



February 13, 2021

The Honorable Melissa H. Wiklund  
Ranking Minority Member  
Health and Human Services Finance and Policy Committee  
Minnesota Senate  
Room 2227, Minnesota Senate Building  
St. Paul, MN 55155

The Honorable Liz Reyer  
State Representative  
Minnesota House of Representatives  
575 State Office Building  
St. Paul, MN 55155

Re: HF 363 / SF 740 – Revenue Recapture Act Modification

Dear Senator Wiklund and Representative Reyer:

We write in strong support for HF 363 / SF 740, which would prevent non-government entities from using the state's Revenue Recapture Act to collect medical debt. The Legal Services Advocacy Project is a statewide division of Legal Aid, providing legislative and administrative policy advocacy on behalf of Legal Aid's clients and all low-income Minnesotans, as well as all elder Minnesotans and Minnesotans with disabilities. Lutheran Social Service of Minnesota provides an array of services to and advocates on behalf of children, people with disabilities, and older adults to ensure they have the opportunity to live and work in community with full and abundant lives.

We applaud you for introducing this legislation. According to one survey, more than 745,000 (17%) of Minnesotans struggle with unpaid medical bills.<sup>1</sup> At the same time, the Star Tribune article that we assume prompted the introduction of this bill, reports that about 265,000 Minnesotans are still without medical insurance.<sup>2</sup> Low-income Minnesotans with medical debt face an even greater burden. They need affordable payment plans to pay those bills.

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<sup>1</sup> Samuel Stebbins, *How Many People in Your State Are Burdened With Medical Debt?* 24/7 WALL STREET, Mar. 27, 2020; at <https://247wallst.com/special-report/2020/03/27/how-many-people-in-your-state-are-burdened-with-medical-debt/6/>

<sup>2</sup> Marissa Evans, *State takes Minnesotans' tax refunds for debts owed to hospitals*, STAR TRIBUNE, Dec. 11, 2020.

But nongovernment entities the bill identifies (i.e, nonpublic hospitals who lease their buildings from counties or cities and private ambulance services) have no incentive to negotiate reasonable, affordable repayment plans because they can use Minnesota’s Revenue Recapture Act (Chapter 270) to seize 100% of a low-income taxpayer’s tax return, including those containing the federal Earned Income Tax Credit and Minnesota’s Working Family Tax Credit.

The Revenue Recapture Act has been expanded dramatically since its enactment in 1980, when only state agencies and “any public agency responsible for child support enforcement” could utilize its powers of collection.<sup>3</sup> Districts courts were added in 1981 and regents in 1985.<sup>4</sup> Other public obligations were added in subsequent years.<sup>5</sup>

In 1999, the Legislature crossed a dangerous and, in our view, inappropriate threshold, adding a non-public entity to the Revenue Recapture Act, and allowing such non-public entity to access the state’s tax capture collection authority and mechanism.<sup>6</sup> And in 2003, private ambulance service was added.<sup>7</sup>

While no one would argue that the services provided by those nongovernmental entities are very important to society, the problematic bootstrapping of any private service, however worthy, to a public debt recovery process outweighs any argument to allow nonpublic sector entities to utilize government apparatus to collect private debt.

The problem HF 363 / SF 740 seeks to address is starkly illustrated by a client story from Heartland Community Action in Willmar. The client, who owed medical debt to a local provider and responsibly wanted to repay, sought to establish a payment plan they could afford. The provider rejected the offer and instead used the Revenue Recapture Act to seize 100% of the client’s tax refund, leaving them in an even more precarious financial circumstance than they were before.

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<sup>3</sup> 1980 Minn. Laws, ch. XII.

<sup>4</sup> 1981 Minn. Laws, First Sp. Sess., ch. 2, sec. 20 (adding district courts); 1985 Minn. Laws, sec. 2 (adding regents).

<sup>5</sup> 1987 Minn. Laws, ch. 261, sec. 1 (adding court-ordered criminal restitution); 1988 Minn. Laws, ch. 638, sec. 1 (expanding application to any court-ordered restitution); 1990 Minn. Laws, ch. 480, art 10, sec. 2 (municipal hospitals and hospital districts); 1994 Minn. Laws, ch. 614, sec. 2 (adding public agencies administering low-income housing programs); 1996 Minn. Laws, ch. 471, art. 13, sec. 10 (adding public libraries); and 2000 Minn. Laws, ch. 490, art. 13, sec. 9 (adding municipal ambulance services);

<sup>6</sup> 1999 Minn. Laws, ch. 243, art. 16, sec. 8 (adding private nonprofit hospitals that lease their facility from a county).

<sup>7</sup> 2003 Minn. Laws, First Sp. Sess., ch. 21, art. 11, sec. 7. (Technically, but not substantively amended in 2011, with identical language enacted in two bills. See 2011 Minn. Laws, ch. 71, sec. 1. and 2011 Minn. Laws, ch. 112, art. 11, sec. 5.)

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Medical debt generally is a serious problem for Minnesotans, as the extraordinary number of consumers struggling with it attests. While HF 363 / SF 740 would improve the situation as it pertains to private entities, more work needs to be done to assist Minnesotans to be able repay their medical debt without it placing them at risk of losing their homes, adding physical and mental stress to their lives, impeding their ability to meet other basic needs, and financially care for their children and families.

We believe all entities to whom medical debt is owed – whether public or private – should be required to, in good faith, negotiate repayment agreements with consumers that are affordable and take into consideration the consumer’s financial condition and any other extenuating circumstances.

Again, thank you for authoring HF 363 / SF 740. We urge its passage.

Sincerely,

Ron Elwood  
Supervising Attorney  
Legal Services Advocacy Project

Paul Slack  
Racial Justice Advocate  
Lutheran Social Service of Minnesota

c.c.: The Honorable Tina Liebling, Chair, House Health Finance and Policy Committee (co-author, HF 363)  
The Honorable Zack Stephenson, Chair, House Commerce Committee ((co-author, HF 363)