

P.L. 2024, CHAPTER 48, *approved July 22, 2024*  
Assembly, No. 3861 (*Second Reprint*)

1 AN ACT concerning the report and collection of medical debt and  
2 supplementing <sup>2</sup>["Title 56 of the Revised Statutes"] P.L.1997,  
3 c.172 (C.56:11-28 et seq.)<sup>2</sup>.

4  
5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7  
8 1. P.L. , c. (C. ) (pending before the Legislature as this  
9 bill) shall be known and may be cited as the "Louisa Carman  
10 Medical Debt Relief Act."

11  
12 2. As used in P.L. , c. (C. ) (pending before the Legislature  
13 as this bill):

14 "Collection action" means any <sup>1</sup>[of the following] action <sup>2</sup>[or  
15 inaction]<sup>2</sup> on the part of a medical creditor with respect to a medical  
16 debt, and includes, but is not limited to<sup>1</sup>:

17 (1) selling <sup>2</sup>[an individual's] a patient's<sup>2</sup> debt to another party;

18 (2) reporting <sup>1</sup>[adverse]<sup>1</sup> information about the patient to a  
19 consumer reporting agency; or

20 (3) actions related to the collection of <sup>2</sup>[an individual's] a  
21 patient's<sup>2</sup> debt to another party that require a legal or judicial process,  
22 including but not limited to placing a lien on <sup>2</sup>[an individual's] a  
23 patient's<sup>2</sup> property, attaching or seizing <sup>2</sup>[an individual's] a patient's<sup>2</sup>  
24 bank account or any other personal property, commencing a civil  
25 action against <sup>2</sup>[an individual] a patient<sup>2</sup>, or garnishing <sup>2</sup>[an  
26 individual's] a patient's<sup>2</sup> wages.

27 <sup>2</sup>[<sup>1</sup>The term "collection"] "Collection<sup>2</sup> action" shall not include:  
28 reasonable attempts by a medical creditor to send an invoice or bill to  
29 <sup>2</sup>[an individual] a patient<sup>2</sup>, <sup>2</sup>[which shall include sending an invoice  
30 or bill and one reminder] or reminders<sup>2</sup> to pay an invoice or bill; <sup>2</sup>or<sup>2</sup>  
31 collecting a copayment <sup>2</sup>, coinsurance, deductible, or payment<sup>2</sup> from  
32 the <sup>2</sup>[individual] patient<sup>2</sup> at the point of service<sup>2</sup> [; or, in the case of a  
33 nursing home that is providing health care services to a patient, placing  
34 a lien on the patient's primary residence or personal property to collect  
35 medical debt]<sup>2</sup> .<sup>1</sup>

36 "Consumer reporting agency" means any person <sup>1</sup>or entity<sup>1</sup> which,  
37 for monetary fees, dues, or on a cooperative nonprofit basis, regularly  
38 engages, in whole or in part, in the practice of assembling or

1 evaluating consumer credit information or other information on  
2 consumers for the purpose of furnishing consumer reports to third  
3 parties, and which uses any means or facility for the purpose of  
4 preparing or furnishing consumer reports.

5 <sup>2</sup>1“Essential living expenses” means expenses for any of the  
6 following: rent or house payment and maintenance; food and  
7 household supplies; utilities and telephone; clothing; medical and  
8 dental payments; insurance; school or child care; child or spousal  
9 support; transportation and auto expenses, including insurance, gas,  
10 and repairs; laundry and cleaning; and other similar expenses. **1**

11 “Cosmetic medical procedure” means any medical procedure  
12 performed on a patient that is primarily directed at improving the  
13 procedure subject's appearance and that does not meaningfully  
14 promote the proper function of the body or prevent or treat illness or  
15 disease and any other cosmetic procedure or service not deemed to be  
16 medically necessary, as that term is defined pursuant to section 4 of  
17 P.L.2023, c.296 (C.17B:30-55.3). “Cosmetic medical procedure” does  
18 not include reconstructive surgery or dentistry. <sup>2</sup>

19 “Health care facility” means health care facility as defined in  
20 section 2 of P.L.1971, c.136 (C.26:2H-2).

