

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
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LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 1040, S.D. 2

March 12, 2025
9:00 a.m.
Room 329 and Videoconference

RELATING TO MEDICAL DEBT

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 1040, S.D. 2, adds a new section to Chapter 27, HRS, to require the Office of Wellness and Resilience (OWR) to develop, implement, and administer a medical debt acquisition and forgiveness program; set eligibility requirements for households participating in the program; set requirements for OWR in relation to the program for data collection and use, contracting, and reporting; and authorize OWR to receive direct appropriations, private funds, and federal funds to acquire and forgive outstanding medical debt. The bill also appropriates an unspecified amount of general funds for FY 26 and FY 27 for OWR to develop, implement, and administer the medical debt acquisition and forgiveness program.

B&F defers to OWR on the overall merits of this proposal; however, B&F strongly recommends first conducting a study to determine the costs and feasibility of the proposed medical debt acquisition and forgiveness program before proceeding to establish the program in statute.

Thank you for your consideration of our comments.



**STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY**
DEPARTMENT OF HEALTH - KA 'OIHANA OLAKINO

JOSH GREEN, M.D.
GOVERNOR OF HAWAII
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII

KENNETH S. FINK, MD, MGA, MPH
DIRECTOR OF HEALTH
KA LUNA HO'OKELE

JOHN C. (JACK) LEWIN, M.D.
ADMINISTRATOR

1177 Alakea St., #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

March 10, 2025

To: House Committee on Health
Representative Gregg Takayama, Chair
Representative Sue Keohokapu-Lee Loy, Vice Chair; and
Honorable Members

From: John C (Jack) Lewin MD, Administrator, SHPDA; and Senior Advisor to
Governor Green MD on Healthcare Innovation

Re: SB1040 SD2 – RELATING TO MEDICAL DEBT

Position: SUPPORT

Testimony:

SB1040 SD2 is an urgently needed bill. The United States is one of only a few OECD and developed nations to allow a healthcare system (or “non-system”) where citizens, many of whom have health insurance, can accumulate medical debt, which is the commonest form of personal bankruptcy.

Please support this bill and the Office of Wellness and Resilience to track and forgive medical debt as described in this measure.

In the meantime SHPDA will be working on healthcare reforms here and nationally to eliminate the need for and presence of medical debt for our citizens.

Mahalo for the opportunity to testify.

-- Jack Lewin MD, Administrator, SHPDA

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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 SD2 RELATING TO MEDICAL DEBT

Representative Gregg Takayama, Chair
Representative Sue Keohokapu-Loy, Vice Chair
House Committee on Health

March 12, 2025, at 9:00a.m., Room Number 329

The Office of Wellness and Resilience (OWR) in the Governor's Office **STRONGLY SUPPORTS** S.B. No. 1040 SD2, 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 research 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 SD2 allows an important opportunity for the Office 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



March 12, 2025 at 9:00 am
Conference Room 329

House Committee on Health

To: Chair Gregg Takayama
Vice Chair Sue L. Keohokapu-Lee Loy

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

Re: **Testimony in Support**
SB 1040 SD 2, 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.



To: The Honorable Greg Takayama, Chair
The Honorable Sue L. Keohokapu-Lee Loy, Vice Chair
Members, House Committee on Health

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

Date: March 12, 2025

Re: Support for SB1040 SD2 – 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.

The Queen's Health Systems supports SB1040 SD2, 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 SD2.

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.



TESTIMONY IN SUPPORT OF SB1040 SD2, RELATING TO MEDICAL DEBT

HOUSE COMMITTEE ON HEALTH MARCH 12, 2025

Aloha Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee on Health:

The Democratic Party of Hawai'i **SUPPORTS** SB1040 SD2, RELATING TO MEDICAL DEBT. The Democratic Party of Hawai'i's platform emphasizes the right to live a healthy life and access high-quality healthcare, regardless of one's ability to pay.

Medical debt often forces individuals to delay or forgo necessary care, which significantly impacts their overall wellbeing. This bill aims to alleviate that burden by acquiring and forgiving medical debt, thereby helping residents access the healthcare they need without financial stress. Specifically targeting households with incomes not exceeding 400% of the federal poverty level or those with medical debt exceeding 5% of their income, this bill ensures that healthcare is accessible to all. Moreover, medical debt can lead to severe mental health issues. By forgiving this debt, the bill addresses both financial and mental wellbeing, aligning with our commitment to holistic healthcare. Additionally, this bill helps reduce health disparities by ensuring that financial barriers do not prevent individuals from seeking necessary care, especially in rural and underserved communities.

Mahalo nui loa for the opportunity to testify in support of SB1040 SD2, RELATING TO MEDICAL DEBT. Should you have any questions or require further information, please contact the Democratic Party of Hawai'i at legislation@hawaiidemocrats.org.



