

[First Reprint]

SENATE, No. 2806

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED FEBRUARY 22, 2024

Sponsored by:

Senator SHIRLEY K. TURNER

District 15 (Hunterdon and Mercer)

Senator M. TERESA RUIZ

District 29 (Essex and Hudson)

Co-Sponsored by:

Senators Timberlake, Diegnan, McKeon, Moriarty and McKnight

SYNOPSIS

“Louisa Carman Medical Debt Relief Act.”

CURRENT VERSION OF TEXT

As reported by the Senate Budget and Appropriations Committee on June 26, 2024, with amendments.



(Sponsorship Updated As Of: 6/28/2024)

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

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 ¹[of the following] action on the
15 part of a medical creditor with respect to a medical debt, and includes,
16 but is not limited to¹:

17 (1) selling ¹[an individual's] a patient's¹ debt to another party;

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

20 (3) actions related to the collection of ¹[an individual's] a
21 patient's¹ debt to another party that require a legal or judicial process,
22 including but not limited to placing a lien on ¹[an individual's] a
23 patient's¹ property, attaching or seizing ¹[an individual's] a patient's¹
24 bank account or any other personal property, commencing a civil
25 action against ¹[an individual] a patient¹, or garnishing ¹[an

26 individual's] a patient's¹ wages.
27 “Collection action” shall not include: reasonable attempts by a
28 medical creditor to send an invoice or bill to a patient, or reminders to
29 pay an invoice or bill; or collecting a copayment, coinsurance,
30 deductible, or payment from the patient at the point of service.¹

31 “Consumer reporting agency” means any person ¹or entity¹ which,
32 for monetary fees, dues, or on a cooperative nonprofit basis, regularly
33 engages, in whole or in part, in the practice of assembling or
34 evaluating consumer credit information or other information on
35 consumers for the purpose of furnishing consumer reports to third
36 parties, and which uses any means or facility for the purpose of
37 preparing or furnishing consumer reports.

38 ¹“Cosmetic medical procedure” means any medical procedure
39 performed on a patient that is primarily directed at improving the
40 procedure subject's appearance and that does not meaningfully
41 promote the proper function of the body or prevent or treat illness or
42 disease and any other cosmetic procedure or service not deemed to be
43 medically necessary, as that term is defined pursuant to section 4 of

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted June 26, 2024.

1 P.L.2023, c.296 (C.17B:30-55.3). “Cosmetic medical procedure” does
2 not include reconstructive surgery or dentistry.

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

5 “Health care provider” means a person or entity which, acting
6 within the scope of its licensure or certification, provides a health care
7 service. Health care provider includes, but is not limited to, a
8 physician, dentist and other health care professionals licensed pursuant
9 to Title 45 of the Revised Statutes, and a hospital and other health care
10 facilities licensed pursuant to Title 26 of the Revised Statutes.¹

11 “Health care service” means the preadmission, outpatient,
12 inpatient, and post discharge care provided ¹[in or]¹ by a health care
13 facility ¹or a health care provider¹, and such other items or services as
14 are necessary for such care, including but not limited to medical
15 devices, which are provided for the purpose of health maintenance,
16 diagnosis, or treatment of human disease, pain, injury, disability,
17 deformity, or physical condition, including, but not limited to, nursing
18 service, home care nursing, and other paramedical service, ambulance
19 ¹[service] and other medical transport services¹, dental and vision
20 services, service provided by an intern, resident in training or
21 physician whose compensation is provided through agreement with a
22 health care facility, laboratory service, medical social service, drugs,
23 biologicals, supplies, appliances, equipment, bed and board, including
24 services provided by a health care professional in private practice.
25 ¹“Health care service” shall not include cosmetic medical procedures.¹

26 “Medical creditor” means any ¹person or¹ entity that provides
27 health care services and to whom a patient owes money for health care
28 services, or the entity that provided health care services and to whom
29 the patient previously owed money if the medical debt has been
30 purchased by one or more debt buyers.

31 “Medical debt” means a debt arising from the receipt of health care
32 services. “Medical debt” ¹[does] shall¹ not include¹; ¹debt charged to
33 a credit card unless the credit card is issued under an open-end or
34 closed-end credit plan offered ¹[specifically] solely¹ for the payment
35 of health care services or goods¹; debt arising from services provided
36 by a veterinarian; debt charged to a home equity or general purpose
37 line of credit; debt arising from an insurance payment for the health
38 care provider’s services but retained by the subscriber; or secured
39 debt¹.

