



STATE OF HAWAII
OFFICE OF WELLNESS AND RESILIENCE
KE KE'ENA KŪPA'A MAULI OLA
OFFICE OF THE GOVERNOR
415 S.BERETANIA ST. #415
HONOLULU, HAWAII 96813

Testimony in SUPPORT of S.B. 1040 SD1 RELATING TO MEDICAL DEBT

Representative Donovan Dela Cruz, Chair
Representative Sharon Moriwaki, Vice Chair
Senate Committee on Ways and Means

February 19, 2025, at 10:02 a.m., Room Number 211

The Office of Wellness and Resilience (OWR) in the Governor's Office **STRONGLY SUPPORTS** S.B. No. 1040 SD1, Relating to Medical Debt, which requires the OWR to develop, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owed by certain households in the state.

Medical debt can take a serious toll on mental and physical well-being. In the past 10 years, the amount of medical debt owed has risen dramatically. The increasing burden of medical debt has significant implications for both physical and mental health. Research shows that the financial strain often leads individuals to delay or avoid necessary healthcare, resulting in delayed diagnoses.¹ Medical debt is associated with more than twice the likelihood of delayed or forgone treatment for mental disorders.² In fact, many physicians and public health researchers consider medical debt as an important social determinant of health.³

In early 2024, in partnership with the College of Social Science's Health Policy Initiative at the University of Hawai'i at Manoa, the OWR conducted the Hawai'i Quality of Life and Workplace Wellness Survey. Approximately 19% of survey respondents reported currently owing medical debt totaling \$500 or more. Moreover, 20% of participants delayed their medical care due to the cost.⁴ One of the most alarming insights from the survey show that having higher amounts of current total medical debt predicted higher numbers of mentally and physically unhealthy days in the past month.

Although Hawai'i opted in to join Medicaid expansion under the Affordable Care Act, numbers of households remain uninsured, incur medical debt from out-of-pocket costs for treatments that are not covered by insurance plans, and are financially burdened by increased cost-sharing. The most recent ALICE (Asset-Limited, Income-Constrained, Employed) families report shows that four in 10 residents in our state are just getting by or struggling to make it, with the report sharing that 37% of families surveyed stated that someone in their family is considering leaving the state.⁵

The kuleana of the Office of Wellness and Resilience is to strengthen our state service systems to create a trauma-informed Hawai'i. S.B. 1040 SD1 allows an important opportunity for the Office is to help break down barriers that are impacting the well-being of families in our state. Several other states have already partnered with an experienced debt relief organization to acquire and forgive unpaid medical debt, acquiring and cancelling \$100 in debt for every \$1 spent through their program and helping countless families who would never otherwise be able to pay these debts. The Office has been in contact with those running these programs and strongly believes there is sufficient evidence and structures in place for the proposed program to run in our office.

Mahalo nui loa for the opportunity to testify on this important issue.

Tia L. R. Hartsock, MSW, MSCJA
Director, Office of Wellness and Resilience
Office of the Governor



February 19, 2025 at 10:02 am
Conference Room 211

Senate Committee on Ways and Means

To: Chair Donovan M. Dela Cruz
Vice Chair Sharon Y. Moriwaki

From: Paige Heckathorn Choy
AVP, Government Affairs
Healthcare Association of Hawaii

Re: **Testimony in Support**
SB 1040 SD 1, Relating to Medical Debt

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the healthcare continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high-quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 30,000 people statewide.

Thank you for the opportunity to **support** this measure, which seeks to implement a pilot program in collaboration with medical providers to acquire and forgive medical debt. We are appreciative that the legislature is interested in encouraging broader discussion on the extent of medical indebtedness and believe that efforts to relieve debt will have positive effects for providers and patients alike. Our organization is actively engaged with our hospital members and a national organization with expertise in this type of program and can help to carry out the intent of this measure to alleviate burdens on residents in the state.

The Hawaii State Legislature has been a leader in ensuring that residents have access to quality, affordable care. We look forward to working with stakeholders to continue to advocate for expanded access to care, and support efforts to ensure that no one forgoes needed services over concerns about affordability.