21 “Health care provider” means a person or entity which, acting  
22 within the scope of its licensure or certification, provides a health care  
23 service. Health care provider includes, but is not limited to, a  
24 physician, dentist and other health care professionals licensed pursuant  
25 to Title 45 of the Revised Statutes, and a hospital and other health care  
26 facilities licensed pursuant to Title 26 of the Revised Statutes. <sup>1</sup>

27 “Health care service” means the preadmission, outpatient,  
28 inpatient, and post discharge care provided <sup>1</sup>**1**in or <sup>1</sup>**1**by a health care  
29 facility <sup>1</sup>or a health care provider<sup>1</sup>, and such other items or services as  
30 are necessary for such care, including but not limited to medical  
31 devices, which are provided for the purpose of health maintenance,  
32 diagnosis, or treatment of human disease, pain, injury, disability,  
33 deformity, or physical condition, including, but not limited to, nursing  
34 service, home care nursing, and other paramedical service, ambulance  
35 <sup>1</sup>**1**service **1**and other medical transport services<sup>1</sup>, dental and vision  
36 services, service provided by an intern, resident in training or  
37 physician whose compensation is provided through agreement with a  
38 health care facility, laboratory service, medical social service, drugs,  
39 biologicals, supplies, appliances, equipment, bed and board, including  
40 services provided by a health care professional in private practice.  
41 <sup>2</sup>“Health care service” shall not include cosmetic medical procedures. <sup>2</sup>

42 <sup>2</sup>1“Household income” means the combined income of all  
43 household members determined by the most recent State income tax  
44 returns. <sup>1</sup>**1**<sup>2</sup>

45 “Medical creditor” means any <sup>1</sup>person or<sup>1</sup> entity that provides  
46 health care services and to whom a patient owes money for health care  
47 services, or the entity that provided health care services and to whom

1 the patient previously owed money if the medical debt has been  
2 purchased by one or more debt buyers.

3 “Medical debt” means a debt arising from the receipt of health care  
4 services. “Medical debt” <sup>2</sup>~~does~~ shall<sup>2</sup> not include<sup>1</sup>:<sup>1</sup> debt charged to  
5 a credit card unless the credit card is issued under an open-end or  
6 closed-end credit plan offered <sup>1</sup>~~specifically~~ solely<sup>1</sup> for the payment  
7 of health care services <sup>1</sup>~~or goods~~ <sup>2</sup>or goods<sup>2</sup>; debt arising from  
8 services provided by a veterinarian; debt charged to a home equity or  
9 general purpose line of credit; <sup>2</sup>debt arising from an insurance  
10 payment for the health care provider’s services but retained by the  
11 subscriber;<sup>2</sup> or secured debt<sup>1</sup>.

12 “Medical debt buyer” means a person or entity that is engaged in  
13 the business of purchasing medical debts for collection purposes,  
14 whether it collects the debt itself or hires a third party <sup>1</sup>billing entity<sup>1</sup>  
15 for collection or an attorney-at-law for litigation in order to collect  
16 such debt.

17 “Medical debt collector” means any person <sup>1</sup>or entity<sup>1</sup> that  
18 regularly collects or attempts to collect, directly or indirectly, medical  
19 debts originally owed or due or asserted to be owed or due to another.  
20 A medical debt buyer is considered to be a medical debt collector for  
21 all purposes.

22 “Patient” means the person who received health care services, and  
23 for the purposes of P.L. , c. (C. ) (pending before the Legislature  
24 as this bill) includes a parent or legal guardian if the patient is a minor,  
25 or a legal guardian if the patient is an adult under guardianship <sup>1</sup>or any  
26 other person liable or allegedly liable for any financial obligation  
27 incurred for health care services.

28 “Personal property” means real property and movable property not  
29 affixed to land, and includes, but is not limited to, bank accounts,  
30 motor vehicles, goods, merchandise, and household items.

31 “Reasonable payment plan” means <sup>2</sup>~~monthly payments that are~~  
32 not more than five percent of a patient’s household income for a  
33 month, excluding deductions for essential living expenses<sup>1</sup> a  
34 structured repayment arrangement that satisfies the following:

35 (1) monthly payment amounts shall be set at a level that the patient  
36 can reasonably afford or not more than three percent of the patient’s  
37 monthly income, if known by the medical creditor or medical debt  
38 collector;

39 (2) the duration shall allow the patient to repay the debt in full  
40 within a reasonable timeframe, which shall include, but not be limited  
41 to, a timeframe that is between six months and five years in length,  
42 based on the total amount owed and the patient’s financial capacity;

43 (3) the plan shall include provisions for adjusting the payment  
44 amounts and duration in response to significant changes in the  
45 patient’s financial circumstances;

46 (4) the terms of the payment plan shall be clearly documented in a  
47 written agreement provided to the patient, including the total amount

1 owed, the monthly payment amount, the payment schedule, and any  
2 interest;

3 (5) the plan shall provide a grace period of at least 60 days for late  
4 payments; and

5 (6) the plan shall not charge an interest rate on a medical debt of  
6 more than three percent per annum<sup>2</sup>.

7 “Third party billing entity” means a person or entity that is paid by  
8 a health care provider or medical debt buyer to process claims or  
9 claims payments on behalf of the health care provider<sup>1</sup>.