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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President & Executive Director

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HolomuaCollaborative.org

Page 1 of 2

Committee: House Committee on Health
Bill Number: SB 1040 SD2, Relating to Medical Debt
Hearing Date and Time: March 12, 2025 at 9:00am (Room 329)
Re: Testimony of Holomua Collaborative in support

Aloha Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee:

We write in support of SB 1040 SD2, 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:

- 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

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>).

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 SD2.

Sincerely,



Josh Wisch
President & Executive Director

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



TO: HOUSE COMMITTEE ON HEALTH
The Honorable Gregg Takayama, Chair
The Honorable Sue L. Keohokapu-Lee Loy, Vice Chair, and
Members of the Committee

FROM: Micah A. Kāne, CEO & President

DATE: March 12, 2025

RE: Testimony in Support for SB1040 SD2, Relating to Medical Debt
Date: Wednesday, March 12, 2025 at 9:00am
Place: Hearing Room 329

The Hawai'i Community Foundation (HCF) supports SB 1040 SD2, 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 SD2 is an innovative solution that will impact our most financially vulnerable residents, and HCF supports it.



TITLE GUARANTY
HAWAII

March 12, 2025

Testimony in support of SB 1040 SD2, Relating to Medical Debt

Aloha Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

We write in support of SB 1040 SD2, 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





**Testimony to
House Committee on Health
March 12, 2025
9:00 AM
Conference Room 329 & VIA videoconference
Hawai'i State Capitol
SB1040 SD2**

Aloha Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

We write in support of SB 1040 SD2. 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 SD2, as it represents an investment Hawai'i.

Thank you for the opportunity to testify.



Statement of
Meli James and Brittany Heyd
Cofounders
Mana Up

SB 1040 SD2, Relating to Medical Debt

Aloha Chair Takayama, Vice Chair Keohokapu-Lee Loy, and members of the Committee,

We support SB 1040 SD2 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

TORI RICHARD

March 12, 2025

Aloha Chair Takayama, Vice Chair Keohokapu-Lee Loy, and members of the Committee,

We write in support SB 1040 SD2 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.

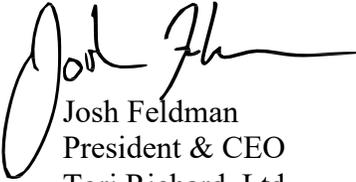
Our business is deeply committed to supporting Hawai'i's local workforce, but the growing costs of healthcare, and healthcare emergencies in particular, make it difficult for an average person to stay afloat with the high cost of living in the state.

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 SD2.

Sincerely,



Josh Feldman
President & CEO
Tori Richard, Ltd.

1891 NORTH KING STREET
HONOLULU, HAWAII 96819



March 10, 2025

TO: House Committee on Health

RE: SUPPORT – SB 1040, Relating to Medical Debt

Chair and members of the Committee:

We encourage you to support SB 1040 relating to medical debt on behalf of those living with or in remission from blood cancer.

SB 1040 offers a practical route for families to prevent unforeseen financial challenges when hospitalized, avoiding the risk of being pushed deeper into a cycle of debt and poverty.

The Leukemia & Lymphoma Society® (LLS) is a global leader in the fight against cancer. The LLS mission: Cure leukemia, lymphoma, Hodgkin's disease and myeloma, and improve the quality of life of patients and their families. LLS funds lifesaving blood cancer research around the world, provides free information and support services, and is the voice for all blood cancer patients seeking access to quality, affordable, coordinated care.

Patients feel trapped by medical debt. According to a recent [national survey](#), nearly 7 in 10 U.S. adults say they receive medical bills they cannot afford. Many are forced to delay paying the bill, put it on a credit card, or challenge the bill. 74% of those with past or present medical debt have experienced negative impacts as a result. More than 4 in 10 delayed medical care because they did not want to go further into debt. And 32% of Americans say they became more depressed and anxious due to their medical debt.

Paying for incurred medical debt is a significant first step for governments. And there is even more we can do together to address medical debt. **We encourage the legislature to consider other additional measures that protect and prevent patients from the most harmful impacts of medical debt.** These include protecting wages and assets, preventing lawsuits against patients for medical debt, or screening patients for charity care.

Strong bipartisan support exists for action to protect consumers from medical debt and high healthcare costs. We thank you in advance for your consideration and urge your support of SB 1040.

Thank you.



House Committee on Health
Rep. Gregg Takayama, Chair
Rep. Sue L. Keohokapu-Lee Loy, Vice Chair

Hearing Date: Wednesday, March 12, 2025

ACS CAN SUPPORTS SB 1040 SD2: 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 SD2: 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.