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Hawai'i Farm to School Network

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Collective/Healthy Aging &
Community Living

Public Health Workforce Development

Date: February 16, 2025

To: Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Members of the Senate Committee on Ways and Means

RE: Support for SB 1040 SD1, Relating To Medical Debt

Hrg: Wednesday, February 19, 2025, at 10:02 AM, Conference Room 211

The Hawai'i Public Health Institute,¹ **supports SB 1040 SD1**, relating to medical debt. This bill requires the Office of Wellness and Resilience to develop, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owed by certain households in the State.

Medical debt is a major financial encumbrance to local families. Eliminating medical debt will provide economic relief to those who are struggling under the weight of healthcare costs, especially in light of Hawai'i's high cost of living.

The Medical Debt Burden

People in the United States owe at least \$220 billion in medical debt, with approximately 14 million people (6% of adults) owing over \$1,000 in medical debt and about 3 million people (1% of adults) owing more than \$10,000.²

A 2022 KFF Health Care Debt Survey found that 41% of adults currently have some debt caused by medical or dental bills. The survey also found that a third of those with healthcare debt (35%) said that it has negatively affected their credit score. An additional 3% of respondents said that it has caused them to declare personal bankruptcy.³ Furthermore, KFF's analysis showed that medical debt disproportionately impacts women, racial minorities, and low-income households (below \$40,000 in annual earnings).

Medical Debt Relief

In response to the growing medical debt crisis, multiple states have launched debt relief programs designed to prevent the accumulation of medical debt, limit coercive debt collection practices, and purchase and eliminate medical debt.

¹ Hawai'i Public Health Institute's mission is to advance health and wellness for the people and islands of Hawai'i. We do this through expanding our understanding of what creates health of people and place, fostering partnerships, and cultivating programs to improve policies, systems, and the environments where people live, learn, work, age, and play.

²<https://www.kff.org/health-costs/issue-brief/the-burden-of-medical-debt-in-the-united-states>

³<https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings>



New Jersey, the first state to announce a statewide initiative to tackle medical debt, partnered with the organization Undue Medical Debt to commit \$10 million toward canceling healthcare debt for tens of thousands of residents.⁴ Similarly, Connecticut announced the erasure of nearly \$30 million in medical debt for 23,000 residents in 2024.⁵

Twenty thousand people in Hawai'i, 2.3% of local families, carry health-related debt.⁶ Sixteen percent of residents spend more than 12% of their income on healthcare, showing the need to enact programs that prevent the accumulation of medical debt for island households.⁷

We hope you will pass SB 1040, SD1, to prevent medical debt from continuing to undermine the financial security of our state's hardworking 'ohana.

Mahalo,

A handwritten signature in black ink, appearing to read "Nate Hix", written in a cursive style.

Nate Hix
Director of Policy and Advocacy

⁴ <https://www.njspotlightnews.org/2023/10/op-ed-nj-takes-lead-on-addressing-medical-debt>

⁵ https://portal.ct.gov/governor/news/press-releases/2024/12-2024/governor-lamont-announces-nearly-23k-residents-will-have-30-million-in-medical-debt-erased?language=en_US

⁶ <https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states>

⁷ <https://holomuacollective.org/survey/>



To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Moriwaki, Vice Chair
Members, Senate Committee on Ways and Means

From: Jacce Mikulanec, Director, Government Relations, The Queen's Health Systems

Date: February 19, 2025

Re: Support for SB1040 SD1 – Relating to Medical Debt

The Queen's Health Systems (Queen's) is a nonprofit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, and more than 10,000 affiliated physicians, caregivers, and dedicated medical staff statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's supports SB1040 SD1, which requires the Office of Wellness and Resilience (OWR) to develop, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owed by certain households in the State.

Roughly one in three people in this country are struggling with unpaid medical bills – over 100 million people. This debt can in-turn have a profound and cascading adverse influence over decisions to seek future medical services and critical medication. The proposed program is similar to successful programs currently being employed in states like New Jersey, Connecticut, and even Hawai'i – Queen's Health Systems recently concluded our first effort at this method of medical debt forgiveness.

