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**Testimony of Johanna A. Schmidt
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**Before the Committee on Health
Council of the District of Columbia**

Public Hearing Regarding:

**Bill 26-0438
“Medical Debt Mitigation Amendment Act of 2025”**

December 15, 2025

Legal Aid DC¹ submits the following testimony in strong support of Bill 26-0438, “Medical Debt Mitigation Amendment Act of 2025.” The Bill is an important investment in the health of District residents, ensures patients are not financially punished for illnesses or accidents, and facilitates more District residents obtaining medical care they need when they need it. Accordingly, we urge the Council to enact this important legislation.

Legal Aid’s consumer law practice focuses on debt collection defense work, along with other areas. In our debt collection defense practice, we represent District residents facing a variety of issues, including medical debt. We have seen through those cases how medical debt can be truly harmful and appreciate the District’s upstream approach in this Bill to resolve medical debt issues proactively.

¹ Legal Aid DC is the oldest and largest general civil legal services program in the District of Columbia. The largest part of our work is comprised of individual representation in housing, domestic violence/family, public benefits, and consumer law. We also work on immigration law matters and help individuals with the collateral consequences of their involvement with the criminal legal system. From the experiences of our clients, we identify opportunities for court and law reform, public policy advocacy, and systemic litigation. For more information, visit www.LegalAidDC.org.

Legal Aid supports the Bill and appreciates the holistic and proactive approach of the legislation, aimed at reducing and minimizing the threat of medical debt over District residents, especially for residents of color, who are twice as likely to hold medical debt than their white neighbors. We would encourage the Council to strengthen the Bill to consider implementing a sliding scale for the annual cumulative medical debt caps to ensure those debts remain affordable, and enable the Office of Attorney General to have greater enforcement ability and enable individuals to bring their own cases for the failure of a large healthcare to correctly evaluate them for financial assistance.

Strengthening Large Health Care Facilities’ Financial Assistance Policies (FAPs) Enhances Low-Income Individuals’ Ability to Access Medical Care

The Bill requires DC Hospitals to strengthen their financial assistance policies in a variety of ways that would work synergistically to make healthcare more accessible.

First, the Bill would make all patients whose income is at or below 400% of the federal poverty line eligible for assistance under the Act regardless of their immigration status, making healthcare far more accessible for more low-income individuals in the District. Similarly, mandatory screening of all patients, and transparent publication and communication to all patients about improved FAPs will ensure that low-income individuals access this financial assistance in practice.

Second, the Bill caps the cumulative annual medical costs that an individual can receive from a large healthcare facility to \$2,300 annually for individuals who are between 0%-400% of the federal poverty level. We applaud the Bill for its endeavors to cap expenses. We have seen clients face the burden of hundreds of thousands of dollars of medical debt and know this cap will ease that burden in a significant way. However, we would encourage the Council to consider adjusting this cap to be a sliding scale – with \$2,300 being the cap for individuals at 400% FPL and a lower cap for everyone under that. This change would recognize that for individuals who are at or below 100% of the federal poverty level, \$2,300 is still unaffordable.

Third, the Bill requires large healthcare facilities to provide good faith estimates of healthcare costs for non-emergency care. Typically, many patients who are obtaining healthcare may have no understanding of the actual cost of that care to them until much later, long after services are rendered. These “surprise” medical expenses cause stress or anxiety for individuals with limited income or financial resources, who may then choose to avoid healthcare altogether to preempt any financial burdens associated with healthcare. Providing meaningful estimates, coupled with practical access to financial assistance, will better enable low-income individuals to understand the medical costs

they are taking on beforehand and hopefully reduce the anxiety or stress of going to a healthcare facility to receive medical treatment.

Our client's experiences demonstrate how important and impactful the system of screening for financial assistance eligibility and providing transparent good faith cost estimates will be. Many individuals come to Legal Aid seeking assistance with medical debt. We help them retroactively apply for financial assistance, which can be a drawn out and frustrating process. In some cases, we have also worked with clients to apply for affirmative financial assistance before obtaining care, causing months of delays for direly needed medical procedures. Receiving immediate screening for financial assistance and taking available financial assistance into account when making medical decisions will be life changing for our clients. This is especially true for our numerous immigrant clients who have been and will be left without medical insurance as the cuts to the DC Alliance health insurance program continue to go into effect. We are very excited to see this system be implemented for the betterment of our clients and the greater DC community.

It is Critical That the District Help Low-Income Residents Mitigate Medical Debt

Legal Aid strongly supports the Bill's provisions that work with District residents to mitigate medical debt. These provisions include creating payment plans that must be made available to individuals, prohibiting the reporting of medical debt to credit agencies, and regulating the promotion of medical lending products.