10

11 <sup>1</sup>[3.No consumer reporting agency may make any consumer  
12 report containing a patient’s paid medical debt or a medical debt of  
13 less than \$500 regardless of the date it was incurred. A medical  
14 creditor or medical debt collector shall not report a patient’s  
15 medical debt to any consumer reporting agency for health care  
16 services performed on and after the effective date of  
17 P.L. , c. (C. ) (pending before the Legislature as this bill).]<sup>1</sup>

18

19 <sup>1</sup>3. a. A medical creditor or medical debt collector shall not report  
20 a patient’s medical debt to any consumer reporting agency for health  
21 care services performed on and after the effective date of  
22 P.L. , c. (C. ) (pending before the Legislature as this bill).

23 b. A consumer reporting agency shall not make any consumer  
24 report containing a patient’s paid medical debt or a medical debt of  
25 less than \$500 regardless of the date it was incurred.<sup>1</sup>

26

27 4. a. Notwithstanding any provision of law or regulation to the  
28 contrary, except as otherwise provided in subsection c. of this section,  
29 a medical creditor or medical debt collector shall not engage in any  
30 <sup>2</sup>[permissible]<sup>2</sup> collection actions until <sup>1</sup>[180] 120<sup>1</sup> days after the  
31 first bill for a medical debt has been sent <sup>1</sup>and the creditor or debt  
32 collector has offered the <sup>2</sup>[individual] patient<sup>2</sup> who owes the medical  
33 debt a reasonable payment plan<sup>1</sup>.

34 b. At least 30 days before taking any collection actions, a medical  
35 creditor or medical debt collector shall provide to the patient at least  
36 one additional bill and a notice containing the following:

37 (1) identifying the collection actions that will be initiated in order  
38 to obtain payment; and

39 (2) providing a deadline after which such collection actions will be  
40 initiated, which date is no earlier than 30 days after the date of the  
41 notice.

42 c. <sup>1</sup>Any communication made by a medical creditor or medical  
43 debt collector to a patient in the course of trying to collect a medical  
44 debt shall include a statement, in at least 14-point boldface font, that  
45 the medical creditor or medical debt collector has not reported the debt  
46 to a consumer reporting agency and that if the debt, or any part of it,

1 has been reported to a consumer reporting agency, the portion reported  
 2 is void.

3 d.<sup>1</sup> A medical <sup>1</sup>[debtor may] creditor shall not<sup>1</sup> sell <sup>2</sup>[an  
 4 individual's] a patient's<sup>2</sup> debt to another party unless, prior to the sale,  
 5 the medical creditor has entered into a legally binding written  
 6 agreement with the medical debt buyer of the debt pursuant to which  
 7 the medical debt buyer or collector is prohibited from engaging in any  
 8 actions in paragraphs (2) and (3) of the definition of "collection  
 9 action" in section 2 of P.L. , c. (C. ) (pending before the  
 10 Legislature as this bill) and from otherwise seeking to obtain payment  
 11 for the health care service.

12 <sup>2</sup>[<sup>1</sup>d.] e.<sup>2</sup> (1) A medical creditor or medical debt collector  
 13 shall not engage in any <sup>2</sup>[permissible]<sup>2</sup> collection actions against a  
 14 patient who accepts and complies with the terms of a reasonable  
 15 payment plan offered by the medical creditor or medical debt collector  
 16 pursuant to this section. A medical creditor or medical debt collector  
 17 shall not charge an interest rate of more than three percent per annum  
 18 on late payments to a medical debt subject to a reasonable payment  
 19 plan and shall provide a grace period of at least <sup>2</sup>[90] 60<sup>2</sup> days for late  
 20 payments.

21 (2) Acceptance of a reasonable payment plan pursuant to this  
 22 section by a patient shall not constitute an admission that the debt is  
 23 valid. A patient who accepts a reasonable payment plan shall retain  
 24 any legal defenses that would otherwise be available in a  
 25 <sup>2</sup>[permissible]<sup>2</sup> collection action.<sup>1</sup>

26

27 <sup>1</sup>5. A medical creditor or medical debt collector shall not:

28 a. charge an interest rate on a medical debt of more than three  
 29 percent per annum. The interest rate that shall apply to any judgment  
 30 on medical debt shall be calculated pursuant to applicable court rules  
 31 but shall not exceed three percent; <sup>2</sup>or<sup>2</sup>

32 b. garnish the wages of <sup>2</sup>[an individual] a patient with annual  
 33 income less than 600 percent of the federal poverty level<sup>2</sup> to collect  
 34 medical debt owed by that <sup>2</sup>[individual; or