We view this model of addressing medical debt as a promising and worthy endeavor; through our work with Undue (formerly RIP), a national non-profit focused on eliminating medical debt, we were successful in removing medical debt going back nearly three years. We see this as a benefit to both our patients and to our overall healthcare system. Should this legislation ultimately pass, we stand ready to collaborate with the OWR and other stakeholders to share our experience.

Mahalo for allowing us to provide testimony in support of SB1040 SD1.

The mission of The Queen's Health System is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.



Senate Committee on Ways and Means
Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair

Hearing Date: Wednesday, February 19, 2025

ACS CAN SUPPORTS SB 1040 SD1: RELATING TO MEDICAL DEBT.

Cynthia Au, Government Relations Director – Hawai'i Guam
American Cancer Society Cancer Action Network

Thank you for the opportunity to **SUPPORT** SB 1040 SD1: RELATING TO MEDICAL DEBT which requires the Office of Wellness and Resilience to develop, implement and administer a program to acquire and forgive outstanding medical debt. The American Cancer Society Cancer Action Network (ACS CAN) is the nonprofit, nonpartisan advocacy affiliate of the American Cancer Society. We support fact-based policy and legislative solutions designed to eliminate cancer as a major health problem.

It's estimated that over 9,000 people will be diagnosed with cancer in Hawai'i this year. Unanticipated medical costs contribute to the worry about affording cancer care.ⁱ Medical debt impacts many people with cancer, their caregivers and their families. ACS CAN has long fought for public policies – like access to comprehensive and affordable health insurance coverage – that reduce the likelihood or severity of that debt. People with cancer often bear significant health care costs because they can have substantial health care needs, are high utilizers of health care services, use many different providers, and sometimes require more expensive treatments. They also must pay many indirect costs, like transportation and lodging as well as losing wages due to unpaid time off or job loss, that add to their already heavy cost burden. In Hawai'i, patients located on the neighbor islands may have to travel to O'ahu to receive their cancer treatments.

Other research documents the negative effect medical debt has on people with cancer including housing concerns, strained relationships,ⁱⁱ and bankruptcy.ⁱⁱⁱ Delaying or forgoing care because of cost, which is more common among people with medical debt, is associated with increased

mortality risk among cancer survivors.^{iv} U.S. counties with higher levels of medical debt are also more likely to have significantly higher rates of cancer mortality.^v

Thank you for the opportunity to support this important bill. We urge the committees to pass SB 1040. We look forward to continuing to work with you to make health care more affordable, and prevent residents of Hawai'i with cancer from incurring medical debt as a result of necessary cancer treatment by addressing the upstream causes of medical debt. Should you have any questions, please do not hesitate to contact Government Relations Director Cynthia Au at Cynthia.Au@Cancer.org or 808.460.6109.

ⁱ American Cancer Society Cancer Facts & Figures 2024 <https://www.cancer.org/content/dam/cancer-org/research/cancer-facts-and-statistics/annual-cancer-facts-and-figures/2024/2024-cancer-facts-and-figures-acf.pdf>

ⁱⁱ Banegas MP, Schneider JL, Firemark AJ, et al. The social and economic toll of cancer survivorship: a complex web of financial sacrifice. *J Cancer Surviv.* 2019;13(3):406-417. doi:10.1007/s11764-019-00761-1

ⁱⁱⁱ Ramsey SD, Blough DK, Kirchoff AC, et al. Washington Cancer Patients Found To Be At Greater Risk For Bankruptcy Than People Without A Cancer Diagnosis. *Health Aff (Millwood).* 2013;32(6):1143-1152. doi:10.1377/hlthaff.2012.1263

^{iv} Yabroff KR, Han X, Song W, Zhao J, Nogueira L, Pollack CE, Jemal A, Zheng Z. Association of Medical Financial Hardship and Mortality Among Cancer Survivors in the United States. *J Natl Cancer Inst.* 2022 Jun 13;114(6):863 -870.

