



November 21, 2024

CA PASSES BILL PROHIBITING MEDICAL DEBT REPORTING

California enacted S.B. 1061 to amend and expand the state's Credit Reporting Agencies Act to incorporate new restrictions and requirements on consumer medical debt reporting. The bill becomes effective on January 1, 2025.

The bill defines "medical debt" as a debt owed by a consumer to a person whose primary business is providing medical services, products or devices, or to the person's agent or assignee, for the provision of medical services, products or devices and includes medical bills that are not past due or that have been paid. "Medical services, products or devices" is broadly defined to include any service, drug, medication, product or device sold, offered or provided to a patient by either (i) most facilities licensed under Division 2 of the Health and Safety Code (including hospitals and clinics) or (ii) most people licensed under the Healing Arts division of the Business and Professions Code (including doctors and dentists), but excludes cosmetic surgery.

The bill adds a new provision which expressly prohibits a person from furnishing information regarding a medical debt to a consumer credit reporting agency and requires the inclusion of the following notice in all contracts creating a medical debt on or after July 1, 2025:

A holder of this medical debt contract is prohibited by Section 1785.27 of the Civil Code from furnishing any information related to this debt to a consumer credit reporting agency. In addition to any other penalties allowed by law, if a person knowingly violates that section by furnishing information regarding this debt to a consumer credit reporting agency, the debt shall be void and unenforceable.

A contract creating medical debt entered into on or after July 1, 2025 that does not include the notice is void and unenforceable.

Additionally, amendments to existing California law prohibit consumer credit reporting agencies from making a consumer credit report containing information about medical debt and prohibits the use of medical debt listed on a consumer credit report as a negative factor when making a credit decision.

The landscape of medical debt and medical debt reporting is rapidly changing as both the federal government and state

legislatures attempt to reign in medical financing products and the collection practices associated with medical debt. If you have questions about these changes to California law or similar laws in other states, please contact us. □

✧ *Elizabeth Anstaett and Mercedes Ramsey*

Darrell L. Dreher
ddreher@dtlaw.com

Elizabeth L. Anstaett
eanstaett@dtlaw.com

Susan L. Dreher
sdreher@dtlaw.com

2750 HUNTINGTON CENTER
41 S. HIGH STREET
COLUMBUS, OHIO 43215
TELEPHONE: (614) 628-8000 FACSIMILE: (614) 628-1600
WWW.DTLAW.COM

Michael C. Tomkies
mtomkies@dtlaw.com

Mercedes C. Ramsey
mramsey@dtlaw.com

Robin R. De Leo
robin@deher-la.com

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