40 “Medical debt buyer” means a person or entity that is engaged in
41 the business of purchasing medical debts for collection purposes,
42 whether it collects the debt itself or hires a third party ¹billing entity¹
43 for collection or an attorney-at-law for litigation in order to collect
44 such debt.

45 “Medical debt collector” means any person ¹or entity¹ that
46 regularly collects or attempts to collect, directly or indirectly, medical
47 debts originally owed or due or asserted to be owed or due to another.

1 A medical debt buyer is considered to be a medical debt collector for
2 all purposes.

3 “Patient” means the person who received health care services, and
4 for the purposes of P.L. , c. (C.) (pending before the Legislature
5 as this bill) includes a parent or legal guardian if the patient is a minor,
6 or a legal guardian if the patient is an adult under guardianship ¹or any
7 other person liable or allegedly liable for any financial obligation
8 incurred for health care services.

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

12 “Reasonable payment plan” means a structured repayment
13 arrangement that satisfies the following:

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

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

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

25 (4) the terms of the payment plan shall be clearly documented in a
26 written agreement provided to the patient, including the total amount
27 owed, the monthly payment amount, the payment schedule, and any
28 interest;

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

31 (6) the plan shall not charge an interest rate on a medical debt of
32 more than three percent per annum.

33 “Third party billing entity” means a person or entity that is paid by
34 a health care provider or medical debt buyer to process claims or
35 claims payments on behalf of the health care provider¹.

36

37 ¹3. No consumer reporting agency may make any consumer
38 report containing a patient’s paid medical debt or a medical debt of
39 less than \$500 regardless of the date it was incurred. A medical
40 creditor or medical debt collector shall not report a patient’s
41 medical debt to any consumer reporting agency for health care
42 services performed on and after the effective date of
43 P.L. , c. (C.) (pending before the Legislature as this bill). ¹

44

45 ¹3. a. A medical creditor or medical debt collector shall not report
46 a patient’s medical debt to any consumer reporting agency for health
47 care services performed on and after the effective date of
48 P.L. , c. (C.) (pending before the Legislature as this bill).

1 b. A consumer reporting agency shall not make any consumer
2 report containing a patient's paid medical debt or a medical debt of
3 less than \$500 regardless of the date it was incurred.¹
4

5 4. a. Notwithstanding any provision of law or regulation to the
6 contrary, except as otherwise provided in subsection c. of this section,
7 a medical creditor or medical debt collector shall not engage in any
8 ¹~~permissible~~ collection actions until ¹~~180~~ 120¹ days after the
9 first bill for a medical debt has been sent ¹and the creditor or debt
10 collector has offered the patient who owes the medical debt a
11 reasonable payment plan¹.

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

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

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

20 c. ¹Any communication made by a medical creditor or medical
21 debt collector to a patient in the course of trying to collect a medical
22 debt shall include a statement, in at least 14-point boldface font, that
23 the medical creditor or medical debt collector has not reported the debt
24 to a consumer reporting agency and that if the debt, or any part of it,
25 has been reported to a consumer reporting agency, the portion reported
26 is void.

27 d.¹ A medical ¹~~debtor may~~ creditor shall not¹ sell ¹~~an~~
28 individual's¹ a patient's¹ debt to another party unless, prior to the sale,
29 the medical creditor has entered into a legally binding written
30 agreement with the medical debt buyer of the debt pursuant to which
31 the medical debt buyer or collector is prohibited from engaging in any
32 actions in paragraphs (2) and (3) of the definition of "collection
33 action" in section 2 of P.L. , c. (C.) (pending before the
34 Legislature as this bill) and from otherwise seeking to obtain payment
35 for the health care service.

36 ¹e. (1) A medical creditor or medical debt collector shall not
37 engage in any collection actions against a patient who accepts and
38 complies with the terms of a reasonable payment plan offered by the
39 medical creditor or medical debt collector pursuant to this section. A
40 medical creditor or medical debt collector shall not charge an interest
41 rate of more than three percent per annum on late payments to a
42 medical debt subject to a reasonable payment plan and shall provide a
43 grace period of at least 60 days for late payments.

