or insurance, including, but not limited to, entries related to payment information, defaults, judgments, liens, bankruptcies, collections, records of arrest and indictments, and multiple-credit inquiries.

"Employment purpose" would mean the purpose of evaluating a consumer for employment, promotion, reassignment, or retention as an employee.

"File" would mean all of the information on the consumer that is recorded and retained by a consumer reporting agency, regardless of how the information is stored.

"Health care good" would include a medical product, a medical device, any durable medical equipment, or a prescription drug. "Health care service" would mean any of the following:

- A service included in or incidental to the furnishing of any medical, behavioral, mental health, substance use disorder, nursing home, dental, or optometric care.
- A service included in or incidental to hospitalization.
- A service furnished to an individual for the purpose of preventing, alleviating, curing, or healing human physical illness or injury, or behavioral, mental health, or substance use disorder.

"Medical debt" would mean a debt arising from a health care service or health care good. The term would not include debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered specifically for the payment of a health care service or health care good.

Consumer Reporting Agency and Medical Debt

Except as otherwise provided below, a consumer reporting agency could not make a consumer report that contained an adverse item of information that the consumer reporting agency knew or should have known concerned medical debt.

The requirement above would not apply to a consumer report that would be used in connection with a credit transaction involving, or that could reasonably be expected to involve, a principal amount that exceeded the national conforming loan limit value for a one-unit property, as determined annually by the Federal Housing Finance Authority.

Collection Agency and Medical Debt

A collection agency, when attempting to collect debt that the collection agency knew was medical debt, or when attempting to obtain information about a consumer related to the collection of medical debt, could not represent that the medical debt information was going to be included in a consumer report, unless the consumer report would be used in connection with a credit transaction that involved, or that could reasonably be expected to involve, a principal amount that exceeded the national conforming loan limit value for a one-unit property, as determined annually by the Federal Housing Finance Authority.

A collection agency would have to include the following statement in the collection agency's initial written communication to a consumer: "Michigan law prohibits consumer reporting agencies from reporting medical debt information, unless the consumer report will be used in connection with a credit transaction that involves, or that may reasonably be expected to involve, a principal amount that exceeds the national conforming loan limit value for a 1-unit property, as determined annually by the Federal Housing Finance Authority."

Violations

An individual who alleged a violation of the Act could bring a civil action against the person that committed the alleged violation to recover actual damages and injunctive relief.

For an action in which an individual prevailed, the individual could recover the costs of the action, including reasonable attorney fees.

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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.