

JAN 17 2025

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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 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.

12  
INTRODUCED BY: \_\_\_\_\_



# 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.*