Each of these tools is critical to reducing the burden of medical debt:

- Payment plans are effective tools for many District residents who live paycheck to paycheck and need to budget their finances carefully. Payment plans enable people to understand their obligations earlier, and work with their existing finances to accommodate a new expense incurred from a healthcare visit. The Bill's creation of an avenue through which payment plans will become part of medical facility billing will help District residents manage their medical expenses affordably.
- Prohibiting the reporting of medical debt to credit reporting agencies enables people to avoid suffering the negative collateral consequences to their credit from reported medical debt – consequences that can prohibit them from obtaining housing or other critical financial resources.
- Regulating large healthcare facilities' ability to promote medical lending products, like medical credit cards, ensures that facilities cannot freely encourage or assist patients with applying for these products. Medical lending products can be

predatory, with snowballing fees and additional expenses that make it harder to pay off medical debt in the long run.

The practical impact of these tools will be significant, as they reduce the financial pressure of medical debt through payment plans, eliminate the negative credit effects of reported medical debt, and help District residents avoid predatory products that exacerbate the burden of medical debt.

The Bill Retools Medical Debt Collection Practices to Protect Residents from Negative Collateral Consequences

Legal Aid particularly appreciates the Bill's provisions which retool medical debt collection practices to enable District residents to take advantage of the Bill's new programs, including:

- Creating a notice requirement to a patient before commencing debt collection that explains the availability of free or discounted care for qualified individuals and how to apply for assistance;
- Prohibiting the filing of a medical debt collection case against an individual who is eligible for free or discounted care (unless they have defaulted);
- Capping interest rates on medical debt for individuals who do not qualify for assistance to 3% annually;
- Prohibiting a medical debt collector who knows or should have known about a review or appeal of a health insurance decision affecting the medical debt issue from initiating any form of debt collection;
- Preventing medical debt collectors from garnishing wages or putting liens on homes for medical debt; and
- Developing strong and clear consequences for a medical debt collector impermissibly engaging in debt collection activities.

Each of these new practices broadly protects District residents facing medical debt collection, regardless of financial assistance eligibility. Particularly important is preventing collections efforts when a medical debt collector knows or should know of health insurance issues relating to the underlying debt, including Medicare coverage appeals. Routinely, Legal Aid clients facing medical debt issues are dealing with insurance issues, including appeals of medical public benefits. Avoiding or minimizing debt if insurance

coverage issues were resolved prior to debt collecting will add greater fairness and avoid the damaging accrual of medical debt that our clients too often deal with.

We also appreciate the Bill's explicit consequences for failure to comply, including that violations of the Bill's debt collection provisions will be violations of the District's Debt Collection Act, D.C. Code § 28-3814 ("DCA"). Medical debt has always been covered by the DCA; however, strengthening requirements for medical debt collection and reinforcing the legal consequences of noncompliance will encourage medical debt collectors to adjust their practices.

Enforcement by the Office of the Attorney General and DC Health Enforcing is Essential

Legal Aid is pleased that the Bill contemplates enforcement authority for both OAG and DC Health. Enforcement mechanisms are imperative to ensure that each of the above-mentioned new protections and requirements are correctly implemented. We would, however, encourage the Council to give OAG greater authority to enforce these provisions beyond simply being able to obtain information on compliance with financial assistance plans.

Legal Aid routinely works with clients to obtain financial assistance for medical procedures. Our client experiences demonstrate that, unfortunately, the application of these policies is not always straight-forward, and many of our clients need an advocate to ensure that their applications get processed and/or approved. While we hope the new system will work better and more consistently, we believe that greater enforcement over these issues would be uniquely helpful to ensure compliance with this critical portion of the Code.

One way to do this would be to enable OAG to prosecute noncompliance with this section, so that there are significant consequences for failing to comply. After all, without robust enforcement mechanisms and the willingness of agencies to exercise them, the Bill risks failing to meet its stated goals.

We would also support an addition to the Bill that would add a private right of action for enforcement of its provisions around financial assistance plans, to enable individuals to bring claims if their financial assistance plans were not being processed in a manner consistent with the Bill.

Conclusion

Legal Aid supports Bill 26-0438. The Bill makes important changes that will apply to all levels of medical debt. Its provisions will enable more District residents to take advantage of healthcare that they need, without heightened fear of medical debt harming them afterwards. Our requested additions to this Bill would only help to strengthen these protections more fully. The Council should adopt this Bill to reduce medical debt and make seeking healthcare more manageable and affordable for District residents.