^v Xin Hu, Zhiyuan Zheng, Kewei Sylvia Shi, Robin Yabroff, and Xuesong Han. Association of medical debt and cancer mortality in the US. *Journal of Clinical Oncology* 2023 41:16_suppl, 6505-6505



HAWAI'I COMMUNITY FOUNDATION

Testimony in Support of SB 1040 SD1, Relating to Medical Debt

From: Micah Kāne, Chief Executive Officer & President - Hawai'i Community Foundation

Re: Support for Medical Debt Forgiveness

The Hawai'i Community Foundation (HCF) supports SB 1040 SD1, which requires the Office of Wellness and Resilience to design, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owned by households with an income of less than 400% of the federal poverty level or with a medical debt balance that is 5% or more of the household income. Health and Wellness is a priority area within HCF's CHANGE Framework. To achieve a Hawai'i in which health and wellness are accessible to all, we need to shift from an approach focused on "fixing the individual" to supporting changes identified and led by communities across Hawai'i. These shifts will impact the overall ecosystem of health in places where people live, connect, work, and play.

Medical debt can make people hesitant to get the healthcare they really need, which can turn small health issues into serious emergencies. Many avoid going to the doctor, filling prescriptions, or getting important treatments because they fear incurring debt. These decisions can lead to serious health problems down the line and increased costs for the entire healthcare system. Furthermore, medical debt expenses that exceed \$500 appear on an individual's credit report and can negatively impact credit scores for up to seven years.

Another appealing element of this program is the relatively low cost of forgiveness related to the overall volume of medical debt across the state. The program can also provide benefits to health care providers by reducing the burdens associated with the debt collection process.

This bill is an important move toward making sure that getting medical help doesn't lead to lifelong financial struggles. It aims to improve public health, lower overall healthcare costs, and create a system where people feel safe seeking the medical attention they need. No one should have to pick between their health and their financial security. SB 1040 SD1 is an innovative solution that will impact our most financially vulnerable residents, and HCF supports it.



TITLE GUARANTY
HAWAII

February 19, 2025

Testimony in support of SB 1040 SD1, Relating to Medical Debt

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

We write in support of SB 1040 SD1, Relating to Medical Debt, which would establish a program to acquire and forgive medical debt owned by certain households in the state.

Title Guaranty of Hawai'i is the oldest and largest title company in the state. We have been owned and operated by a kama'āina family since 1896 and we are proud to employ over 250 residents who work in our branches across the state.

Medical debt is not just a personal financial issue—it is an economic problem that affects entire communities. Individuals burdened by unpayable medical bills are less likely to invest in education, purchase homes, or start businesses, slowing economic growth and reducing financial mobility. When wages are garnished, credit scores drop, and families cut back on spending, local businesses suffer, and economic activity declines.

Many working individuals are stuck in a cycle of debt that prevents them from achieving financial independence. Young professionals are unable to save for the future, families delay major life decisions, and entrepreneurs struggle to access capital because of damaged credit caused by medical debt. This reduces overall consumer spending, impacting businesses and economic growth.

By eliminating uncollectable medical debt for low-income individuals, this bill would inject new economic opportunity into our communities. It would allow people to focus on contributing to the workforce, making long-term financial decisions, and stimulating local economies instead of being trapped by past medical expenses. This is a smart investment in financial stability and economic recovery.

Sincerely,

Mike B. Pietsch
President and Chief Operating Officer
Title Guaranty of Hawai'i





Statement of
Meli James and Brittany Heyd
Cofounders
Mana Up

SB 1040 SD1, Relating to Medical Debt

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee,

We support SB 1040 SD1 which requires the Office of Wellness and Resilience to design, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive certain medical debt in the state.

Mana Up is a statewide initiative that helps provide entrepreneurs in Hawai'i with the resources and tools to grow their business and scale globally. As these entrepreneurs continue to grow, they also help contribute to our expanding our local economy. As part of our mission, we aim to sustain the local economy through economic diversification, local job creation, community giveback, investment, and a regenerative culture of entrepreneurship – providing a better future for generations to come here in Hawai'i.

We repeatedly hear from our entrepreneurs about how Hawai'i's high cost of living makes it difficult to thrive in our home, and the addition of medical debt makes that burden even greater. Medical debt is a heavy load for families in our state, forcing many to choose between paying for essential needs like food and rent or keeping up with medical bills. Unexpected health emergencies, even for those with insurance, can leave families facing thousands of dollars in debt they can't manage. This financial pressure disrupts family life, increases stress, and reduces chances for future success.