35 c. place a lien on an individual's primary residence or personal  
 36 property to collect medical debt owed by that individual. This  
 37 subsection shall not apply to any nursing home providing health care  
 38 services and to whom a patient owes money for health care services]  
 39 patient<sup>2</sup>.<sup>1</sup>

40

41 <sup>1</sup>[5.] 6.<sup>1</sup> a. A medical creditor or medical debt collector that  
 42 knows <sup>2</sup>[or reasonably should know]<sup>2</sup> that an internal review,  
 43 external review, or other appeal of a health insurance decision  
 44 which provides the basis for a medical debt is pending <sup>2</sup>[now or  
 45 was pending within the previous 60 days]<sup>2</sup> shall not:

1 (1) communicate with the patient regarding the unpaid charges  
2 for health care services for the purpose of seeking to collect the  
3 charges; or

4 (2) initiate a lawsuit or arbitration proceeding against the patient  
5 relative to unpaid charges for health care services.

6 b. If a medical debt has already been reported to a consumer  
7 reporting agency and the medical creditor or medical debt collector  
8 who reported the information learns of an internal review, external  
9 review, or other appeal of a health insurance decision which  
10 provides the basis for a medical debt is pending <sup>2</sup>[now or was  
11 pending within the previous 60 days]<sup>2</sup>, or learns that the medical  
12 debt has been paid, the medical creditor or medical debt collector  
13 shall instruct the consumer reporting agency to delete the  
14 information about the debt.

15 c. A medical creditor that knows <sup>2</sup>[or reasonably should  
16 know]<sup>2</sup> about an internal review, external review, or other appeal of  
17 a health insurance decision that is pending <sup>2</sup>[now or was pending  
18 within the previous 60 days]<sup>2</sup> shall not refer, place, or send the  
19 unpaid charges for health care services to a medical debt collector,  
20 including by selling the debt to a medical debt buyer.

21

22 <sup>1</sup>[6.] <sup>7.1</sup> a. Any portion of a medical debt that is furnished to a  
23 consumer reporting agency in violation of the provisions of  
24 P.L. , c. (C. ) (pending before the Legislature as this bill) shall be  
25 void.

26 b. It shall be <sup>2</sup>[an unlawful practice and]<sup>2</sup> a violation of  
27 <sup>2</sup>[P.L.1960, c.39 (C.56:8-1 et seq.)] P.L.1997, c.172 (C.56:11-28 et  
28 seq.)<sup>2</sup> for a medical creditor or medical debt collector to undertake a  
29 collection action in violation of the provisions of P.L. , c. (C. )  
30 (pending before the Legislature as this bill).

31 <sup>2</sup>c. In addition to the assessment of civil penalties, the Attorney  
32 General or the Attorney General's designee may, after a hearing and  
33 upon a finding of a practice in violation of P.L. , c. (C. )  
34 (pending before the Legislature as this bill), order that any moneys or  
35 property, real or personal, which have been acquired by means of the  
36 practice in violation of P.L. , c. (C. ) (pending before the  
37 Legislature as this bill) be restored to any person in interest.

38 d. Notwithstanding any provision of P.L.1997, c.172 (C.56:11-28  
39 et seq.) to the contrary, the Office of the Attorney General shall have  
40 sole and exclusive authority to enforce a violation of P.L. , c.  
41 (C. ) (pending before the Legislature as this bill) and nothing in  
42 P.L. , c. (C. ) (pending before the Legislature as this bill) shall  
43 be construed as providing the basis for a private right of action arising  
44 solely from a violation of P.L. , c. (C. ) (pending before the  
45 Legislature as this bill).

1 e. In any instance where the provisions of this section conflict  
2 with the provision of P.L.1997, c.172 (C.56:11-28 et seq.), the  
3 provisions of this section shall prevail.<sup>2</sup>

4  
5 <sup>1</sup>~~[7.]~~ <sup>1</sup>8. The provisions of this act shall be severable; and if  
6 any phrase, clause, sentence, or provision is deemed unenforceable,  
7 the remaining provisions of this act shall be enforceable. The  
8 provisions of this act shall be liberally construed to effectuate its  
9 purposes.

10  
11 <sup>1</sup>~~[8.]~~ <sup>1</sup>9. <sup>2</sup>~~[This]~~ Sections 3 and 7 of <sup>2</sup>this<sup>2</sup> act shall take effect  
12 <sup>1</sup>~~[immediately]~~ <sup>2</sup>~~[on the 180th day]~~ immediately and the  
13 remainder of this act shall take effect one year<sup>2</sup> following the date  
14 of enactment<sup>1</sup>.

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18  
19 “Louisa Carman Medical Debt Relief Act.”