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State Lawmakers Seek Restraints on Wage Garnishment for Medical Debt

Legislation is under consideration after a KFF Health News investigation found that courts approved thousands of wage garnishment requests to cover health bills.

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Lawmakers in at least eight states this year are aiming to reel in wage garnishment for unpaid medical bills.

The legislation introduced in Colorado, Florida, Hawaii, Indiana, Maine, Michigan, Ohio, and Washington builds on efforts made in other states in past years. This latest push for patient protections comes as the Trump administration has backed away from federal debt protections, health care has become more costly, and more people are expected to go without medical coverage or choose cheaper but riskier high-deductible insurance plans that could lead them into debt.

“In the wealthiest country on Earth, people are going bankrupt, suffering wage garnishment, just because they get sick,” said Colorado state Rep. Javier Mabrey, a Democrat who introduced legislation on Feb. 19 that would, among other measures, ban wage garnishment for medical debt.

That legislation is under consideration after a KFF Health News investigation found that courts approved wage garnishment requests in an estimated 14,000 medical debt cases a year in Colorado. The investigation also showed that it isn’t just urban hospitals or big health care chains allowing their patients’ wages to be garnished. It’s also small rural hospitals, physician groups, and public ambulance services, among other medical care providers. And the reporting showed that wage garnishment can erroneously target patients. For example, one family lost wages — and subsequently power to their home, because they couldn’t pay their electric bill — after an ambulance company incorrectly billed the family instead of Medicaid.

Wage garnishment is one tool creditors can use in most states to recoup money from people with unpaid bills. In many states, they can garnish someone’s bank account or put a lien on their home, too. To garnish a person’s wages, a creditor must typically get permission from a court to make the person’s employer hand over a piece of the debtor’s earnings.

“The creditor is taking the money directly out of somebody’s paycheck, and so it doesn’t leave people with any choice to say, ‘I need to prioritize food for my children,’” said Lauren Jones, legal

and policy director for the National Center for Access to Justice. The center, based at Fordham Law School, scores states and the District of Columbia on how fair their laws are to consumers who get sued over debt.

It is legal to garnish patients' wages for medical debt in all but a few states, according to the Commonwealth Fund, a nonprofit foundation based in New York focused on health care.

Now, lawmakers in additional states seek to ban the practice entirely. Others want to limit it by exempting debtors whose household income falls under a certain threshold or by upping the amount of earnings immune from garnishment.

Such policies on wage garnishment fit into a larger push around the country to address the effect of medical debt on people's lives and finances. Those efforts include barring medical debt from credit reports, prohibiting liens on people's homes, capping interest rates, and limiting the ability to file lawsuits against people with low incomes over unpaid medical bills.

Debt collectors have fought against such measures, arguing they don't solve the problem of health care affordability and hurt the ability of medical providers to continue to provide care.

"The wage garnishment process is already highly regulated at the federal and state level and includes many consumer protection measures," said Scott Purcell, chief executive of ACA International, an association of credit and collection professionals.

Even before the Colorado legislation was introduced, BC Services sent a letter warning its clients that the legislation "poses an existential threat," especially to rural health providers. And Bridget Frazier, a spokesperson for the Colorado Hospital Association, said Feb. 20 that the bill "could drive up costs and financial risk for health care providers, making it harder to keep hospitals sustainable and ensuring Coloradans have access to care when they need it most."

The pending Colorado measure would ban wage garnishment for all patients. It also would limit bank garnishments, in which a patient's financial institution must hand over a chunk of the money in the person's account. Additionally, among other things, it would prevent payment plans from exceeding 4% of weekly net income, require creditors to check whether uninsured patients are eligible for public health insurance before collecting, bar creditors from collecting on bills that are more than three years old, and leave medical care providers liable to the patient for at least $3,000 if collectors don't comply.

"No one is saying, 'Don't get paid for your services.' We're saying getting health care should not lead to financial ruin for people," said Dana Kennedy, co-executive director at the Denver-based Center for Health Progress, a health advocacy group that has been working with lawmakers on the Colorado measure.

Kennedy said that KFF Health News' investigation drove home how many kinds of Colorado health care facilities are willing to let this collection practice happen to their patients, and that the people whose wages are being garnished are often working at Family Dollar, Walmart, Amazon, or gas

stations and restaurants.

“Medical debt is typically different from other forms of indebtedness,” said Colorado state Sen. Mike Weissman, a Democrat co-sponsoring the legislation. “You could choose to keep driving your old car or buy a new one and take on debt for that. You could upgrade your home. You could buy consumer appliances. There’s not usually that voluntary element in a health care context.”

Carolyn Carter, a senior attorney with the National Consumer Law Center, said broad laws that don’t require patients to jump through hoops to access protections are the most likely to be effective. Because of that, she and other consumer advocates prefer state policies that get rid of wage garnishment for all debtors and all types of debt.

“It can be hard to identify medical debt as medical debt,” Carter said. “For example, if you have a medical debt and you put it on your credit card, it’s not going to be easy for a court system to identify that debt as medical debt.”

She said another reason is that complexity is the enemy of effectiveness. Carter pointed to a report about Hamilton County, Tennessee, showing that even though people in the state can keep $10,000 in their bank accounts safe from garnishment, few consumers take advantage of the protection. They must know the protection exists, know where to find the relevant form, get the form notarized, file it, and mail copies to creditors. The same report found that garnishments can also be burdensome for employers, who must process garnishments and can find themselves in court if they make an error.

Jones, at the National Center for Access to Justice, said outlawing wage garnishment fully, rather than limiting it, has other benefits. “It’s also to protect people’s jobs, because in most states, if somebody has two or more orders of garnishment, they can lose their job for it,” she said.

Still, some lawmakers are pushing for the intermediate route. In Washington state, Democratic state Sen. Marko Liias is spearheading legislation to rope off a larger portion of low-wage earnings from garnishment. So, for example, a person making $1,000 a week would be able to keep their whole paycheck, as opposed to the $800 that the law would currently protect.

Mindy Chumbley, owner of a Washington-based collections company and an ACA International board member, testified against the bill on February 2. “Washington has made sweeping changes to medical debt policy year after year without pausing to study the cumulative impact,” she told lawmakers. “Our clients are reporting clinic closures, urgent care centers shutting down, staffing shortages, and rural facilities struggling to stay open.”

The Washington State Hospital Association said it is neutral on the legislation. The American Hospital Association said it does not take positions on state policies.

Liias told KFF Health News that lawmakers need to ensure health care providers can recoup their costs while also protecting patients. “We don’t want families either to be driven into bankruptcy or to be driven into under-the-table work to avoid these garnishment thresholds,” he said.

Liias said his measure follows the lead of Arizona, which passed similar consumer protections in 2022. “Obviously, the health care system is still functioning in Arizona, and folks are able to make it work.”

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