When families have to put medical bills ahead of other important expenses, it impacts the whole community. Children might go hungry, families could lose their homes, and opportunities for economic advancement stall. The constant worry about money affects people's productivity, education, and overall health.

By passing this bill, the state can help families struggling with this burden, allowing them to use their limited funds for stable housing, their kids' education, and contributing to the economy. This is more than just getting rid of debt—it's about restoring financial security and giving families the opportunity to succeed.

Sincerely,

Meli James | Cofounder, Mana Up
Brittany Heyd | Cofounder, Mana Up



**Testimony to
Senate Committee on Ways and Means
February 19, 2025
10:02 AM
Conference Room 211 & VIA videoconference
Hawai'i State Capitol
SB1040 SD1**

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

We write in support of SB 1040 SD1. This bill will require the Office of Wellness and Resilience to design, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owned by households with an income of less than 400% of the federal poverty level or with a medical debt balance that is 5% or more of the household income.

Established in 1904, Hawai'i Gas serves over 70,000 customers on all islands through its utility pipeline infrastructure and propane business, all of whom depend on the company for sustainable, reliable, and affordable gas for water heating, cooking, drying, and other commercial and industrial applications. The company employs some 350 professionals, over 75% of whom are under collective bargaining.

Medical debt is a major cause of financial trouble and poverty, hitting low-income families the hardest. When someone faces high medical costs, the debt can keep them stuck in a tough financial situation—making it hard to find a home, get a stable job, or save money. This burden makes it harder for people to improve their economic situation and worsens existing inequalities.

By passing this bill, the state can help tackle the main reasons behind financial insecurity. Forgiving medical debt for certain households will give them a chance to take charge of their finances, look for steady work, and participate more in the economy. This law would be an important step towards breaking the cycle of poverty and ensuring that medical debt doesn't permanently hinder financial recovery.

We urge you to support SB 1040 SD1, as it represents an investment Hawai'i.

Thank you for the opportunity to testify.

TORI RICHARD

February 19, 2025

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee,

We write in support SB 1040 SD1 and the design, implementation, and administration of a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owned by households with an income of less than 400% of the federal poverty level or with a medical debt balance that is 5% or more of the household income.

Tori Richard has manufactured in Honolulu for nearly 70 years, and we continue to proudly do so today. As a long-time medium-sized Hawai'i employer, we recognize the challenge high housing costs pose to everyone working to make ends meet in Hawai'i.

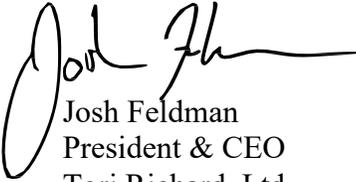
Our business is deeply committed to supporting Hawai'i's local workforce, but the growing costs of healthcare, and healthcare emergencies in particular, make it difficult for an average person to stay afloat with the high cost of living in the state.

Many individuals face overwhelming medical bills that they simply can't pay, often due to accidents, health issues, or emergencies that were beyond their control. When people find themselves deep in medical debt, they may avoid going to the doctor, skip necessary follow-up visits, or try to stretch their medications to save money. This can lead to worse health situations and more hospital visits that could have been prevented. Additionally, when people can't pay their debts, it raises costs for everyone, as these unpaid bills can affect the entire healthcare system.

Delaying medical care because of debt can turn small health problems into serious emergencies that are much more expensive to treat. This puts a strain on hospitals, increases costs for uncompensated care, and adds financial stress to public health programs. Forgiving medical debt not only eases the financial burden on individuals but also helps lower overall healthcare costs by encouraging people to get the timely care they need.

This proposed bill offers a sensible and affordable way to tackle this growing issue. Supporting medical debt relief would be an investment in better health for individuals, a more effective healthcare system, and a sturdier economy. I urge you to support SB 1040 SD1.

Sincerely,



Josh Feldman
President & CEO
Tori Richard, Ltd.