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 adds to their already heavy cost burden. In Hawai'i, patients located on the neighbor islands may also 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 SD2. 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 because 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



HAWAII HEALTH &
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*"Reducing harm,
promoting health,
creating wellness, and
fighting stigma
in Hawai'i and
the Pacific."*

TESTIMONY IN SUPPORT OF SB 1040, SD 2

TO: Chair Takayama, Vice Chair Keohokapu-Lee Loy, & HLT
Committee Members

FROM: Nikos Leverenz, Policy & Advancement Manager

DATE: March 12, 2025 (9:00 AM)

Health & Harm Reduction Center (HHHRC) **strongly supports** SB 1040, SD 2. This bill requires the Office of Wellness & Resilience to develop, implement, and administer a Medical Debt Acquisition and Forgiveness Program.

[Income is the foremost determinant of health. As noted by a February 2024 brief by the Peterson-KFF Health System Tracker,](#) medical debt "can happen to almost anyone in the United States, but this debt is most pronounced among people who are already struggling with poor health, financial insecurity, or both." Many do not have enough liquid assets to meet deductibles or out-of-pocket maximums. Medical debt also disproportionately impacts adults living with disabilities (13% vs. 6%).

Regardless of income, health, disability, or financial status, "people with medical debt report cutting 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."

HHHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawai'i and the Pacific. We work with many individuals who are impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those relating to substance use and underlying mental health conditions. Many of our clients and participants have been deeply impacted by trauma, including histories of physical, sexual, and psychological abuse.

Thank you for the opportunity to testify on this measure.



SENATE BILL 1040, SD2, RELATING TO MEDICAL DEBT

MARCH 12, 2025 · HLT HEARING

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** SB 1040, SD2, 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;

**Kris Coffield, Chairperson • Camron Hurt, Vice Chairperson •
Amy Perruso and Justin Hughey, SCC Members**

- 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 • 808-679-7454



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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: March 11, 2025

To: Rep. Gregg Takayama, Chair
Rep. Sue L. Keohokapu-Lee Loy, Vice Chair
Members of the House Committee on Health

RE: Support for SB 1040 SD2, Relating To Medical Debt

Hrg: Wednesday, March 12, 2025, at 9:00 AM, Conference Room 329

Hawai'i Public Health Institute,¹ **supports SB 1040 SD2**, 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, SD2, to prevent medical debt from continuing to undermine the financial security of our state's hardworking 'ohana.

Mahalo,

A handwritten signature in black ink that reads 'Nate Hix'.

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/>

Testimony in SUPPORT of SB 1040 - RELATING TO MEDICAL DEBT

Dear Honorable Members of the Committee,

I am writing to express my strong SUPPORT for SB 1040, which proposes the creation of a Medical Debt Acquisition and Forgiveness Program administered by the Office of Wellness and Resilience. This legislation is an important and much-needed step toward addressing the growing crisis of medical debt in our state, which disproportionately affects vulnerable households and contributes to significant financial strain and hardship.

Medical debt has become a major barrier to financial stability for many families. For some, unexpected medical emergencies or chronic health conditions can result in overwhelming debt, even when they have health insurance. As medical costs continue to rise, many residents face the difficult choice between paying for healthcare or meeting basic living expenses. This financial burden has far-reaching consequences, not only on the individuals affected but also on the community at large. Studies have shown that medical debt is a leading cause of bankruptcy and can significantly undermine individuals' mental and physical well-being.

SB 1040 provides a thoughtful and practical solution by establishing a program to acquire and forgive medical debt for qualifying households. By doing so, this bill will directly alleviate financial stress and improve the overall health and resilience of individuals and families across our state. It ensures that individuals who are burdened by medical debt, especially those in vulnerable populations, have an opportunity to recover financially, rather than facing perpetual financial strain.

The proposed program is also an effective way to address the systemic issue of medical debt in a holistic manner. By including provisions for the annual reporting of the program's progress and outcomes, the bill ensures that the Legislature and the public can track its effectiveness and ensure that it meets the needs of those who are most impacted. This transparency will allow for ongoing improvements and adjustments to the program, ensuring it remains responsive to the needs of the community.

Furthermore, the allocation of state funds to this initiative is a prudent investment in the well-being of our residents. By providing financial relief to households struggling with medical debt, the state will see a positive ripple effect in the form of improved financial stability, better health outcomes, and a reduction in the negative consequences associated with financial distress.

In addition to its direct benefits to individuals and families, SB 1040 promotes a more compassionate and equitable approach to healthcare and financial well-being. It acknowledges that access to healthcare should not result in financial ruin and ensures that residents are not burdened with medical debt that may take decades to repay. It is a significant step forward in supporting the economic and emotional resilience of our communities.

I respectfully urge the committee to pass SB 1040 and support the creation of the Medical Debt Acquisition and Forgiveness Program. This legislation will bring much-needed relief to households in our state and create a more just and equitable system for addressing medical debt.

Thank you for your time and consideration.

Sincerely,
Tristine Rodrigues