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# 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 determinants 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. Chapter 27, Hawaii Revised Statutes, is amended  
4 by adding a new section to part IX to be appropriately  
5 designated and to read as follows:

6 "§27- Medical debt acquisition and forgiveness program.

7 (a) The office of wellness and resilience shall develop,  
8 implement, and administer a medical debt acquisition and  
9 forgiveness program to acquire and forgive outstanding medical  
10 debt for households in the State.

11 (b) The program shall:

12 (1) Acquire and forgive the medical debt of households  
13 having a household income not to exceed four hundred  
14 per cent of the federal poverty level for the State,  
15 or households having a medical debt balance greater  
16 than or equal to five per cent of the household's  
17 income; and

18 (2) Ensure that any specific personal identifying  
19 information or health data is collected in compliance  
20 with the Health Insurance Portability and  
21 Accountability Act of 1996, as amended, and is used



1           for no purpose other than the acquisition and  
2           forgiveness of medical debt, or the provision of  
3           financial education, insurance, preventative measures,  
4           or similar assistance.

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

11          (d) The office of wellness and resilience may receive  
12          appropriations from the legislature, private funds, or federal  
13          funds for the purpose of acquiring and forgiving outstanding  
14          medical debt pursuant to this Act.

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



1 including prohibiting medical debt from appearing on credit  
2 reports; any related recommendations; and any proposed  
3 legislation."

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

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

13 SECTION 4. New statutory material is underscored.

14 SECTION 5. This Act shall take effect on December 31,  
15 2050; provided that section 3 shall take effect on July 1, 2025.



S.B. NO. 1040  
S.D. 2

**Report Title:**

OWR; 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 12/31/2050. (SD2)

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