1891 NORTH KING STREET
HONOLULU, HAWAII 96819



holomua

COLLABORATIVE

OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

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Page 1 of 2

Committee: Senate Committee on Ways and Means
Bill Number: SB 1040 SD1, Relating to Medical Debt
Hearing Date and Time: February 19, 2025 at 10:02am (Room 211)
Re: Testimony of Holomua Collaborative in support

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

We write in support of SB 1040 SD1, Relating to Medical Debt. This bill requires the Office of Wellness and Resilience to design, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owned by households with an income of less than 400% of the federal poverty level or with a medical debt balance that is 5% or more of the household income. As noted in the bill's preamble, medical debt is a social determinant of health because patients with burdensome medical debt often delay the care they need, may experience problems obtaining employment and housing, have difficulty escaping poverty, and experience mental stress.

Our organization is devoted to finding ways to keep all local working families in Hawai'i by making sure they can afford to stay. Eliminating the medical debts for local families who cannot afford to pay it would help do just that. In a recent survey of 1500 local residents, around 60 percent of respondents expressed some level of worry about unanticipated healthcare expenses they cannot afford, with 10 percent worrying almost all the time that they would not be able to pay for such expenses.¹

The way this program works to address this problem makes economic sense, not just for the people whose debt will be forgiven, but for the broader Hawai'i economy. According to reporting from *Governing* magazine, "[a]cquiring medical debt is relatively cheap: hospitals that sell medical debt portfolios do so for just pennies on the dollar, usually to investors on the secondary market. The purchase price is so low because hospitals and debt buyers alike know that medical debt is the hardest form to collect. Nearly 60 percent of all debt held by collection agencies is medical debt owed by some 43 million households, according to the Consumer Financial Protection Bureau."²

This is why an increasing number of jurisdictions across the country have adopted the model. These jurisdictions have been partnering with nonprofits that purchase debt for pennies on the dollar and then forgive the debt. There are no administrative hurdles for community members to overcome. Recipients are simply sent a letter informing them their debt has been forgiven. In addition to the direct health and economic benefits for the families that are positively impacted, there are systemic benefits to the local economy, including:

¹ 2024 Affordability Survey, Holomua Collective.

² "These Local Governments are Using Federal Aid to Cancel Medical Debt," December 12, 2022 in *Governing* Magazine (<https://www.governing.com/finance/these-local-governments-are-using-federal-aid-to-cancel-medical-debt>).

- For some, medical debt may have prevented them from seeking necessary healthcare services due to financial constraints. By forgiving medical debt, people may be more likely to seek preventive care, treatments, or procedures they had previously delayed. This can lead to healthier communities, increased productivity, and reduced healthcare costs in the long term.
- Hospitals often must write off a portion of their accounts receivable as bad debt when patients are unable to pay. By proactively forgiving medical debt, hospitals can avoid or minimize these write-offs, rather than keeping them on their books for five to ten years, which can improve their financial position.
- Medical debt forgiveness can improve the financial stability of households, reducing stress and uncertainty about their financial situation. This stability can lead to increased confidence in making purchases, investments, or big-ticket items like homes or vehicles, which can further boost local economic activity.
- When people have medical debt forgiven, they have more disposable income available for other expenses. This can lead to increased spending on goods and services within their communities, supporting local businesses such as restaurants, retail stores, and service providers.
- Medical debt forgiveness can also have positive effects on local credit markets. When individuals have medical debt forgiven, it can improve their credit scores and financial profiles. This can lead to increased access to credit for individuals and businesses within the community, facilitating investments and economic growth.

Finally, we note that this program only benefits people who—realistically—will never be able pay these debts without submerging themselves in financial poverty. The leading national nonprofit engaged in this work, Undue Medical Debt, has a qualification program that is income-based. They only buy debt to forgive that meets at least one of two qualifications for relief: (1) those earning four times (4x) or below the federal poverty level; or (2) those whose medical debt is 5% or more of their annual income.³

In other words, this is not a handout. It is a safety net.

Overall, forgiving medical debt can provide direct financial relief to individuals while also generating positive ripple effects throughout local economies, ultimately contributing to economic growth and stability.

