To Medical Funding Companies, Healthcare Receivable Purchasers, Litigation and Medical Finance Companies, and the Leaders and Investors Behind Them:

This letter may be one of the most important in this series because your industry is easy to attack.

The numbers can look large.

A medical receivable is purchased or funded. Time passes. A personal injury case resolves. And the amount ultimately sought or recovered can be substantially greater than the amount originally advanced.

To legislators, insurers, transportation companies, defense attorneys, and even some plaintiff attorneys, the easy narrative becomes: **“Medical funding is inflating personal injury.”**

Sometimes that criticism may be deserved.

But that is only half the story. Because there is another question that too often gets ignored:

What happens to the injured patient who needs medically necessary care today when the qualified provider cannot, or reasonably will not, finance that healthcare for the next two or three years?

Sometimes the answer is: **Medical funding.**

Your industry can be the financial bridge between an injured person and medically necessary care they otherwise could not obtain.

That is real value.

And if you want legislators, providers, attorneys, and consumers to defend that value, then your industry must be willing to defend something else too:

Reasonableness.

Fight for your business. But also police it.

Support reasonable tort reform. Support reasonable evidentiary restrictions. Support transparency. Accept reasonable profits.

And aggressively separate legitimate medical funding from unreasonable profiteering.

Because if you don't define the ethical version of your industry, **your opponents will define it for you.**

The Patient May Need Care Long Before the Case Produces Money

This is where every discussion about medical funding should begin.

An injured person may need: A spinal injection. Advanced imaging. Neurological evaluation. Pain management. Psychological care. Orthopedic treatment. Surgery. **Now.**

Not after mediation. Not after trial. Not two years from now.

The patient may lack usable health insurance. The deductible may be unaffordable. The appropriate specialist may be outside the network. Insurance may not provide timely access.

Or the specialist may simply say: **“I will treat the patient, but I cannot finance this level of care for years.”**

That does not make the physician greedy. It makes the physician a healthcare provider instead of a bank.

Consider a surgeon asked to perform a $100,000 procedure today and perhaps wait three years for payment.

The surgeon still has payroll. Malpractice insurance. Staff. Equipment. Supplies. Facility expenses. Taxes. Operating costs. And no certainty about what will ultimately happen in the legal case.

A medical funding company can step between that financial reality and the patient's medical need.

You provide capital. The provider receives payment or greater payment certainty. The patient receives care. And the funding company assumes the delay and risk.

That is a legitimate business function.

Capital, Time and Risk Have Value

This should not be controversial.

Banks charge interest. Insurers price risk. Investors demand returns. Attorneys accept contingency cases because the potential fee compensates for the possibility of receiving nothing.

Businesses expect profit for deploying capital.

Medical funding should not somehow become the only business in the PI ecosystem expected to assume substantial risk without earning a return.

You may face: Liability risk. Policy-limit risk. Comparative-fault risk. Litigation risk. Settlement risk. Payback risk. Provider risk. Attorney risk. Patient risk. And years of uncertainty.

That deserves compensation.

But .. and this is the critical “but” … **Risk does not justify any return whatsoever.**

A reasonable return for legitimate risk is defensible. A return so extreme that it cannot be justified by the actual capital, duration, risk, and circumstances becomes much harder to defend.

That distinction may determine the future of your industry.

Don't Give Your Opponents Their Best Evidence

Every industry has bad actors.

Medicine does. Law does. Insurance does. Transportation does. Funding does too.

If a funding company purchases or finances a receivable for one amount and ultimately seeks an amount wildly disconnected from the underlying economics, don't be surprised when that example ends up:

In legislation. In a courtroom. In a ballot initiative. In a newspaper. In lobbying materials. Or in testimony before a legislative committee.

The most aggressive participant can become the face of the entire industry.

Don't let that happen.

Your greatest protection is not pretending abuses don't exist. It is confronting them yourselves.

Develop standards. Demand transparency. Establish ethical guidelines. Create defensible approaches to risk-adjusted returns.

