CALIFORNIA MEDICAL ASSOCIATION

Fact Sheet

SB 1061: Medical Debt Reporting

SB 1061 (Limón, 2024) introduces two important changes that directly impact how physician practices handle medical debt. Effective January 1, 2025, physicians are no longer allowed to report medical debt to consumer credit reporting agencies (CRAs). Starting July 1, 2025, any contract that creates a medical debt must include specific consumer protection language or it will be void and unenforceable.

Key Provisions of SB 1061

- **No Reporting to Credit Agencies (effective Jan. 1, 2025)**
  - Physicians or their agents may not furnish any information about medical debt to consumer CRAs.
  - If a person knowingly violates this law, the debt becomes void and unenforceable.
- **Required Language in Contracts (effective July 1, 2025)**
  - Contracts that create medical debt must include the following language:

    "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."

  - Contracts entered into on or after July 1, 2025, without this language will be considered legally void and unenforceable.
- **Definition of Medical Debt**

  Under newly added Civil Code Section 1785.3(j), medical debt includes:
  - Any amount owed to a physician or their agent for medical services, products, or devices.
  - Includes medical bills that are not past due or that have been paid.
  - Includes debt for:
    - Medical services, drugs, medications, products, or devices
    - Reconstructive surgery and follow-up care
    - Prosthetic devices and follow-up care
    - Mastectomies
  - Does NOT include debt for cosmetic surgery, meaning debt for cosmetic surgery will still be reportable to CRAs.

Key Steps for Compliance

1. **Educate Staff and Vendors.**

   Ensure your billing staff, third-party billing companies, collection entities and any other vendors involved in collections understand the new law prohibits medical debt from being reported to

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consumer CRAs, **effective January 1, 2025**. If an individual knowingly violates this law by providing information about a patient's medical debt to a consumer CRA, the underlying medical debt becomes void and unenforceable.

2. **Update payment agreements.**

   Ensure medical services payment agreements include the required SB 1061 consumer protection language **by July 1, 2025**. This includes:

   - Agreements to pay for non-covered services (e.g., ABNs)
   - Any document that could create an obligation to pay for care

   Practices will want to update contract(s) before the **July 1, 2025,** effective date to ensure compliance. After July 1, 2025, contracts entered into without the required consumer protection language are void and unenforceable. (The law does not require the consumer protection language to be added to existing contracts that were signed prior to the July 1, 2025, effective date.)

3. **Take a broad approach.**

   Because medical debt is defined broadly in the bill and includes medical bills that are not past due or have been paid, physician's offices may want to be overly inclusive and add the consumer protection language in all agreements that may give rise to an obligation to pay for medical services. This includes updating agreements to pay for non-covered services (sometimes called Advanced Beneficiary Notice, or "ABN") and any agreement(s) outlining patient financial responsibilities.

Additional Resources

- CMA Health Law Library Document **#7600, "Billing Patients** includes sample forms for:
  - Patient Financial Responsibilities
  - Patient Agreement to Pay for Non-Covered Services

  Note: While the sample letters in this document **have** been updated for compliance with SB 1061, the rest of the document is currently being reviewed by CMA legal counsel for necessary updates.

Questions?

The California Medical Association is unable to offer individual legal advice. For legal advice specific to your practice, please consult your attorney.

Legal Authorities

SB 1061 added the following provision to the Civil Code. (Note that this is not the entire bill language. Only provisions most notable to physicians are cited below. **Click here for the full text**.)

Civil Code Section 1785.27.

(a) A person shall not furnish information regarding a medical debt to a consumer credit reporting agency.

(b) A medical debt is void and unenforceable if a person knowingly violates this section by furnishing information regarding the medical debt to a consumer credit reporting agency.

(c) (1) On or after July 1, 2025, it is unlawful to enter into a contract creating a medical debt that does not include the following term:

"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."

(2) A contract entered into on or after July 1, 2025, that does not include the term described in paragraph (1) is void and unenforceable.

(d) A violation of this section by a person holding a license or permit issued by the state shall be deemed to be a violation of the law governing that license or permit.

For the purposes of SB 1061, medical debt is defined as follows under Civil Code Section 1785.3(j):

(J) (1) "Medical debt" means 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. Medical debt includes, but is not limited to, medical bills that are not past due or that have been paid.

(2) For the purposes of this subdivision, "medical service, product, or device" does not include cosmetic surgery, as defined in Section 1367.63 of the Health and Safety Code, and includes, but is not limited to, all of the following:

(A) Any service, drug, medication, product, or device sold, offered, or provided to a patient by either of the following:

(i) A person or facility licensed under Division 2 (commencing with Section 1200) of the Health and Safety Code, except for Chapters 3.35 (commencing with Section 1596.60) to 3.65 (commencing with Section 1597.70), inclusive, of that division.

(ii) A person licensed under Division 2 (commencing with Section 500) of the Business and Professions Code, except for Chapter 11 (commencing with Section 4800) of that division.

(B) Initial or subsequent reconstructive surgeries, as defined in Section 1367.63 of the Health and Safety Code, and follow-up care deemed necessary by the attending physician and surgeon.

(C) Initial or subsequent prosthetic devices, as defined in Section 1367.635 of the Health and Safety Code, and follow-up care deemed necessary by the attending physician and surgeon.

(D) A mastectomy, as defined in Section 1367.635 of the Health and Safety Code.