We appreciate the opportunity to testify in support of SB 1040 SD1.

Sincerely,



Josh Wisch
President & Executive Director

³ <https://unduemedicaldebt.org/solutions-to-buy-medical-debt/>



SENATE BILL 1040, SD1, RELATING TO MEDICAL DEBT

FEBRUARY 19, 2025 · WAM HEARING

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** SB 1040, SD1, relating to medical debt, which requires the Office of Wellness and Resilience to develop, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owed by certain households in the state.

According to the Lown Institute, a nonpartisan think tank that advocates for better health systems, medical debt has become an epidemic in the United States, amounting to an estimated \$220 billion, with 8.6 percent of American adults owing at least \$250 in medical debt in recent years. In Hawai'i, 2.3 percent of residents carry over \$250 worth of medical debt, according to an analysis of Survey of Income and Program Participation data from 2019 through 2021 performed by KFF. Approximately 1 in 10 residents have outstanding medical debt on their credit report, including many of our state's hardworking educators, and often despite having health insurance.

Lima Kokua has partnered with RIP Medical Debt Relief to purchase medical debt from debt collectors. As of April of 2024, the partnership had resulted in \$3,508,180 worth of relief for local families. RIP Medical Debt Relief has broken down the debt eliminated by county:

- Big Island: 533 recipients and \$517,584.34 abolished;

- Honolulu: 2241 recipients and \$1,206,598.32 abolished;
- Kauai: 91 recipients and \$76,872.11 abolished; and
- Maui: 2190 recipients and \$1,707,126.03 abolished.

While Lima Kokua originally intended to alleviate debt for Maui residents after the Lahaina wildfires, they soon extended the effort to the rest of the state. Nonetheless, this collaboration shows the need for medical debt relief in the islands, which the state could significantly expand through the establishment of a publicly-backed medical debt relief program.

As KFF stated in its policy brief “The burden of medical debt in the United States,” published on February 12, 2024: “Despite over 90 percent of the U.S. population having some form of health insurance, medical debt remains a persistent problem. For people and families with limited assets, even a relatively small unexpected medical expense can be unaffordable. For people with significant medical needs, medical debt may build up over time. People living with cancer, for example, have higher levels of debt than individuals who have never had cancer.”

High deductibles and other forms of cost sharing can contribute to individuals receiving medical bills that they are unable to pay, despite being insured. People with medical debt are often forced to reduce spending on food, clothing, and other household items, spending down their savings to pay for medical bills, borrowing money from friends or family members, or taking on additional debts. KFF polling found that 41 percent of adults have health care debt according to a broader definition, which includes health care debt on credit cards or owed to family members.

Contact: educationcaucusdph@gmail.com



Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: Senate Committee on Ways and Means
Re: SB 710 Relating to medical debt

Hawai'i State Capitol, Conference Room 211 & Via Videoconference
February 19, 2025, 10:02AM

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members,

On behalf of HCANSpeaks!, I am writing in support of SB 1040. This bill requires the Office of Wellness and Resilience to develop, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive medical debt owed by certain households in the State. Requires annual reports to the Legislature. Appropriates funds. Effective 12/31/2050.

This initiative is crucial for enhancing the well-being of our residents, as medical debt has been shown to adversely affect mental and physical health.

Research from the National Bureau of Economic Research ([NBER](#)) indicates that medical debt relief policies significantly reduce financial distress, leading to fewer bankruptcies, improved credit scores, and increased access to essential services. A study published in [JAMA](#) found that eliminating medical debt is associated with lower rates of stress-related illnesses, improved mental health outcomes, and greater financial stability, particularly for low-income households.

Mahalo for the opportunity to submit testimony in **support of SB 1040.**

Sincerely,
Noreen Kohl, Ph.D.
Policy Researcher and Advocate

SB-1040-SD-1

Submitted on: 2/16/2025 10:04:44 PM

Testimony for WAM on 2/19/2025 10:02:00 AM

Submitted By	Organization	Testifier Position	Testify
Ruth Love	Individual	Support	Written Testimony Only

Comments:

Medical debt often constitutes an overwhelming burden on people or families.

Thank you

Mrs Ruth Love