Condemn practices you would not be comfortable explaining publicly to a legislator, judge, jury, patient, or reporter. That includes the personal injury law firms and attorneys you deal with and do business with.

Self-regulation is far better than regulation written by people who don't understand your business.

Support Evidentiary Reform Where Evidentiary Reform Is Needed

This is where I believe your industry should surprise its critics.

If the concern is that a funded medical receivable is being presented to a jury at an amount that does not reasonably reflect the economic reality of the transaction and is then used to drive an inflated verdict … **support reasonable evidentiary limitations.**

Yes. I said it. Support them.

If the problem exists in what a jury sees, address what the jury sees.

If California wants to use FAIR Health or another reasonable mechanism to limit the medical-expense evidence presented for purposes of determining damages, there is room for legitimate discussion.

Medical funding companies should not need an artificially inflated number before a jury to justify their existence.

Your value exists somewhere else: **You enabled the patient to receive medically necessary care when they needed it.**

That is the value worth protecting.

So separate two questions: **What should a jury be permitted to consider when determining damages?** … from … **What may parties contractually owe and what reasonable return may a funding company receive for providing capital and assuming years of risk?**

Those are not necessarily the same thing.

That distinction is at the heart of the **Surgical Strike** I am advocating.

Don't Let an Evidentiary Rule Destroy the Underlying Business

This is where SB 623 concerns me.

There is an enormous difference between saying: **"For purposes of preventing artificially inflated jury awards, the jury's consideration of medical specials will be limited."**

And saying, directly or indirectly: **"Therefore, the economics of the underlying medical receivable must also be limited in the same way."**

The first targets the claimed courtroom problem.

The second can undermine the financing mechanism that allowed the healthcare to occur at all.

If your industry disappears because legitimate risk can no longer produce a reasonable return, the loss will not merely be yours.

The provider loses a financing option. The attorney loses an option for obtaining needed care for a client. And most importantly:

The patient may lose access to quality care when they need it.

That is why you should be at the front of the effort to surgically repair SB 623.

Your Best Argument Is Not "We Deserve to Make More Money"

Of course your company needs to make money.

Without profit there is no capital. Without capital there is no funding. Without funding there may be no treatment.

But politically, that is not your strongest argument.

Your strongest argument is: **"Our capital allows injured people to obtain medically necessary healthcare that they otherwise may not be able to access when they need it."**

Prove that. Measure it. Tell those stories.

How many patients obtained surgery because funding existed? How many providers accepted difficult cases because their receivable could be funded? How long did the funder actually carry the risk? How often did the funder take reductions?

How often did it lose money? How often did the case fail? How much capital was actually deployed? What was the true realized return across the entire portfolio—not merely the successful cases critics highlight?

Data will help defend your legitimacy far better than rhetoric.

But Patient Access Cannot Become a Shield for Excess

This needs to be equally clear.

Don't say: **"We help patients get care"** … and then assume that statement immunizes every economic practice.

It doesn't.

The patient's vulnerability creates a greater obligation to behave responsibly, not a lesser one. The patient often does not understand the economics. The provider may not fully understand them. The attorney may be primarily focused on obtaining treatment and resolving the case.

That means transparency matters.

People should understand: What is being funded or purchased. What amount was paid. How the ultimate obligation can change. What risks are being assumed. What contractual obligations exist. And what happens when the case resolves for less than expected.

Complexity should not become an economic weapon.

The cleaner and more understandable your business model becomes, the easier your industry becomes to defend.

Providers and Physicians Need You, but You Need Ethical Ones

Funding companies should also be selective about the medicine they finance.

Do not become the capital behind bad medicine.

If a provider overtreats … don't fund it. If a surgeon routinely recommends procedures that appear unnecessary … don't finance them. If the billing cannot be reasonably defended … ask why. If documentation is poor … demand better. If referral patterns raise legitimate concerns … investigate them.

If the care appears driven primarily by litigation economics rather than medical necessity … walk away. Because when you finance unethical medical behavior, you do more than assume a bad risk.

You help create the evidence used to attack your entire industry.

