

House Bill 1298- Third-Party Litigation Financing - Licensing and Regulation

Position: *Support*

March 3, 2026

House Economic Matters Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in support of House Bill 1298.

Third-party litigation financing (TPLF) is an arrangement where third parties, such as hedge funds or private equity firms, provide capital to plaintiffs to fund legal claims in exchange for a share of the damages. TPLF can support plaintiff expenses like medical bills, rent, and other necessities until their claim is resolved. TPLF can also enable attorneys to pursue complex resource-intensive cases by funding discovery costs, expert witness fees, and other expenses.

However, these agreements raise consumer protection concerns as there is frequently a significant power imbalance between funders and plaintiffs. Despite their ability to influence litigation strategy, settlement dynamics, and overall case costs, these arrangements also currently lack any transparency or regulatory oversight.

HB 1298 would protect hospital patients and consumers by placing third-party litigation financing under clear, safeguards. It prohibits funders from operating in Maryland unless they are properly licensed under state lending laws and treats these cash advances as loans so that standard borrower protections and oversight apply. The bill also makes the existence, parties, and terms of a financing agreement discoverable so fees and repayment obligations are in the open rather than hidden in fine print.

Together, these protections help patients understand costs and risks before they commit, reduce the chance that excessive or opaque charges will drain a settlement intended for care, and support faster, fairer case resolutions that preserve more of a patient's recovery for treatment and long-term needs.

HB 1298 would help contain the escalating costs of medical professional liability by promoting transparency in the legal process. By requiring the mandatory disclosure of third-party financing agreements, the bill prevents anonymous financiers from artificially prolonging litigation and obstructing reasonable settlements to satisfy their own aggressive internal rates of return.

For these reasons, we request a favorable report on HB 1298.

For more information, please contact:

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