44 (2) Acceptance of a reasonable payment plan pursuant to this
45 section by a patient shall not constitute an admission that the debt is
46 valid. A patient who accepts a reasonable payment plan shall retain

1 any legal defenses that would otherwise be available in a collection
2 action.¹

3

4 ¹5. A medical creditor or medical debt collector shall not:

5 a. charge an interest rate on a medical debt of more than three
6 percent per annum. The interest rate that shall apply to any judgment
7 on medical debt shall be calculated pursuant to applicable court rules
8 but shall not exceed three percent; or

9 b. garnish the wages of a patient with annual income less than
10 600 percent of the federal poverty level to collect medical debt owed
11 by that patient.¹

12

13 ¹~~5.~~ ¹6. a. A medical creditor or medical debt collector that
14 knows ¹~~or reasonably should know~~¹ that an internal review, external
15 review, or other appeal of a health insurance decision which provides
16 the basis for a medical debt is pending ¹~~now or was pending within~~
17 ~~the previous 60 days~~¹ shall not:

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

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

23 b. If a medical debt has already been reported to a consumer
24 reporting agency and the medical creditor or medical debt collector
25 who reported the information learns of an internal review, external
26 review, or other appeal of a health insurance decision which provides
27 the basis for a medical debt is pending ¹~~now or was pending within~~
28 ~~the previous 60 days~~¹, or learns that the medical debt has been paid,
29 the medical creditor or medical debt collector shall instruct the
30 consumer reporting agency to delete the information about the debt.

31 c. A medical creditor that knows ¹~~or reasonably should know~~¹
32 about an internal review, external review, or other appeal of a health
33 insurance decision that is pending ¹~~now or was pending within the~~
34 ~~previous 60 days~~¹ shall not refer, place, or send the unpaid charges
35 for health care services to a medical debt collector, including by
36 selling the debt to a medical debt buyer.

37

38 ¹~~6.~~ ¹7. a. Any portion of a medical debt that is furnished to a
39 consumer reporting agency in violation of the provisions of
40 P.L. , c. (C.) (pending before the Legislature as this bill) shall be
41 void.

42 b. It shall be ¹~~an unlawful practice and~~¹ a violation of
43 ¹~~P.L.1960, c.39 (C.56:8-1 et seq.)~~ ¹~~P.L.1997, c.172 (C.56:11-28 et~~
44 ~~seq.)~~¹ for a medical creditor or medical debt collector to undertake a
45 collection action in violation of the provisions of P.L. , c. (C.)
46 (pending before the Legislature as this bill).

1 ¹c. In addition to the assessment of civil penalties, the Attorney
2 General or the Attorney General's designee may, after a hearing and
3 upon a finding of a practice in violation of P.L. , c. (C.)
4 (pending before the Legislature as this bill), order that any moneys or
5 property, real or personal, which have been acquired by means of the
6 practice in violation of P.L. , c. (C.) (pending before the
7 Legislature as this bill) be restored to any person in interest.

8 d. Notwithstanding any provision of P.L.1997, c.172 (C.56:11-28
9 et seq.) to the contrary, the Office of the Attorney General shall have
10 sole and exclusive authority to enforce a violation of
11 P.L. , c. (C.) (pending before the Legislature as this bill) and
12 nothing in P.L. , c. (C.) (pending before the Legislature as
13 this bill) shall be construed as providing the basis for a private right of
14 action arising solely from a violation of P.L. , c. (C.)
15 (pending before the Legislature as this bill).

16 e. In any instance where the provisions of this section conflict
17 with the provision of P.L.1997, c.172 (C.56:11-28 et seq.), the
18 provisions of this section shall prevail.¹

19

20 ¹**[7.] 8.** ¹ The provisions of this act shall be severable; and if
21 any phrase, clause, sentence, or provision is deemed unenforceable,
22 the remaining provisions of this act shall be enforceable. The
23 provisions of this act shall be liberally construed to effectuate its
24 purposes.

25

26 ¹**[8. This] 9.** Sections 3 and 7 of this¹ act shall take effect
27 immediately ¹and the remainder of this act shall take effect one year
28 following the date of enactment¹.