Your underwriting should include ethics. Not merely collectability.

And Attorneys Need Accountability Too

Funding companies know how much influence law firms can have over the process.

They often originate referrals. They may influence where clients receive care. They control the litigation. They negotiate settlements. They distribute settlement proceeds.

And they may pressure providers and funding companies for reductions at the end.

Transparency should therefore apply across the entire chain.

If the attorney originated the referral, the attorney should own that disclosure. If a financial relationship exists, disclose it. If the provider made the referral, the provider should own it. If the funding company did, the funding company should own it.

Every stakeholder should carry its own burden.

Do not allow the Legal Lobby to preserve its economics by shifting disclosure, liability, and financial burdens downstream onto medicine and medical funding.

If attorneys want transparency from you, demand transparency from them too.

You and Providers Are Not Adversaries

There is another risk I see.

Sometimes the funding company purchases a provider receivable, and the relationship becomes purely transactional.

But the provider and funder should recognize how aligned their interests actually are.

Both need: Medically necessary care. Reasonable billing. Excellent documentation. Good attorneys. Legitimate claims. Ethical referral relationships. Fair settlements. And predictability.

Providers need capital options. Funders need quality medical receivables. Patients need both.

There is enormous opportunity for medical funding companies to help raise standards throughout PI rather than simply financing whatever arrives.

Become part of the ethical ecosystem.

The Insurance Industry Doesn't Have to Be Your Enemy Either

Insurers understandably scrutinize medical funding.

From their perspective, they may see a receivable acquired for one amount and then a substantially larger number appearing in a demand.

That creates distrust.

Respond with transparency and reasonableness.

If the medical treatment was necessary … show it.

If the provider's charge was reasonable … show it.

If the capital was deployed for years … show it.

If the risk was meaningful … show it.

If the return is reasonable … be willing to defend it.

And if the number cannot be defended without hiding how the transaction actually worked? **That should tell you something.**

An ethical funding industry should want legitimate insurers to distinguish responsible funding from abusive funding.

That distinction protects you.

Help Create an Ethical PI Fast Lane

In my Open Letter to the insurance industry, I proposed an **Ethical PI Fast Lane.**

Medical funding should be part of it.

Imagine funded cases where: The treatment is medically necessary. The provider is credentialed and ethical. Billing is reasonable. Documentation is strong. The funding transaction is transparent. The return is reasonable relative to the risk and time. The attorney relationship is transparent. The claim is legitimate and well supported.

Why shouldn't those cases be easier for insurers to evaluate?

Why shouldn't they resolve faster?

Why shouldn't ethical funding receive different treatment from questionable funding?

Reward good behavior.

That principle should apply to your industry too.

If responsible funding produces cleaner, more transparent, medically sound cases, make that a competitive advantage.

SB 623 Is Not Just a California Medical Provider Problem

Funding companies should pay particular attention to what happens next.

Today, SB 623 exists in a rideshare context.

Tomorrow? Other transportation companies may want similar protections.

Commercial fleets. Delivery companies. Municipalities. Insurers. Corporate defendants.

And eventually someone asks: **Why should the rules differ based solely on the identity of the defendant?**

If California's framework expands to all PI without first being surgically repaired, the consequences for your industry could be enormous.

And if California becomes a model for other states?

Larger still.

Do not wait until medical funding legislation reaches your balance sheet to become politically engaged.

This is your fight too.

Your Industry Needs a Seat at the Table

Not to demand immunity. Not to defend unreasonable returns. Not to oppose every reform.

To explain what medical funding actually does.

Too many policymakers may understand funding only as: **“Some company bought a medical bill cheaply and wants to collect a lot more.”**

If that is the entire story they hear, you have already lost.

Explain the capital. Explain the risk. Explain the delay. Explain the losses. Explain the reductions. Explain the patient who otherwise could not obtain surgery. Explain the provider who otherwise would not accept the case. Explain why a reasonable return is necessary for the model to exist.

Then acknowledge where abuses occur and offer solutions.

That is credibility.

