California Strategies to Prevent Medical Debt

Balance Billing and Short-Term Insurance

The federal No Surprises Act (NSA) protects patients from surprise medical bills (also referred to as "balance bills"), which are unexpected costs from out-of-network providers. Under the federal legislation, patients receiving emergency care or who are unknowingly treated by out-of-network providers during an in-network procedure are only required to pay the in-network cost-sharing amount for services provided. Effective January 1, 2022, the No Surprises Act applies to most health plans but not all care sites and services. States can legislate additional protections for balance bills not covered under the NSA, such as for ground ambulances, or limit the number of short-term, limited duration health plans available in the state, which traditionally cover fewer services putting enrollees at greater risk of incurring balance bills. Strategies examine in this section include:

Prohibitions on Balance Billing for Ground Ambulance Services

Prohibitions on Short-Term, Limited Duration Health Plans

Charity Care and Community Benefit Requirements

This section reviews state laws aimed at preventing medical debt, including mandates for hospitals and health care providers to offer financial assistance policies, screen patients for insurance and charity care eligibility, and inform patients of charity care policies before collecting payment. Strategies examined in this section include:

Mandated Hospital Charity Care

Hospital Charity Care Screening Requirements

Hospital Charity Care Notification Requirements

Hospital Community Benefit Reporting Requirements

Reducing Financial Consequences

This section examines how a state regulates providers' ability to collect medical debt once it has been incurred. States can mitigate the financial harm of medical debt by regulating how and when providers and collection agencies pursue repayment or by limited aggressive collection actions. Strategies examined in this section include:

Mandated Waiting Period Prior to Sending a Bill to Collections

Limits on Liens or Foreclosures due to Medical Debt

Limits on Wage Garnishment due to Medical Debt

Limits on the Amount of Interest Charged to Medical Debt

Medical Debt Prevention

Balance Billing and Short-Term Insurance

Policy	Status as of June 2025	Summary
Prohibits Balance Billing for Ground Ambulance Services	● Prohibits balance billing for out-of-network ground ambulance services	California has established balance bill protections that extend to both public and private ground ambulance services and cover both emergency and non-emergency transport.
Prohibits Short-Term, Limited Duration Health Plans	● State law has eliminated short-term, limited duration health plans	California law prohibits the sale of short-term, limited duration health plans.

● State Has Active Policy or Program ◉ Policy or Program Partially Implemented ⊗ State Does Not Have an Active Policy or Program * No Source, or Limited Information Found

Medical Debt Prevention

Charity Care and Community Benefit

Policy	Status as of June 2025		Summary
Mandated Hospital Charity Care	●	State law requires hospitals to provide free or discounted care to low-income patients and sets standards for eligibility (see notes)	California hospitals are required to offer discounted or charity care to uninsured patients or patients with high medical costs that earn at or below 400% FPL. Hospitals may voluntarily extend eligibility to patients above 400% FPL. Rural hospitals may set lower thresholds if needed to remain financially viable.
Hospital Charity Care Screening Requirements	⊗	State does not require health care providers to screen patients for Medicaid, Marketplace, or charity care eligibility before collecting payment	California does not require hospitals to screen patients for charity care before discharge. However, state law prohibits hospitals from requiring patients to apply for Medicare or Medi-Cal before being screened for or provided with charity care or discounted payment. Additionally, hospitals must determine whether a patient is ineligible or unresponsive before selling debt, and must send a charity care application before doing so—indicating some expectation of prior screening efforts.
Hospital Charity Care Notification Requirement	●	State law requires health care providers to notify patients of charity care options before collecting payment	Hospitals must provide patients with written notice about the availability of charity care and discount payment policies, including eligibility information and contact details. Notices must be provided at the time of service, during discharge, or mailed within 72 hours if not delivered in person. Notices must also be publicly posted in multiple hospital locations and on the hospital's website.
Hospital Community Benefit Reporting Requirement	●	State law requires hospitals to annually report the amount of charity care provided	Hospitals must submit an annual community benefits plan to the Department of Health Care Access and Information detailing the value of benefits provided and any unmet needs. They must also post this plan on their website each year.

● State Has Active Policy or Program ◉ Policy or Program Partially Implemented ⊗ State Does Not Have an Active Policy or Program * No Source, or Limited Information Found

Medical Debt Prevention

Reducing Financial Consequences

Policy	Status as of June 2025	Summary
Mandates Waiting Prior to Collections	State law prohibits sending medical debts to collections for a prescribed period (see note)	Before assigning a bill to collections or selling the debt, California hospitals must notify the patient in writing and include detailed billing and financial assistance information. Unless certain criteria is met, the debt cannot be sent to collections while the patient is applying for financial assistance or making good-faith efforts to pay.
Limits on Liens or Foreclosures due to Medical Debt	State law prohibits initiating a lien or foreclosure to collect medical debt	Hospitals, collection agencies, and debt buyers cannot place liens on a patient's real property or conduct property sales to collect medical debt if the patient is eligible for charity care or a discount payment policy.
Limits Wage Garnishment due to Medical Debt	State law exceeds federal wage garnishment protections for residents with medical debt	California prohibits hospitals from garnishing a patient's wages if they are eligible for charity care or discount policies. A collection agency may pursue wage garnishment if ordered by a court; however, the court must consider the patient's ability to pay, current and future medical expenses, and other financial obligations before approving garnishment.
Limits on the Amount of Interest Charged to Medical Debt	State law limits interest rates on medical debt	California prohibits debt buyers from charging interest or fees on purchased medical debt. Additionally, hospitals are not allowed to charge interest on extended payment plans offered to patients who qualify for charity care, discount payment policies, or other hospital programs for low-income, uninsured, or high-cost patients.

State Has Active Policy or Program — Policy or Program Partially Implemented — State Does Not Have an Active Policy or Program — * No Source, or Limited Information Found

With support from Arnold Ventures, the Healthcare Value Hub provides free, timely information about the policies and practices that address high health care costs and poor quality, bringing better value to consumers. The Hub is part of Altarum, a nonprofit organization with the mission of creating a better, more sustainable future for all by applying research-based and field-tested solutions that transform our systems of health and health care.