Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Judiciary Committee

HB 2731

Title: An act relating to collection of medical debt.

Brief Description: Concerning collection of medical debt.

Sponsors: Representatives Jinkins, Macri, Cody, Tharinger, Kilduff, Slatter, Clibborn, Stonier, Valdez, Robinson, Riccelli, Hansen, Orwall, Stanford, Gregerson, Doglio and Frame.

Brief Summary of Bill

- Places limits on the collection of medical debt, as follows:
  - prohibits prejudgment interest;
  - limits post-judgment interest;
  - prohibits interest or late fees on portions covered by charity care;
  - requires that debtors be given notice of the right to request an itemized billing, and provided with such a billing upon their request; and
  - provides for larger exemptions.

Hearing Date: 1/18/18

Staff: Cece Clynch (786-7195).

Background:

Interest.
Every loan or forbearance of money, goods, or thing in action bears interest at the rate of 12 percent per year where no different rate is agreed to in writing between the parties. If an agreement in writing between the parties provides for the payment of money at the end of an agreed period of time, or in installments over an agreed period of time, then the agreement constitutes a writing.

Post-judgment interest begins to run on a judgment on the date the judgment is entered. Judgments predicated on a written contract providing for interest at a particular rate bear interest

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at that rate. Other judgments bear interest as follows: unpaid child support at 12 percent; tort judgments at a special rate established in statute; all other judgments at the maximum rate permitted under the usury statute.

The usury statute provides that any rate of interest shall be legal so long as the rate does not exceed the higher of:

- 12 percent; or
- 4 percent above the interest rate on 26-week treasury bills.

Prejudgment interest is intended to make a plaintiff whole by compensating for the use value of damages incurred from the time of the loss until the date of judgment. A prejudgment award is permissible when an amount claimed is liquidated or when the amount of an unliquidated claim is for an amount due upon a specific contract for the payment of money, and the amount due is determinable by computation with reference to a fixed standard contained in the contract, without reliance on opinion or discretion.

Enforcement of Debts.
A creditor may seek enforcement of a debt owed by a debtor through execution, attachment, or garnishment of the debtor's property. Attachment is a process that allows a plaintiff in a court action to ask the court to attach the defendant's property during the pendency of the action as security for satisfaction of a judgment that may be rendered in favor of the plaintiff. Execution is the process for enforcing a court judgment for the payment of money or property by "levying" on the judgment debtor's property. Garnishment allows a creditor to reach a debtor's property that is held by a third person, such as a bank or an employer.

Generally, a judgment may be enforced for a period of 10 years from the date of judgment, and for an additional 10 years if the judgment is extended within 90 days of the end of the initial 10-year period. All real and personal property of a judgment debtor is subject to execution to satisfy the judgment, unless the property is exempt from execution.

There are a number of exemptions for personal property up to a certain value, for such things as household goods, clothing, vehicles, and tools of the trade. The exemption for bank accounts is $500. In a garnishment proceeding, a debtor's earnings are exempt up to the greater of 35 times the federal minimum hourly wage or 75 percent of the disposable earnings. With respect to a judgment for child support, however, the exempt amount is 50 percent of disposable earnings.

Summary of Bill:

Limits are placed upon the collection of medical debt. "Medical debt" means any alleged debt or payment obligation arising from the provision of medical goods or services, and does not include dental goods or services.

Interest.
No prejudgment interest is allowed on medical debt. Interest or late fees on medical debt covered by charity care is also prohibited. The post-judgment interest rate is equal to the weekly average 1-year average constant maturity treasury yield, but may not be less than 2 percent or more than 5 percent.

Enforcement of Debts.
The general exemption for bank accounts in the case of medical debt is raised to $2,500. If a garnishment is based on a judgment for medical debt, this fact must be noted on the garnishment forms. The exemption for earnings in such cases is the greater of 50 times the minimum wage in the state or 85 percent of disposable earnings.

In the case of medical debt, collectors must notify a debtor of the right to request an itemized bill. If the debtor so requests, the collector must provide an itemized bill stating:
- name and address of the medical creditor;
- dates of service;
- detailed list of services provided to the patient;
- list of all professionals who treated the patient;
- amount of principal incurred;
- any adjustment to the bill;
- amount of payments received from the patient or other party;
- any interest or fees; and
- whether the patient was screened for charity care, and if so, the amount due after charity care was applied to the bill.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.