Medical Funding Should Help Lead the Surgical Strike

I believe your industry should publicly support a narrow repair of SB 623.

Not its destruction.

Support reasonable trial evidentiary limitations designed to address inflated verdicts. Support transparency. Support reasonable regulation. Support accountability.

But insist that those protections remain targeted to the problem they are intended to solve.

Specifically:

Separate evidentiary limitations at trial from the underlying contractual medical receivable and funding economics.

Preserve the ability of providers and patients to use legitimate healthcare financing.

Allow reasonable, risk-adjusted profits while supporting mechanisms to address unreasonable profiteering.

Put disclosure obligations upon the parties possessing the relevant information.

Protect the patient's ability to receive medically necessary treatment when conventional healthcare financing cannot provide it.

That is not radical. It is surgical.

And Don't Make the Same Mistake Other Industries Make

Don't simply fight for your own economics.

That is exactly how we got here.

Uber fought for Uber. The Legal Lobby fought for lawyers. Medicine is fighting for medicine. Funding companies can fight for funding. And everyone ends up battling over the same injured person's recovery.

There is a better approach.

Fight for a system where **everyone who legitimately creates value can earn a reasonable profit.**

The provider. The attorney. The funding company. The insurer. The transportation company. The insurer.

And where the patient receives the two things that should matter most: **Quality healthcare and a just recovery.**

That is an ecosystem worth defending.

My Ask of Medical Funding Companies

Do not retreat from California. Do not simply stop funding rideshare cases. And if SB 623 expands, do not automatically stop funding PI.

That may be the easy business decision.

But it would leave the injured patient with fewer options.

Instead:

Fight intelligently.

Support the Surgical Strike.

And organize your industry. Develop and publish ethical standards. Make your economics more transparent. Define what reasonable risk-adjusted returns look like. Collect real portfolio data. Separate yourselves from abusive actors.

And underwrite the medicine, not merely the case.

Partner with quality providers. Partner with ethical law firms. Engage insurers willing to distinguish good claims from bad ones.

Educate legislators. And tell the stories of patients who received medically necessary care because your capital made it possible.

Most importantly: **Be willing to make reasonable profits rather than extraordinary ones.**

Because the strongest defense of medical funding is not that your contracts allow you to collect something.

It is that the amount you ultimately seek is **reasonable enough to defend publicly.**

Fight for Your Business by Making It Worth Defending

Medical funding fills a real gap in personal injury.

A patient can need care today. A lawsuit can take years. A provider cannot always afford to finance the difference.

You bridge time.

You bridge capital. You bridge risk. And sometimes you bridge the gap between an injured person and the surgery or specialty care that changes that person's life.

That is worth something. Protect it.

But understand the bargain.

If you want medicine to stand beside you … be reasonable.

If you want attorneys to stand beside you … be transparent.

If you want legislators to understand you … be accountable.

If you want insurers to distinguish you from the bad actors … give them reasons to.

And if you want patients to defend your existence … **Make sure your success never depends upon exploiting theirs.**

Fight for your business. Fight for reasonable profits. Fight against unreasonable restrictions.

But also fight for the ethical standards that make medical funding an industry worth preserving.

Because the objective should never be merely:

How much can we collect?

It should be:

How can our capital help an injured person receive quality medically necessary healthcare today, while allowing every legitimate stakeholder—including us—to be reasonably compensated tomorrow?

Get that right and medical funding isn't the enemy of PI reform.

It becomes part of the solution.

Reform the Abuse. Preserve the Value. Protect the Consumer-Patient.

And pursue the outcomes every stakeholder should want:

Better Patient Outcomes.
Better Provider Outcomes.
Better Case Outcomes.
Better Claim Outcomes.

Respectfully,

Michael Coates

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PS: Medical funding companies, this is the time to choose what you want your industry to be known for. If you allow your most extreme returns to define you, policymakers eventually will. But if you can demonstrate that responsible capital, reasonable returns, ethical underwriting, and transparency allow injured people to obtain medically necessary care they otherwise could not access, you have a compelling story to tell. **Tell it, and make sure your conduct proves it.**