

JAN 17 2025

A BILL FOR AN ACT

RELATING TO MEDICAL DEBT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that medical debt has
2 become a widespread issue across the United States.
3 Approximately four out of every ten Americans, including
4 individuals with health insurance, have some form of medical
5 debt. According to a 2022 report from the Peterson-KFF Health
6 System Tracker, approximately three million Americans have
7 medical debt in amounts exceeding \$10,000. Although Hawaii
8 residents generally have less medical debt than residents in
9 other states, approximately one in ten residents have
10 outstanding medical debt on their credit report. In other
11 states and cities that have acquired and forgiven unpaid medical
12 debt, most of the forgiven debt was owed by those with health
13 insurance, indicating that many families in the State may also
14 have medical debt, despite having health insurance coverage.

15 The legislature also finds that medical debt is a social
16 determinant of health as patients with burdensome medical debt
17 often delay the care they need, may experience issues obtaining



1 employment and housing, have difficulty escaping poverty, and
2 experience increased mental stress. The legislature recognizes
3 that due to the significant amount of outstanding debt owed to
4 hospitals and service providers, a secondary market has emerged
5 in which commercial debt buyers purchase outstanding and dormant
6 debt owed to health care providers and take aggressive action to
7 collect from families who find themselves unable to pay, further
8 exacerbating the severity of the medical debt crisis.

9 The legislature further finds that other states and cities
10 in the United States have partnered with a nonprofit
11 organization that has successfully purchased billions of dollars
12 in medical debt from health care providers and collection
13 agencies for about 0.01 per cent of the overall cost and
14 abolished the respective patients' debts altogether. Health
15 care providers whose owed debt is sold to third parties for
16 abolishment can equally benefit by receiving revenue for dormant
17 patient accounts, while mitigating the effects of social
18 determinant of health and enhancing community well-being.

19 Accordingly, the purpose of this Act is to require the
20 office of wellness and resilience to develop, implement, and



1 administer a program to acquire and forgive outstanding medical
2 debt.

3 SECTION 2. (a) The office of wellness and resilience
4 shall develop, implement, and administer a medical debt
5 acquisition and forgiveness program to acquire and forgive
6 outstanding medical debt for households in the State.

7 (b) The program shall:

8 (1) Acquire and forgive the medical debt of households
9 with a household income not to exceed four hundred per
10 cent of the federal poverty level for the State, or
11 households with a medical debt balance greater than or
12 equal to five per cent of their household income; and

13 (2) Ensure that any specific personal identifying
14 information or health data is collected in compliance
15 with the Health Insurance Portability Act and
16 Accountability of 1996, as amended, and is used for no
17 purpose other than the acquisition and forgiveness of
18 medical debt, and provision of financial education,
19 insurance, preventative measures, or similar
20 assistance.



1 (c) The office of wellness and resilience shall contract
2 with an entity with demonstrated experience and success
3 partnering with hospitals and the Hawaii health systems
4 corporation or any of its regional systems in acquiring and
5 forgiving outstanding medical debt on behalf of state and
6 municipal governments.

7 (d) The office of wellness and resilience may receive
8 appropriations from the legislature, private funds, federal
9 funds for the purpose of acquiring and forgiving outstanding
10 medical debt for the purposes of this Act.

11 (e) The office of wellness and resilience shall submit a
12 report of its findings and recommendations on the medical debt
13 acquisition and forgiveness program, including its progress, to
14 the legislature no later than twenty days prior to the convening
15 of each regular session. The report shall also include an
16 analysis of actions taken by other states in the preceding year
17 which are reasonably related to the cancellation of medical
18 debt, including prohibiting medical debt from appearing on
19 credit reports, and any related recommendations, including any
20 proposed legislation.



1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$ or so
3 much thereof as may be necessary for fiscal year 2025-2026 and
4 the same sum or so much thereof as may be necessary for fiscal
5 year 2026-2027 for the development, implementation, and
6 administration of the medical debt acquisition and forgiveness
7 program established pursuant to section 2 of this Act.

8 The sums appropriated shall be expended by the office of
9 wellness and resilience for the purposes of this Act.

10 SECTION 4. This Act shall take effect on July 1, 2026;
11 provided that section 3 shall take effect on July 1, 2025.

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INTRODUCED BY:

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S.B. NO. 1040

Report Title:

Office of Wellness and Resilience; Medical Debt Acquisition and Forgiveness Program; Reports; Appropriations

Description:

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 7/1/2026.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

